

Result Briefing for the Fiscal Year Ended September 2012

DWANGO Co., Ltd.

November 14, 2012

Cautionary Statement

- **The forward-looking statements in this document, including earnings forecasts, are determined by the Dwango Group based on currently available information.**
- **Future figures involve various uncertainties, and actual results may differ. Please refrain from making investment decisions based entirely on these forecasts.**

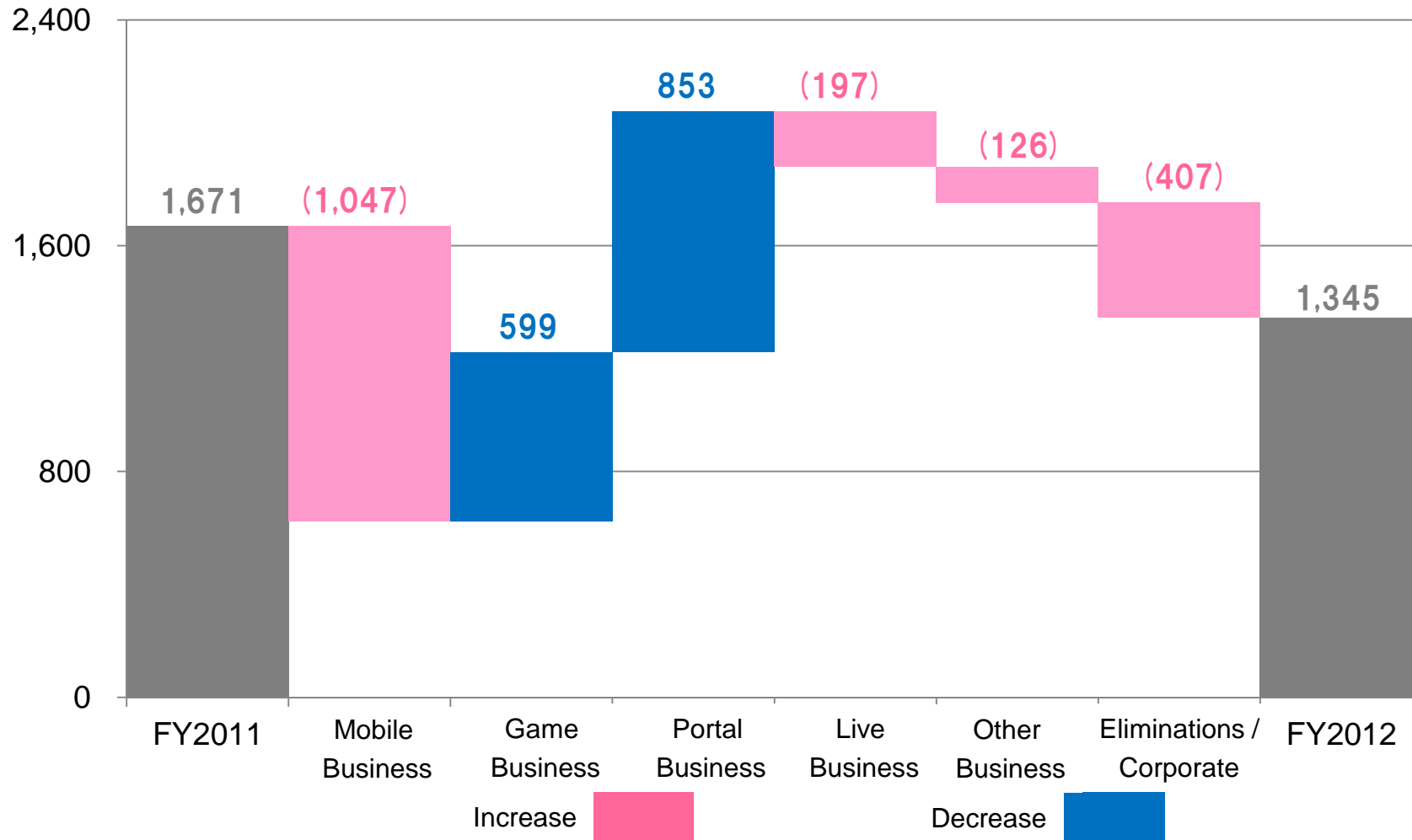
Overview of Consolidated Results for the Fiscal Year Ended September 2012
In Comparison to Previous Term

