



FY2012 Second Quarter Consolidated Financial Results [Japanese GAAP]

(April 1, 2011 through September 30, 2011)

October 27, 2011

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) 3238-8561
 Expected reporting date of quarterly security report : November 11, 2011
 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 FY2012 Second Quarter (April 1, 2011 through September 30, 2011)

(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)	%
FY2012 second quarter	67,906	1.5	3,453	38.8	3,431	18.2
FY2011 second quarter	66,875	5.4	2,487	7.4	2,903	14.7

(Note) Comprehensive income: FY2012 second quarter 2,538 million yen(—%), FY2011 second quarter (1,597) million yen(—%)

	Net income		Net income per share-basic	Net income per share-diluted
	(Millions of yen)	%	(Yen)	(Yen)
FY2012 second quarter	2,878	—	112.48	98.87
FY2011 second quarter	(2,099)	—	(83.23)	—

(2) Consolidated financial position

	Total assets		Net assets	Equity ratio
	(Millions of yen)		(Millions of yen)	%
FY2012 second quarter	123,635		76,630	61.3
FY2011	121,951		73,150	59.4

(Reference) Equity capital: FY2012 second quarter 75,820 million yen, FY2011 72,479 million yen

2. Cash dividends

	Cash dividend per share				
	First quarter	Second quarter	Third quarter	Year-End	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY2011	—	0.00	—	35.00	35.00
FY2012	—	0.00	—	—	—
FY2012 (Forecast)	—	—	—	35.00	35.00

(Note) Revision of cash dividend forecast for FY2012 most recently announced: None

3. Consolidated Forecast for FY2012 (April 1, 2011 through March 31, 2012)

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

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
FY2012	142,000	1.4	8,500	9.1	8,800	2.7

	Net income		Net income per share
	(Millions of yen)	%	(Yen)
FY2012	6,500	2.1	258.00

(Note) Revision of consolidated forecast for FY2012 most recently announced: None

4. Others

- (1) Changes in the significant subsidiaries during this period (Accompanying changes in scope of the consolidation):
None
- (2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policy, accounting estimates and restatement of prior period financial statements
 - (a) Changes in accounting policy accompanying revisions of accounting standards, etc.: None
 - (b) Changes in accounting policy due to other than the above: None
 - (c) Changes in accounting estimates: None
 - (d) Restatement of prior period financial statements after error corrections: None
- (4) Outstanding shares (Common stock)
 - (a) Number of shares issued and outstanding at the end of each period (including treasury stock):
FY2012 second quarter 27,260,800 shares, FY2011 27,260,800 shares
 - (b) Number of treasury stock at the end of each period:
FY2012 second quarter 1,377,438 shares, FY2011 2,107,214 shares
 - (c) Number of weighted-average number of shares issued and outstanding for each six-month period:
FY2012 second quarter 25,592,305 shares, FY2011 second quarter 25,226,739 shares

Indication of quarterly review procedure implementation status

This quarterly financial result is exempt from quarterly review procedure based on 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 FY2012" and other note

The forward-looking statements including forecasts contained in these documents are based on information available at the time of preparation and on certain assumptions deemed to be reasonable. Actual financial and other results may differ substantially due to various factors.

Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	FY2011	FY2012 Second quarter
	(As of March 31, 2011)	(As of September 30, 2011)
Assets		
Current assets		
Cash and deposits	26,174	21,463
Notes and accounts receivable-trade	32,852	32,069
Short-term investment securities	—	1,772
Inventories	12,473	13,496
Deferred tax assets	3,884	4,109
Other	2,708	3,378
Allowance for doubtful accounts	(151)	(144)
Total current assets	77,942	76,145
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,227	8,448
Tools, furniture and fixtures, net	1,308	1,513
Land	10,530	10,530
Other, net	1,814	651
Total property, plant and equipment	19,880	21,144
Intangible assets		
Goodwill	671	572
Other	1,796	1,937
Total intangible assets	2,468	2,510
Investments and other assets		
Investment securities	11,678	13,994
Deferred tax assets	2,238	2,178
Other	8,073	7,934
Allowance for doubtful accounts	(331)	(272)
Total investments and other assets	21,659	23,835
Total noncurrent assets	44,008	47,490
Total assets	121,951	123,635

(Millions of yen)

	FY2011 (As of March 31, 2011)	FY2012 Second quarter (As of September 30, 2011)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,202	15,858
Short-term loans payable	573	557
Income taxes payable	1,755	668
Provision for bonuses	1,356	1,364
Provision for sales returns	3,526	3,436
Other	9,179	10,023
Total current liabilities	33,593	31,908
Noncurrent liabilities		
Bonds with subscription rights to shares	11,000	11,000
Long-term loans payable	33	8
Deferred tax liabilities	353	265
Provision for retirement benefits	2,200	2,275
Other	1,619	1,548
Total noncurrent liabilities	15,206	15,097
Total liabilities	48,800	47,005
Net assets		
Shareholders' equity		
Capital stock	26,330	26,330
Capital surplus	27,704	27,375
Retained earnings	27,907	29,898
Treasury stock	(6,014)	(3,932)
Total shareholders' equity	75,928	79,671
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(686)	(908)
Revaluation reserve for land	(256)	(256)
Foreign currency translation adjustment	(2,505)	(2,685)
Total accumulated other comprehensive income	(3,449)	(3,850)
Minority interests	671	809
Total net assets	73,150	76,630
Total liabilities and net assets	121,951	123,635

(2) Consolidated quarterly statements of operations

(Millions of yen)

