



FY2010 Third Quarter Financial Results

(April 1, 2009 through December 31, 2009)

January 29, 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 and COO
 Contact person : Yasuaki Takayama, Director and General Manager
 Tel. (03) 3238-8710
 Expected reporting date of quarterly security report : February 12, 2010
 Expected starting date of divided payment : —

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results of FY2010 Third Quarter (April 1, 2009 through December 31, 2009)

(1) Consolidated operating results (nine-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 Third Quarter	99,014	(7.1)	2,874	6.7	3,122	(5.5)
FY2009 Third Quarter	106,616	—	2,694	—	3,304	—

	Net income		Net income per share-basic		Net income per share-diluted	
	(Millions of yen)	%	(Yen)	(Yen)	(Yen)	(Yen)
FY2010 Third Quarter	54	—	2.17	—	—	—
FY2009 Third Quarter	(3,475)	—	(135.63)	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
FY2010 Third Quarter	117,334	66,108	55.7	2,591.63
FY2009	123,176	67,510	54.2	2,649.06

(Reference) Equity capital: FY2010 Third Quarter 65,362 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	133,000	(6.1)	4,000	12.2	4,000	(1.5)

	Net income		Net income per share	
	(Millions of yen)	%	(Yen)	(Yen)
FY2010	600	—	23.00	—

(Note) Revision of consolidated forecast for FY2010 during this period: Yes

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 Third quarter 27,260,800 shares, FY2009 27,260,800 shares
 - (b) Number of treasury stock at the end of each period:
FY2010 Third quarter 2,040,188 sharers, FY2009 2,040,248 shares
 - (c) Number of weighted-average number of shares issued and outstanding for each nine-month period:
FY2010 Third quarter 25,220,583 sharers, FY2009 Third quarter 25,625,783 shares

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

1. The forecast for FY2010 announced at April 28, 2009 have changed. For details, please see document disclosed today.
2. 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 Third quarter	FY2009
	(As of December 31, 2009)	(As of March 31, 2009)
Assets		
Current assets		
Cash and deposits	17,764	25,611
Notes and accounts receivable-trade	38,747	33,118
Short-term investment securities	—	1,497
Inventories	12,451	9,181
Deferred tax assets	1,183	1,654
Other	2,660	3,118
Allowance for doubtful accounts	(225)	(184)
Total current assets	72,581	73,998
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,744	7,064
Tools, furniture and fixtures, net	1,407	1,530
Land	10,541	10,509
Other, net	525	421
Total property, plant and equipment	19,219	19,524
Intangible assets		
Goodwill	352	602
Other	2,248	2,446
Total intangible assets	2,601	3,048
Investments and other assets		
Investment securities	13,351	14,016
Deferred tax assets	1,151	931
Other	8,932	12,051
Allowance for doubtful accounts	(502)	(395)
Total investments and other assets	22,933	26,604
Total noncurrent assets	44,753	49,177
Total assets	117,334	123,176

(Millions of yen)

	FY2010 Third quarter	FY2009
	(As of December 31, 2009)	(As of March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,392	19,284
Short-term loans payable	1,410	4,410
Current portion of bonds	—	11,400
Income taxes payable	1,072	2,230
Provision for bonuses	814	1,177
Provision for sales returns	3,802	3,305
Other	9,422	9,234
Total current liabilities	34,914	51,042
Noncurrent liabilities		
Bonds with subscription rights to shares	11,000	—
Long-term loans payable	709	939
Deferred tax liabilities	682	676
Provision for retirement benefits	2,358	2,007
Other	1,561	999
Total noncurrent liabilities	16,311	4,623
Total liabilities	51,226	55,665
Net assets		
Shareholders' equity		
Capital stock	26,330	26,330
Capital surplus	27,704	27,704
Retained earnings	20,977	21,679
Treasury stock	(5,878)	(5,879)
Total shareholders' equity	69,134	69,835
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,881)	(1,585)
Revaluation reserve for land	(256)	(256)
Foreign currency translation adjustment	(1,632)	(1,182)
Total valuation and translation adjustments	(3,771)	(3,025)
Minority interests	745	699
Total net assets	66,108	67,510
Total liabilities and net assets	117,334	123,176

(2) Consolidated quarterly statements of operations

(Millions of yen)