(Unit: Million Yen)

| | Previous Term 2010/10-2011/9 | Current Term 2011/10-2012/9 | Change |
|--|---------------------------------|--------------------------------|---------|
| Net Sales (Growth Rate) | 34,298 12.9% | 36,243 5.7% | 1,945 |
| Gross Profit (Growth Rate) (Gross Profit on Sales) | 13,738 3.0% 40.1% | 13,862 0.9% 38.3% | 124 |
| Operating Income (Growth Rate) (Gross Profit on Sales) | 1,671 △12.0% 4.9% | 1,345 △19.5% 3.7% | (325) |
| Ordinary Income (Growth Rate) (Gross Profit on Sales) | 1,473 (27.5%) 4.3% | 1,284 (12.8%) 3.5% | (190) |
| Net Income(Loss) (Growth Rate) (Gross Profit on Sales) | 1,238 (12.8%) 3.6% | △506 — — | (1,745) |

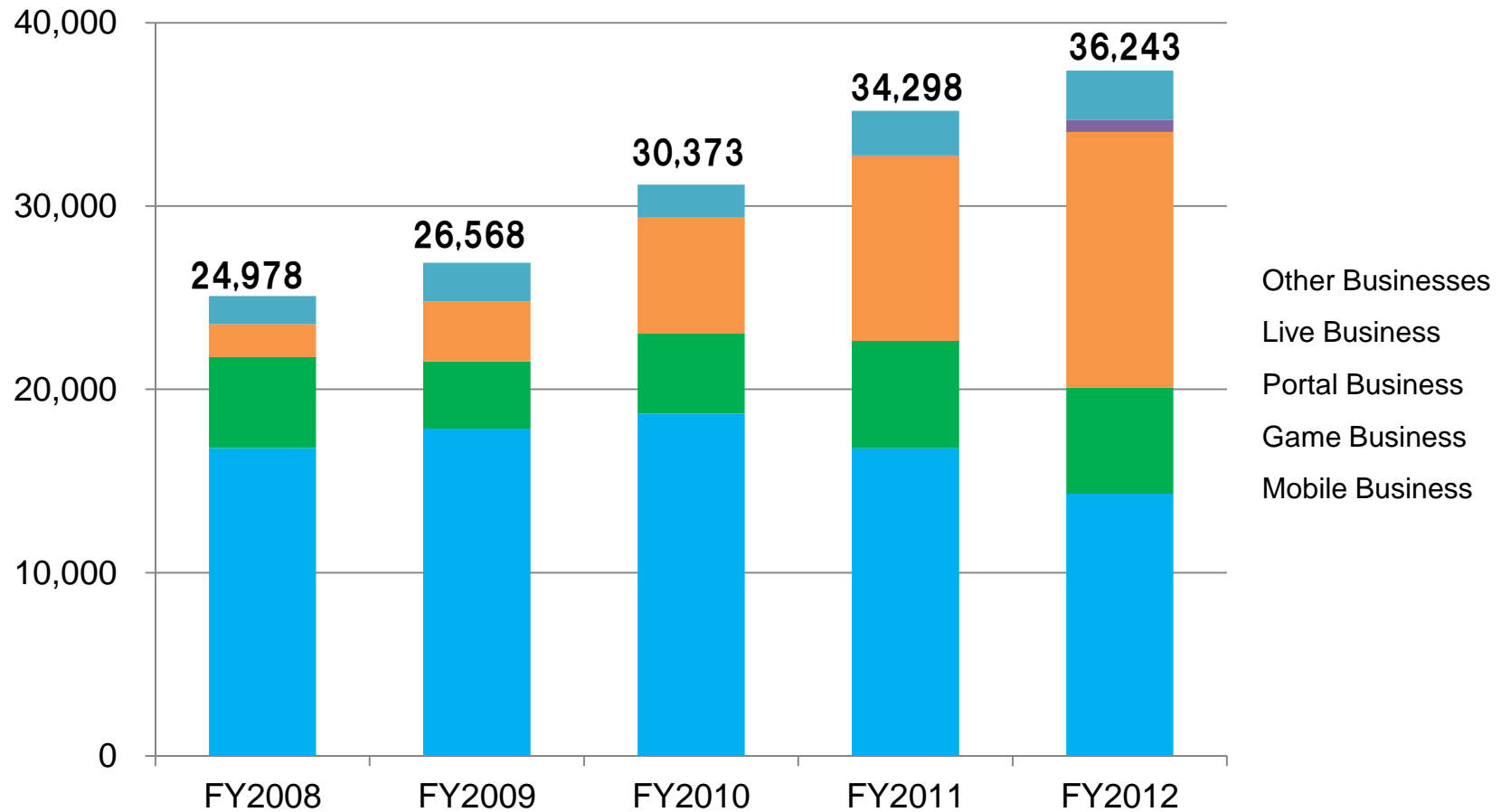
Operating Income (In Comparison to Previous Term)

