



FY2011 First Quarter Consolidated Financial Results [Japanese GAAP]

(April 1, 2010 through June 30, 2010)

July 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
Contact person	: Yasuaki Takayama, Director and General Manager Tel. (03) 3238-8710
Expected reporting date of quarterly security report	: August 9, 2010
Expected date of cash dividends paid	: —
Quarterly earnings supplementary explanatory documents	: Yes
Quarterly earnings presentation	: Yes

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results of FY2011 First Quarter (April 1, 2010 through June 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 First Quarter	32,018	4.6	814	(26.0)	1,069	(18.3)
FY2010 First Quarter	30,596	(8.8)	1,101	12.8	1,309	(3.0)

	Net income		Net income per share-basic		Net income per share-diluted	
	(Millions of yen)	%	(Yen)	(Yen)	(Yen)	(Yen)
FY2011 First Quarter	(2,472)	—	(98.04)		—	
FY2010 First Quarter	231	91.4	9.16		8.58	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
FY2011 First Quarter	112,299	65,542	57.7	2,567.07
FY2010	119,252	67,461	56.0	2,645.78

(Reference) Equity capital: FY2011 First Quarter 64,774 million yen, FY2010 66,728 million yen

2. Cash dividends

	Cash dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY2010	—	0.00	—	30.00	30.00
FY2011	—				
FY2011 (Forecast)		0.00	—	30.00	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 Semi-annual	62,000	(2.3)	1,800	(22.3)	2,000	(21.0)
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 Semi-annual	(1,800)	—	(72.00)	
FY2011	2,000	39.9	79.00	

(Note) Revision of consolidated forecast for FY2011 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.: Yes, “Accounting Standard for Asset Retirement Obligations” is applied.
 - (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 first quarter 27,260,800 shares, FY2010 27,260,800 shares
 - (b) Number of treasury stock at the end of each period:
FY2011 first quarter 2,028,085 sharers, FY2010 2,040,224 shares
 - (c) Number of weighted-average number of shares issued and outstanding for each period:
FY2011 first quarter 25,220,699 sharers, FY2010 first quarter 25,220,552 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 First quarter (As of June 30, 2010)	FY2010 (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	21,377	24,435
Notes and accounts receivable-trade	30,786	34,830
Short-term investment securities	1,000	—
Inventories	11,747	11,279
Deferred tax assets	1,397	1,715
Other	2,687	2,415
Allowance for doubtful accounts	(157)	(163)
Total current assets	68,838	74,513
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,456	6,607
Tools, furniture and fixtures, net	1,331	1,348
Land	10,531	10,531
Other, net	674	550
Total property, plant and equipment	18,995	19,038
Intangible assets		
Goodwill	972	1,077
Other	2,215	2,350
Total intangible assets	3,187	3,428
Investments and other assets		
Investment securities	11,979	12,670
Deferred tax assets	1,189	1,149
Other	8,576	8,917
Allowance for doubtful accounts	(467)	(464)
Total investments and other assets	21,278	22,272
Total noncurrent assets	43,461	44,739
Total assets	112,299	119,252

(Millions of yen)

	FY2011 First quarter	FY2010
	(As of June 30, 2010)	(As of March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,695	18,701
Short-term loans payable	212	463
Income taxes payable	797	2,732
Provision for bonuses	883	1,441
Provision for sales returns	3,175	3,819
Other	8,614	8,356
Total current liabilities	30,380	35,516
Noncurrent liabilities		
Bonds with subscription rights to shares	11,000	11,000
Long-term loans payable	612	612
Deferred tax liabilities	659	660
Provision for retirement benefits	2,571	2,460
Other	1,533	1,540
Total noncurrent liabilities	16,376	16,274
Total liabilities	46,757	51,791
Net assets		
Shareholders' equity		
Capital stock	26,330	26,330
Capital surplus	27,704	27,704
Retained earnings	19,067	22,352
Treasury stock	(5,852)	(5,879)
Total shareholders' equity	67,250	70,508
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(407)	(2,012)
Revaluation reserve for land	(256)	(256)
Foreign currency translation adjustment	(1,811)	(1,511)
Total valuation and translation adjustments	(2,475)	(3,780)
Minority interests	768	733
Total net assets	65,542	67,461
Total liabilities and net assets	112,299	119,252

(2) Consolidated quarterly statements of operations

(Millions of yen)