	FY2009 Third quarter (April 2008 through December 2008)	FY2010 Third quarter (April 2009 through December 2009)
Net sales	106,616	99,014
Cost of sales	80,001	74,225
Gross profit	26,614	24,789
Reversal of provision for sales returns	3,190	3,818
Provision for sales returns	3,541	3,796
Gross profit-net	26,263	24,811
Selling, general and administrative expenses	23,569	21,936
Operating income	2,694	2,874
Non-operating income		
Interest income	307	124
Dividends income	208	187
Amortization of negative goodwill	57	61
Gain on valuation of compound financial instruments	—	77
Insurance income	208	163
Gain on sales of used papers	176	99
Other	105	180
Total non-operating income	1,064	893
Non-operating expenses		
Interest expenses	83	94
Equity in losses of affiliates	254	505
Loss on valuation of compound financial instruments	96	—
Other	20	46
Total non-operating expenses	454	645
Ordinary income	3,304	3,122
Extraordinary income		
Gain on sales of noncurrent assets	506	8
Gain on change in equity	15	—
Gain from settlement of beneficial interest in trust	113	—
Total extraordinary income	635	8
Extraordinary loss		
Loss on sales of noncurrent assets	90	—
Loss on retirement of noncurrent assets	66	41
Impairment loss	—	39
Loss on sales of investment securities	70	—
Loss on valuation of investment securities	3,671	164
Loss on change in equity	—	80
Loss on litigation	59	—
Retirement benefit expenses for prior periods	—	278
Total extraordinary losses	3,957	603
Income (loss) before income taxes and minority interests	(17)	2,526
Income taxes	3,398	2,407
Minority interests in income	60	64
Net income (loss)	(3,475)	54

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

FY2009 Third quarter	FY2010 Third quarter
(April 2008 through December 2008)	(April 2009 through December 2009)

Cash flows from operating activities

Income (loss) before income taxes and minority interests	(17)	2,526
Depreciation and amortization	1,650	1,463
Amortization of goodwill	848	188
Increase (decrease) in provision for retirement benefits	88	334
Interest and dividends income	(516)	(312)
Interest expenses	83	94
Equity in (earnings) losses of affiliates	254	505
Loss (gain) on valuation of investment securities	3,767	164
Decrease (increase) in notes and accounts receivable-trade	(5,280)	(3,812)
Decrease (increase) in inventories	(170)	(2,745)
Increase (decrease) in notes and accounts payable-trade	(1,425)	(1,356)
Other, net	(1,609)	(425)
Subtotal	(2,328)	(3,375)
Interest and dividends income received	548	333
Interest expenses paid	(81)	(101)
Income taxes paid	(4,429)	(2,984)
Net cash provided by (used in) operating activities	(6,289)	(6,127)

Cash flows from investing activities

Decrease (increase) in time deposits	(38)	543
Purchase of short-term investment securities	(1,998)	—
Proceeds from sales and redemption of securities	2,000	500
Purchase of property, plant and equipment	(1,185)	(429)
Proceeds from sales of property, plant and equipment	1,442	9
Purchase of intangible assets	(722)	(456)
Purchase of investment securities	(250)	(108)
Proceeds from sales of investment securities	35	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 redemption of trust beneficiary right	1,000	—
Proceeds from cancellation of insurance funds	—	1,336
Other, net	(69)	(69)
Net cash provided by (used in) investing activities	(738)	199

Cash flows from financing activities

Increase (decrease) in short-term loans payable	—	(2,997)
Proceeds from issuance of bonds	—	11,000
Redemption of bonds	—	(11,400)
Purchase of treasury stock	(1,075)	(0)
Cash dividends paid	(798)	(756)
Other, net	(404)	(199)
Net cash provided by (used in) financing activities	(2,277)	(4,354)

Effect of exchange rate change on cash and cash equivalents

(622)	(320)
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Net increase (decrease) in cash and cash equivalents

(9,927)	(10,602)
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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

19,216	15,975
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(4) Notes on Premise of Going Concern

Not applicable

(5) Business Segment Information

FY2009 Third Quarter (April 2008 through December 2008)

(Millions of yen)

	Publication	Movie/ Visual	Cross Media	Others	Total	Elimination and/or Corporate	Consolidated
Sales							
(1) Outside customers	53,522	26,134	20,579	6,380	106,616	—	106,616
(2) Inter-segment	820	180	510	1,820	3,332	(3,332)	—
Total sales	54,343	26,314	21,090	8,200	109,948	(3,332)	106,616
Operating income (loss)	3,809	(854)	230	349	3,535	(840)	2,694

FY2010 Third Quarter (April 2009 through December 2009)

(Millions of yen)

	Publication	Movie/ Visual	Cross Media	Others	Total	Elimination and/or Corporate	Consolidated
Sales							
(1) Outside customers	53,319	22,088	17,798	5,808	99,014	—	99,014
(2) Inter-segment	1,041	112	306	1,394	2,854	(2,854)	—
Total sales	54,360	22,200	18,104	7,203	101,869	(2,854)	99,014
Operating income (loss)	4,439	(757)	179	(154)	3,707	(832)	2,874

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