(Unit: Million Yen)

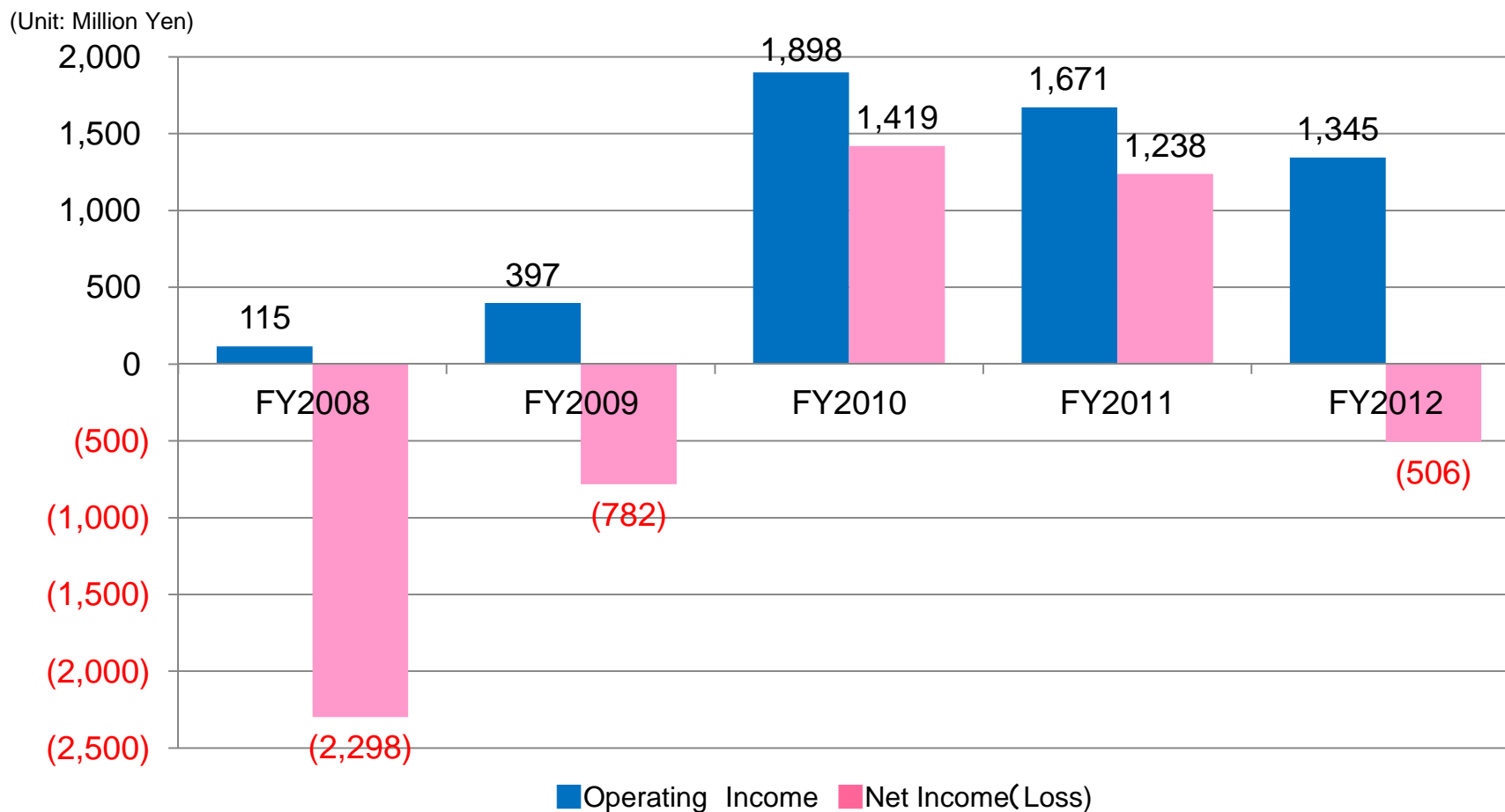


Changes in Net Sales

(Unit: Million Yen)



Changes in Operating Income and Net Income(Loss)



**Overview of Consolidated Results for the Fiscal Year Ended September 2012
In Comparison to Forecast**

(Unit: Million Yen)

| | Forecast for the Fiscal Year* 2011/10-2012/9 | Actual for the Fiscal Year 2011/10-2012/9 | Change |
|---|---|--|---------------|
| Net Sales | 36,020 | 36,243 | 223 |
| Gross Profit (Gross Profit on Sales) | 13,620 37.8% | 13,833 38.2% | 213 |
| Operating Income (Operating Income Margin) | 1,060 2.9% | 1,345 3.7% | 285 |
| Ordinary Income (Ordinary Income Margin) | 1,020 2.8% | 1,284 3.5% | 264 |
| Net Income(Loss) (Net Income Margin) | 0 — | (506) — | (506) |

