



FY2012 First Quarter Consolidated Financial Results [Japanese GAAP]

(April 1, 2011 through June 30, 2011)

July 28, 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 : August 9, 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 First Quarter (April 1, 2011 through June 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 First Quarter	35,171	9.8	2,916	258.0	3,112	191.0
FY2011 First Quarter	32,018	4.6	814	(26.0)	1,069	(18.3)

(Note) Comprehensive income: FY2012 First Quarter 2,527 million yen (—%), FY2011 First Quarter (1,132) million yen (—%)

	Net income		Net income per share-basic	Net income per share-diluted
	(Millions of yen)	%	(Yen)	(Yen)
FY2012 First Quarter	2,518	—	99.55	86.86
FY2011 First Quarter	(2,472)	—	(98.04)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Millions of yen)	(Millions of yen)	%
FY2012 First Quarter	123,964	76,514	61.1
FY2011	121,951	73,150	59.4

(Reference) Equity capital: FY2012 First Quarter 75,796 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	—	—	—	—	—
FY2012 (Forecast)	—	0.00	—	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 Semi-annual	68,000	1.7	4,000	60.8	4,200	44.7
FY2012	142,000	1.4	8,500	9.1	8,800	2.7

	Net income		Net income per share
	(Millions of yen)	%	(Yen)
FY2012 Semi-annual	3,200	—	125.00
FY2012	6,500	2.1	258.00

(Note) Revision of consolidated forecast for FY2012 most recently announced: Yes

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 First quarter 27,260,800 shares, FY2011 27,260,800 shares
 - (b) Number of treasury stock at the end of each period:
FY2012 First quarter 1,377,248 sharers, FY2011 2,107,214 shares
 - (c) Number of weighted-average number of shares issued and outstanding for each three-month period:
FY2012 First quarter 25,297,980 sharers, FY2011 First quarter 25,220,699 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 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 First quarter
	(As of March 31, 2011)	(As of June 30, 2011)
Assets		
Current assets		
Cash and deposits	26,174	23,527
Notes and accounts receivable-trade	32,852	32,161
Short-term investment securities	—	303
Inventories	12,473	12,883
Deferred tax assets	3,884	3,747
Other	2,708	3,753
Allowance for doubtful accounts	(151)	(120)
Total current assets	77,942	76,255
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,227	6,473
Tools, furniture and fixtures, net	1,308	1,382
Land	10,530	10,530
Other, net	1,814	1,794
Total property, plant and equipment	19,880	20,180
Intangible assets		
Goodwill	671	613
Other	1,796	1,713
Total intangible assets	2,468	2,327
Investments and other assets		
Investment securities	11,678	14,807
Deferred tax assets	2,238	2,212
Other	8,073	8,459
Allowance for doubtful accounts	(331)	(278)
Total investments and other assets	21,659	25,200
Total noncurrent assets	44,008	47,708
Total assets	121,951	123,964

(Millions of yen)

	FY2011 (As of March 31, 2011)	FY2012 First quarter (As of June 30, 2011)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,202	16,796
Short-term loans payable	573	581
Income taxes payable	1,755	389
Provision for bonuses	1,356	863
Provision for sales returns	3,526	3,635
Other	9,179	9,951
Total current liabilities	33,593	32,218
Noncurrent liabilities		
Bonds with subscription rights to shares	11,000	11,000
Long-term loans payable	33	23
Deferred tax liabilities	353	388
Provision for retirement benefits	2,200	2,255
Other	1,619	1,563
Total noncurrent liabilities	15,206	15,230
Total liabilities	48,800	47,449
Net assets		
Shareholders' equity		
Capital stock	26,330	26,330
Capital surplus	27,704	27,375
Retained earnings	27,907	29,509
Treasury stock	(6,014)	(3,931)
Total shareholders' equity	75,928	79,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(686)	(596)
Revaluation reserve for land	(256)	(256)
Foreign currency translation adjustment	(2,505)	(2,633)
Total accumulated other comprehensive income	(3,449)	(3,486)
Minority interests	671	718
Total net assets	73,150	76,514
Total liabilities and net assets	121,951	123,964

(2) Consolidated quarterly statements of operations

(Millions of yen)

	FY2011 First quarter (April 2010 through June 2010)	FY2012 First quarter (April 2011 through June 2011)
Net sales	32,018	35,171
Cost of sales	24,540	24,788
Gross profit	7,477	10,383
Reversal of provision for sales returns	3,806	3,526
Provision for sales returns	3,173	3,635
Gross profit-net	8,110	10,274
Selling, general and administrative expenses	7,296	7,357
Operating income	814	2,916
Non-operating income		
Interest income	21	14
Dividends income	105	95
Amortization of negative goodwill	24	20
Equity in earnings of affiliates	53	1
Gain on valuation of compound financial instruments	26	—
Insurance income	9	13
Gain on sales of used papers	40	45
Other	21	64
Total non-operating income	303	255
Non-operating expenses		
Interest expenses	40	38
Loss on valuation of compound financial instruments	—	12
Other	7	7
Total non-operating expenses	48	58
Ordinary income	1,069	3,112
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	0
Loss on retirement of noncurrent assets	30	122
Loss on valuation of investment securities	2,267	0
Loss on valuation of investments in capital	—	8
Loss on valuation of membership	—	1
Special retirement expenses	6	3
Loss on adjustment for changes of accounting standard for asset retirement obligations	408	—
Total extraordinary losses	2,713	136
Income (loss) before income taxes and minority interests	(1,643)	2,975
Income taxes	800	421
Income (loss) before minority interests	(2,444)	2,554
Minority interests in income	28	35
Net income (loss)	(2,472)	2,518

(3) Consolidated statements of comprehensive income

(Millions of yen)

	FY2011 First quarter (April 2010 through June 2010)	FY2012 First quarter (April 2011 through June 2011)
Income before minority interests	(2,444)	2,554
Other comprehensive income		
Valuation difference on available-for-sale securities	1,604	90
Foreign currency translation adjustment	(295)	(132)
Share of other comprehensive income of associates accounted for using equity method	2	14
Total other comprehensive income	1,311	(26)
Comprehensive income	(1,132)	2,527
Comprehensive income attributable to:		
Owners of the parent	(1,167)	2,480
Minority interests	35	46

(4) Notes on Premise of Going Concern

Not applicable

(5) Segment Information

The Company does not present segment information by reportable segment, as the Companies operate in one business category, “Content business”, namely publications, films and others which is created, produced, purchased and soled by the Companies.

(6) 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.