	FY2010 First quarter (April 2009 through June 2009)	FY2011 First quarter (April 2010 through June 2010)
Net sales	30,596	32,018
Cost of sales	22,729	24,540
Gross profit	7,867	7,477
Reversal of provision for sales returns	3,818	3,806
Provision for sales returns	3,321	3,173
Gross profit-net	8,364	8,110
Selling, general and administrative expenses	7,263	7,296
Operating income	1,101	814
Non-operating income		
Interest income	49	21
Dividends income	104	105
Amortization of negative goodwill	20	24
Equity in earnings of affiliates	—	53
Gain on valuation of compound financial instruments	112	26
Insurance income	111	9
Gain on sales of used papers	34	40
Other	44	21
Total non-operating income	477	303
Non-operating expenses		
Interest expenses	29	40
Equity in losses of affiliates	223	—
Other	16	7
Total non-operating expenses	269	48
Ordinary income	1,309	1,069
Extraordinary income		
Gain on sales of noncurrent assets	—	0
Gain on sales of subsidiaries and affiliates' stocks	—	0
Total extraordinary income	—	0
Extraordinary loss		
Loss on sales of noncurrent assets	—	0
Loss on retirement of noncurrent assets	10	30
Loss on valuation of investment securities	45	2,267
Special retirement expenses	—	6
Retirement benefit expenses for prior periods	278	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	408
Total extraordinary losses	334	2,713
Income (loss) before income taxes and minority interests	975	(1,643)
Income taxes	711	800
Loss before minority interests	—	(2,444)
Minority interests in income	32	28
Net income (loss)	231	(2,472)

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	FY2010 First quarter (April 2009 through June 2009)	FY2011 First quarter (April 2010 through June 2010)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	975	(1,643)
Depreciation and amortization	480	464
Amortization of goodwill	62	82
Increase (decrease) in provision for retirement benefits	165	110
Interest and dividends income	(154)	(127)
Interest expenses	29	40
Equity in (earnings) losses of affiliates	223	(53)
Loss (gain) on valuation of investment securities	45	2,267
Decrease (increase) in notes and accounts receivable-trade	4,809	4,198
Decrease (increase) in inventories	(1,211)	(461)
Increase (decrease) in notes and accounts payable-trade	(2,247)	(2,001)
Other, net	(2,127)	(302)
Subtotal	1,051	2,574
Interest and dividends income received	168	163
Interest expenses paid	(17)	(16)
Income taxes paid	(2,459)	(2,928)
Net cash provided by (used in) operating activities	(1,256)	(206)
Cash flows from investing activities		
Decrease (increase) in time deposits	136	2,399
Purchase of property, plant and equipment	(196)	(312)
Purchase of intangible assets	(195)	(215)
Purchase of investment securities	—	(258)
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	1,238	28
Other, net	(43)	137
Net cash provided by (used in) investing activities	(187)	1,787
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	6,038	(260)
Redemption of bonds	(11,400)	—
Purchase of treasury stock	—	(0)
Cash dividends paid	(756)	(756)
Other, net	(100)	(22)
Net cash provided by (used in) financing activities	(6,219)	(1,039)
Effect of exchange rate change on cash and cash equivalents	(13)	(91)
Net increase (decrease) in cash and cash equivalents	(7,676)	449
Cash and cash equivalents at beginning of period	26,577	21,747
Cash and cash equivalents at end of period	18,900	22,197

(4) Notes on Premise of Going Concern

Not applicable

(5) Business Segment Information

FY2010 First Quarter (April 2009 through June 2009)

(Millions of yen)

	Publication	Movie/ Visual	Cross Media	Others	Total	Elimination and/or Corporate	Consolidated
Sales							
(1) Outside customers	16,673	6,544	5,677	1,701	30,596	—	30,596
(2) Inter-segment	244	23	108	520	896	(896)	—
Total sales	16,918	6,567	5,785	2,221	31,492	(896)	30,596
Operating income (loss)	1,437	24	53	(45)	1,469	(368)	1,101

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 First Quarter (April 2010 through June 2010)

(Millions of yen)

	Business segments reported			Total	Adjustment	Consolidated Statement of Income
	Publication	Movie/ Visual	Cross Media			
Sales						
Outside customers	21,407	6,515	4,095	32,018	—	32,018
Inter-segment sales or transfer	837	510	2,677	4,025	(4,025)	—
Total sales	22,245	7,025	6,772	36,044	(4,025)	32,018
Operating income (loss)	1,755	(454)	(234)	1,066	(251)	814

(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