Changes in Quarterly Performance

(Unit: Million Yen)

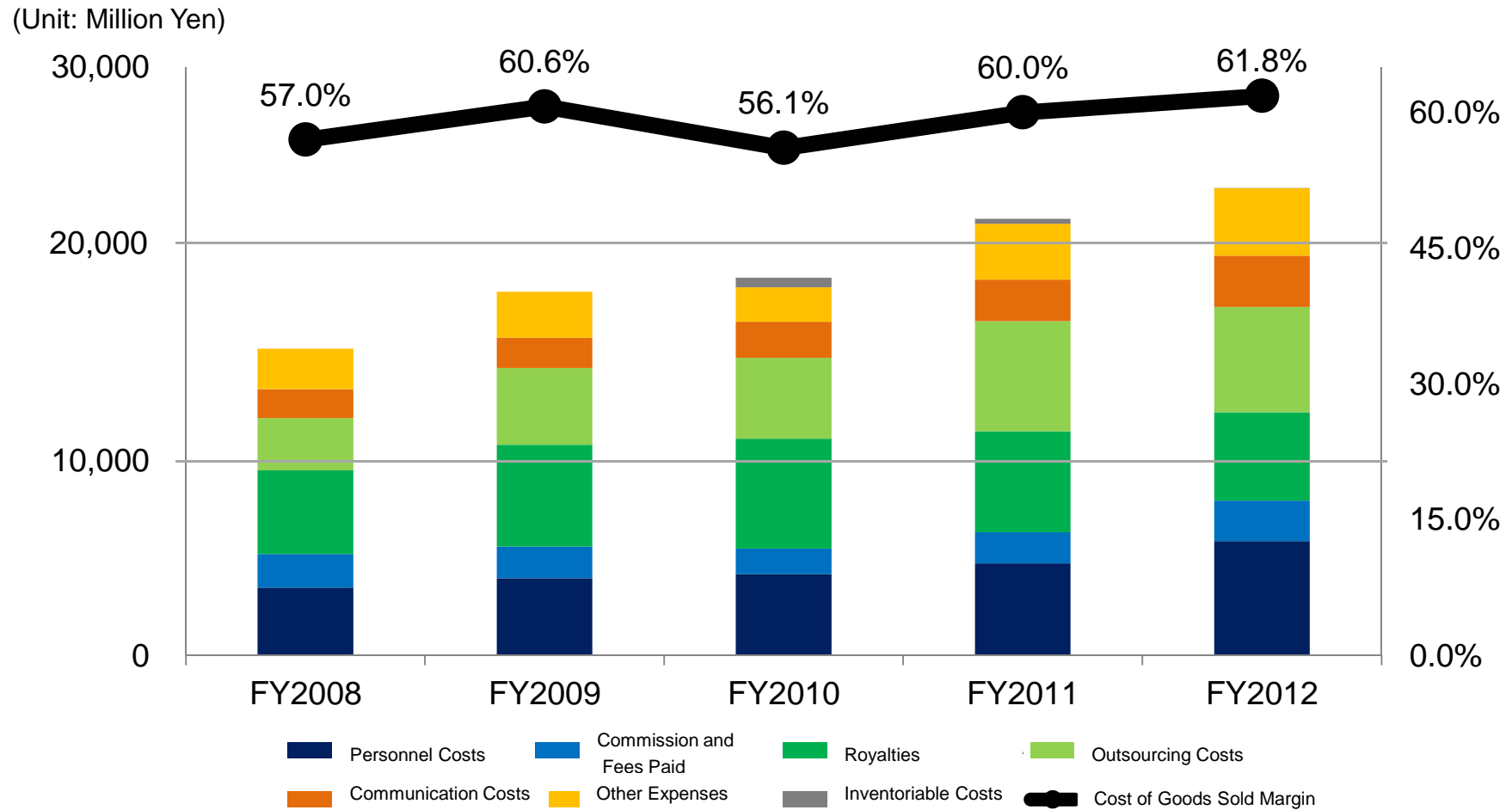
| | 1Q 2011/10-2011/12 | 2Q 2012/1-2012/3 | 3Q 201/4-2012/6 | 4Q 2012/7-2012/9 | Total 2011/10-2012/9 |
|--|------------------------|--------------------------|---------------------------|-------------------------|--------------------------|
| Net Sales (Growth Rate) | 9,131 6.3% | 9,162 9.0% | 8,623 1.6% | 9,327 16.6% | 36,243 5.7% |
| Gross Profit (Growth Rate) (Gross Profit on Sales) | 3,615 7.5% 39.6% | 3,715 (2.6%) 39.5% | 2,962 (18.4%) 34.4% | 3,667 25.1% 39.3% | 13,862 0.9% 38.3% |
| Operating Income(Loss) (Growth Rate) (Operating Income Margin) | 506 28.6% 5.6% | 321 (56.7%) 3.5% | (92) — — | 611 330.2% 6.6% | 1,345 (19.5%) 3.7% |
| Ordinary Income(Loss) (Growth Rate) (Ordinary Income Margin) | 515 43.8% 5.6% | 202 (70.0%) 2.2% | (19) — — | 586 265.5% 6.3% | 1,284 (12.8%) 3.5% |
| Net Income(Loss) (Growth Rate) (Net Income Margin) | 335 1.4% 3.7% | 149 (58.8%) 1.6% | (550) — — | (440) — — | (506) — — |