	FY2011 Second quarter (April 2010 through September 2010)	FY2012 Second quarter (April 2011 through September 2011)
Net sales	66,875	67,906
Cost of sales	50,228	49,740
Gross profit	16,647	18,165
Reversal of provision for sales returns	3,806	3,526
Provision for sales returns	3,440	3,436
Gross profit-net	17,013	18,255
Selling, general and administrative expenses	14,525	14,801
Operating income	2,487	3,453
Non-operating income		
Interest income	40	23
Dividends income	106	95
Amortization of negative goodwill	44	40
Equity in earnings of affiliates	23	10
Gain on valuation of compound financial instruments	156	—
Insurance income	5	20
Gain on sales of used papers	78	76
Other	48	95
Total non-operating income	504	362
Non-operating expenses		
Interest expenses	80	76
Loss on valuation of compound financial instruments	—	294
Other	8	14
Total non-operating expenses	88	384
Ordinary income	2,903	3,431
Extraordinary income		
Gain on sales of noncurrent assets	3	5
Gain on sales of subsidiaries and affiliates' stocks	0	—
Gain on sales of memberships	1	—
Gain on revision of retirement benefit plan	—	19
Total extraordinary income	4	24
Extraordinary loss		
Loss on sales of noncurrent assets	0	0
Loss on retirement of noncurrent assets	47	149
Loss on valuation of investment securities	2,605	9
Loss on valuation of investments in capital	—	8
Loss on valuation of membership	5	10
Special retirement expenses	14	11
Loss on adjustment for changes of accounting standard for asset retirement obligations	408	—
Total extraordinary losses	3,080	189
Income (loss) before income taxes and minority interests	(172)	3,266
Income taxes	1,877	325
Income (loss) before minority interests	(2,049)	2,940
Minority interests in income	49	62
Net income (loss)	(2,099)	2,878

(3) Consolidated quarterly statements of comprehensive income

(Millions of yen)

	FY2011 Second quarter	FY2012 Second quarter
	(April 2010 through September 2010)	(April 2011 through September 2011)
Income (loss) before minority interests	(2,049)	2,940
Other comprehensive income		
Valuation difference on available-for-sale securities	1,273	(221)
Foreign currency translation adjustment	(801)	(180)
Share of other comprehensive income of associates accounted for using equity method	(19)	(0)
Total other comprehensive income	452	(402)
Comprehensive income	(1,597)	2,538
Comprehensive income attributable to:		
Owners of the parent	(1,626)	2,477
Minority interests	28	61

(4) Consolidated quarterly statements of cash flows

(Millions of yen)

	FY2011 Second quarter (April 2010 through September 2010)	FY2012 Second quarter (April 2011 through September 2011)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(172)	3,266
Depreciation and amortization	942	936
Amortization of goodwill	170	58
Increase (decrease) in provision for retirement benefits	46	75
Interest and dividends income	(146)	(118)
Interest expenses	80	76
Equity in (earnings) losses of affiliates	(23)	(10)
Loss (gain) on valuation of investment securities	2,605	9
Decrease (increase) in notes and accounts receivable-trade	3,007	1,979
Decrease (increase) in inventories	(605)	(1,021)
Increase (decrease) in notes and accounts payable-trade	(1,529)	(1,632)
Other, net	(1,241)	(834)
Subtotal	3,133	2,783
Interest and dividends income received	205	139
Interest expenses paid	(79)	(76)
Income taxes paid	(2,320)	(1,375)
Net cash provided by (used in) operating activities	939	1,470
Cash flows from investing activities		
Decrease (increase) in time deposits	2,264	(99)
Purchase of short-term investment securities	—	(606)
Purchase of property, plant and equipment	(649)	(1,771)
Purchase of intangible assets	(277)	(502)
Purchase of investment securities	(459)	(3,137)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	8	—
Proceeds from cancellation of insurance funds	409	120
Other, net	98	(11)
Net cash provided by (used in) investing activities	1,394	(6,007)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(267)	(6)
Purchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	—	1,716
Cash dividends paid	(756)	(880)
Other, net	(72)	29
Net cash provided by (used in) financing activities	(1,096)	859
Effect of exchange rate change on cash and cash equivalents	(304)	(134)
Net increase (decrease) in cash and cash equivalents	932	(3,812)
Cash and cash equivalents at beginning of period	21,747	26,007
Cash and cash equivalents at end of period	22,680	22,195

(5) Notes on Premise of Going Concern

Not applicable

(6) Segment Information

Kadokawa Group Holdings, Inc. (“the Company”) does not present segment information by reportable segment, as the Company and its’ consolidated subsidiaries (“the Companies”) operate in one business category, “Content business”, namely publications, films and others which is created, produced, purchased and soled by the Companies.

(7) Notes on Significant Changes in Shareholders’ Equity

Based on resolution of board of directors held on May 26, 2011, the Company disposed treasury stock to allocate to Dwango Co., Ltd. by third party allotment on June 13, 2011.

Thus the amount of treasury stock, capital surplus and retained earnings decreased 2,082 million yen, 329 million yen and 36 million yen, respectively than previous year-end. As a result, the amount of shareholders’ equity increased 1,716 million yen than previous year-end.

(8) Subsequent Events

(Acquisition of a company by share purchase)

The Company resolved to acquire all outstanding shares of Media Factory, Inc. at the board of directors held on October 12, 2011, and signed a contract of stock transfer with Recruit Co., Ltd. on the same day.

(a) Counterparty of share acquisition
Recruit Co., Ltd.

(b) Outline of company to be acquired

Company name:	Media Factory, Inc.
Business description:	Publishing of magazines and books Animation, Visuals and Music Merchandising
Capital stock:	100 million yen

(c) Expected acquisition date
November 15, 2011

(d) Number of shares to be acquired, acquisition cost and ownership ratio after acquisition

Number of shares to be acquired:	3,150 shares
Acquisition cost:	8,000 million yen
Ownership ratio after acquisition:	100%

(e) Methods of funding
Funds on hand