Cost of Goods Sold

(Unit: Million Yen)

| | | Previous Term 2010/10-2011/9 (% of total sales) | | Current Term 2011/10-2012/9 (% of total sales) | | Change |
|---------------------|--------------------------|---|--------|--|--------|--------|
| Cost of Goods Sold | | 20,560 | 60.0% | 22,381 | 61.8% | 1,821 |
| Manufacturing Costs | Personnel Costs | 4,688 | 13.7% | 5,829 | 16.1% | 1,141 |
| | Commission and Fees Paid | 1,586 | 4.6% | 2,067 | 5.7% | 480 |
| | Royalties | 5,135 | 15.0% | 4,498 | 12.4% | (636) |
| | Outsourcing Costs | 5,621 | 16.4% | 5,383 | 14.9% | (237) |
| | Communication Costs | 2,109 | 6.2% | 2,605 | 7.2% | 495 |
| | Other Expenses | 2,861 | 8.3% | 3,433 | 9.5% | 571 |
| Inventoriable Costs | | 241 | 0.7% | 15 | 0.1% | (226) |
| (Account Transfers) | | (1,684) | (4.9%) | (1,451) | (4.0%) | 233 |

Changes in Cost of Goods Sold



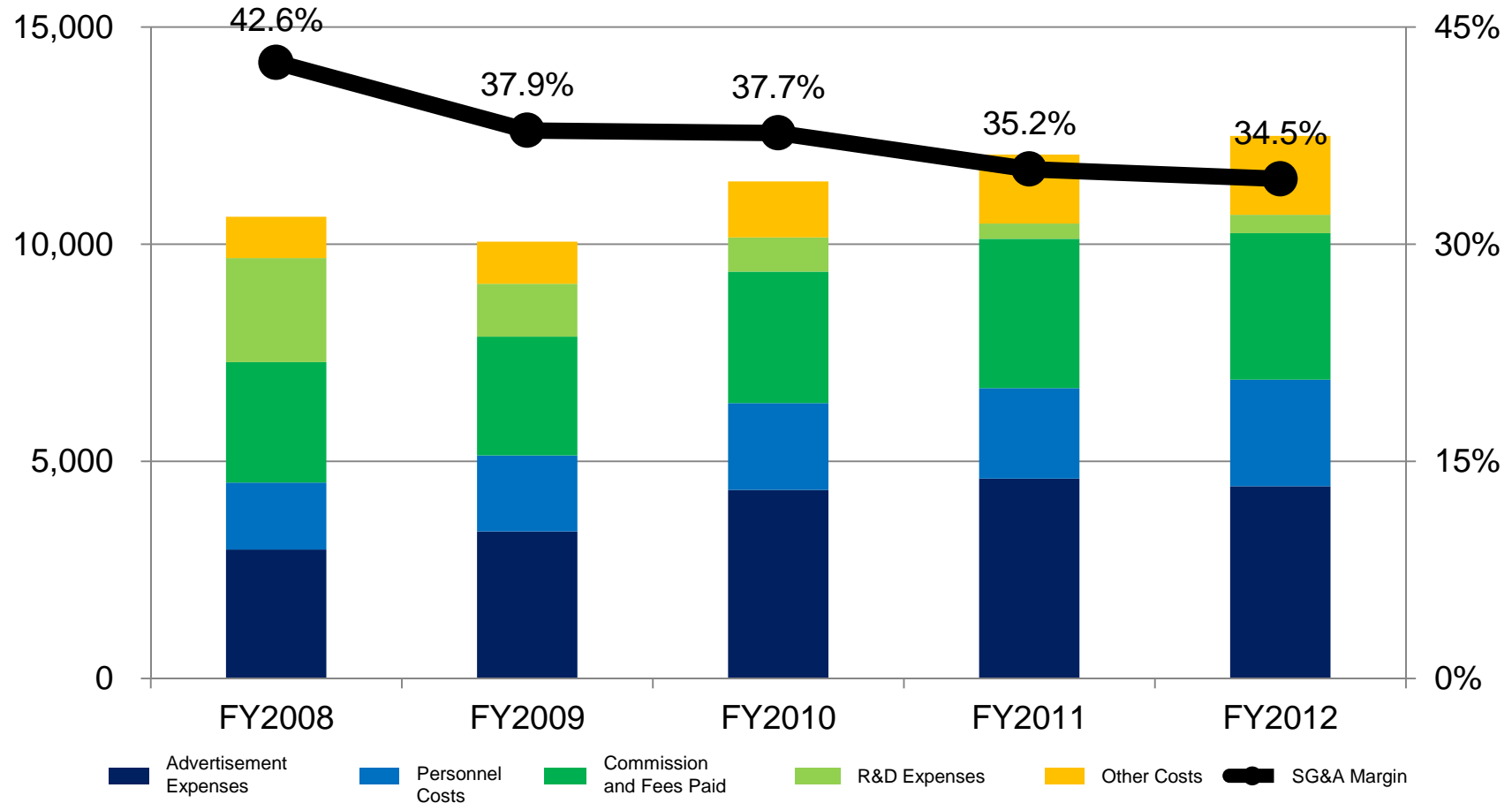
SG & A

(Unit: Million Yen)

| | Previous Term 2010/10-2011/9 | | Current Term 2011/10-2012/9 | | Change |
|---|---------------------------------|--------------------|--------------------------------|--------------------|--------|
| | | (% of total sales) | | (% of total sales) | |
| Selling, General and Administrative Expenses | 12,067 | 35.2% | 12,516 | 34.5% | 449 |
| Advertisement Expenses | 4,599 | 13.4% | 4,424 | 12.2% | (175) |
| Personnel Costs | 2,084 | 6.1% | 2,464 | 6.8% | 379 |
| Commission and Fees Paid | 3,440 | 10.0% | 3,375 | 9.3% | (65) |
| Research and Development Expenses | 354 | 1.0% | 426 | 1.2% | 72 |
| Others | 1,587 | 4.6% | 1,824 | 5.0% | 237 |

Changes in SG & A

(Unit: Million Yen)



Segment Information

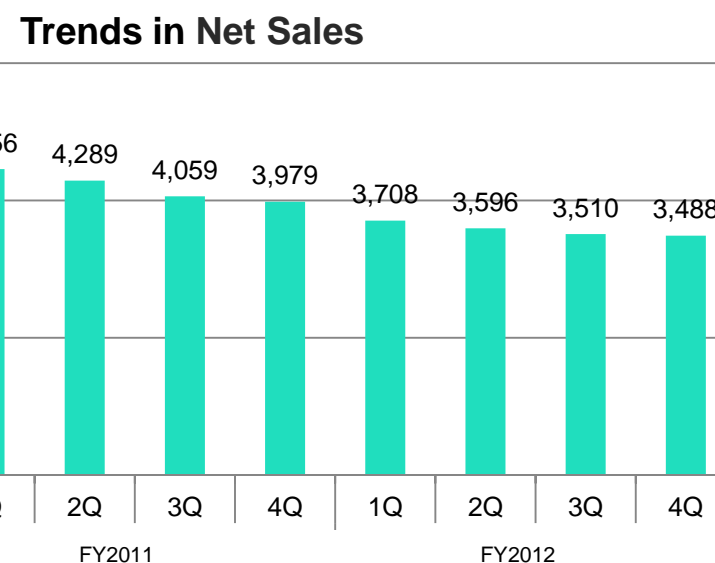
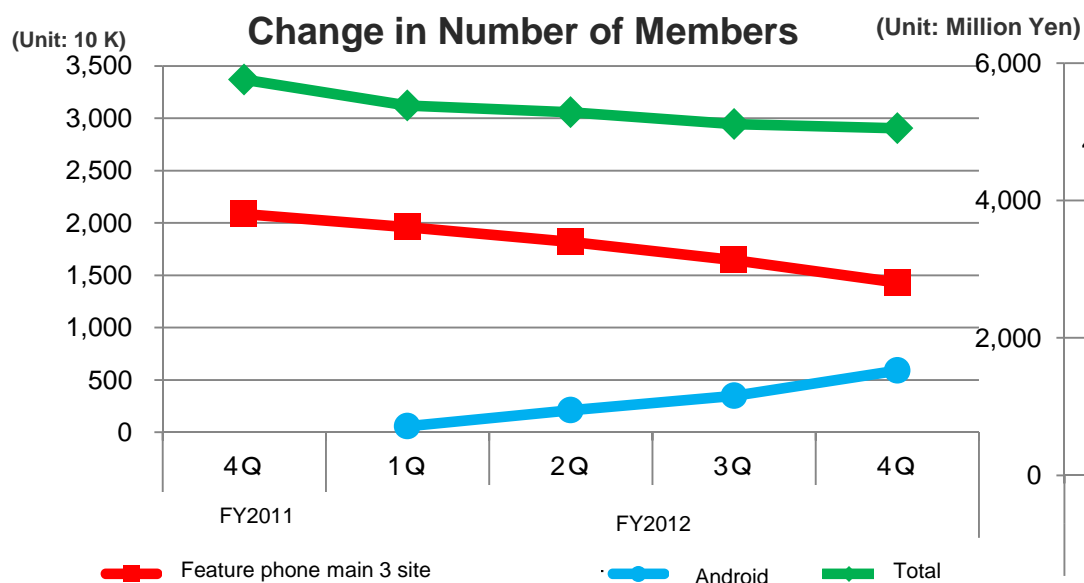
Segment Overview (Total)

(Unit: Million Yen)

| | Mobile Business | Game Business | Portal Business | Live Business | Other Businesses | Eliminations /Corporate | Total |
|--------------------------------|------------------|------------------|-----------------|------------------|------------------|-------------------------|------------------|
| Net Sales | 14,302 (14.8) | 5,816 (0.8%) | 13,961 38.5% | 653 174.4% | 2,693 20.4% | (1,183) (171.4%) | 36,243 5.7% |
| COGS | 6,271 (12.4%) | 3,625 (15.5%) | 9,058 37.7% | 1,415 56.1% | 2,408 24.4% | (398) (16.5%) | 22,381 8.9% |
| Gross Profit | 8,031 (16.6%) | 2,190 39.1% | 4,902 40.0% | (762) 14.0% | 284 (5.5%) | (785) (39.4%) | 13,862 0.9% |
| SG&A | 5,330 0.8% | 1,747 (1.0%) | 2,098 25.4% | 151 193.5% | 557 24.5% | 2,631 (8.4%) | 12,516 3.7% |
| Income (Loss) before Allocated | 2,700 (37.7%) | 443 385.7% | 2,804 53.3% | (914) (26.9%) | (272) (86.3%) | (3,416) 0.6% | 1,345 (19.5%) |
| Allocated Cost | 454 (56.4%) | — | 1,281 10.5% | 37 | — | (1,772) (6.0%) | — |
| Operating Income (Loss) | 2,246 (31.8%) | 443 385.7% | 1,523 127.3% | (951) (32.1%) | (272) (86.3%) | (1,643) 6.8% | 1,345 (19.5%) |

Mobile Business: Comparison to Forecast and Previous Term

| | Result 2011/10-2012/9 | Comparison to Forecast | Comparison to Previous |
|----------------------------|--------------------------|---------------------------|---------------------------|
| Net Sales | 14.30 billion | ↓ 0.02 billion | ↓ 2.48 billion |
| Cost of Goods Sold | 6.27 billion | ↑ 0.00 billion | ↓ 0.88 billion |
| SG&A | 5.33 billion | ↑ 0.16 billion | ↑ 0.04 billion |
| Income before Allocated | 2.70 billion | ↓ 0.19 billion | ↓ 1.63 billion |
| Allocated Cost | 0.45 billion | ↓ 0.00 billion | ↓ 0.58 billion |
| Operating Income | 2.24 billion | ↓ 0.18 billion | ↓ 1.04 billion |

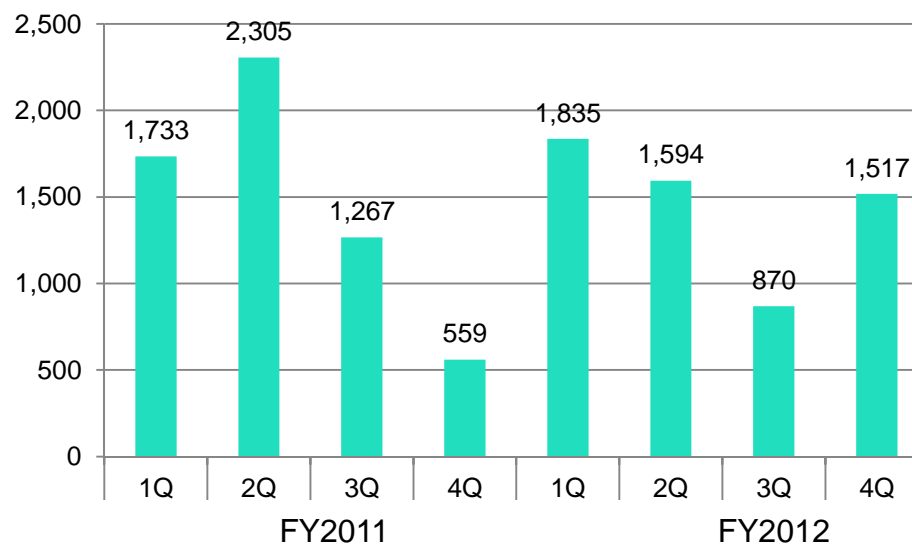


Game Business

| | Result 2011/10-2012/9 | Comparison to Forecast | Comparison to Previous |
|----------------------------|--------------------------|---------------------------|---------------------------|
| Net Sales | 5.81 billion | ↑ 0.06 billion | ↓ 0.04 billion |
| Cost of Goods Sold | 3.62 billion | ↑ 0.05 billion | ↓ 0.66 billion |
| SG&A | 1.74 billion | ↓ 0.00 billion | ↑ 0.01 billion |
| Income before Allocated | 0.43 billion | ↑ 0.00 billion | ↑ 0.59 billion |
| Allocated Cost | — billion | — billion | — billion |
| Operating Income | 0.43 billion | ↑ 0.00 billion | ↑ 0.59 billion |

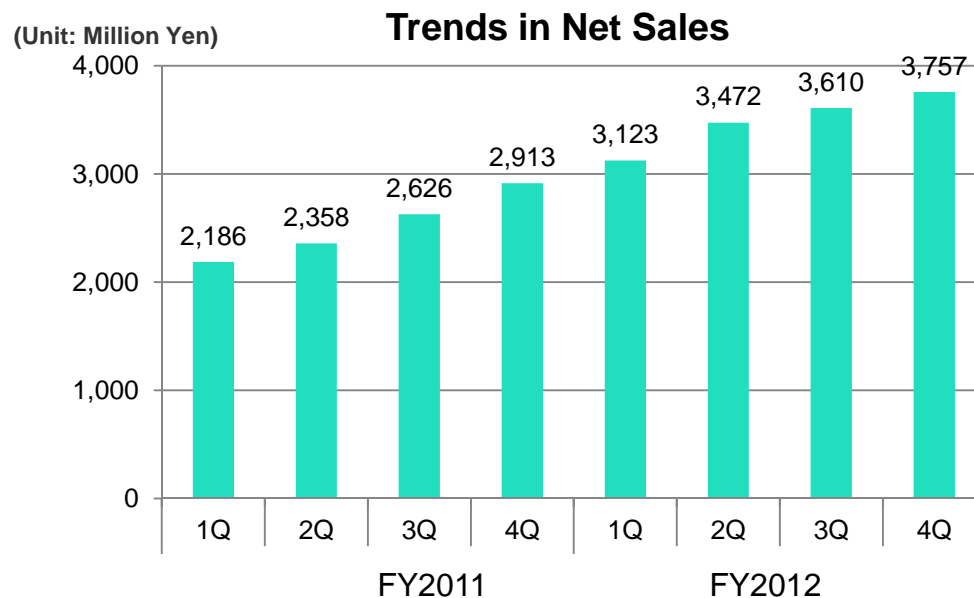
(Unit: Million Yen)

Trends in Net Sales



Portal Business

| | Result 2011/10-2012/9 | Comparison to Forecast | Comparison to Previous |
|----------------------------|--------------------------|---------------------------|---------------------------|
| Net Sales | 13.96 billion | ↑ 0.07 billion | ↑ 3.88 billion |
| Cost of Goods Sold | 9.05 billion | ↓ 0.15 billion | ↑ 2.47 billion |
| SG&A | 2.09 billion | ↓ 0.13 billion | ↑ 0.42 billion |
| Income before Allocated | 2.80 billion | ↑ 0.35 billion | ↑ 0.97 billion |
| Allocated Cost | 1.28 billion | ↑ 0.00 billion | ↑ 0.12 billion |
| Operating Income | 1.52 billion | ↑ 0.35 billion | ↑ 0.85 billion |

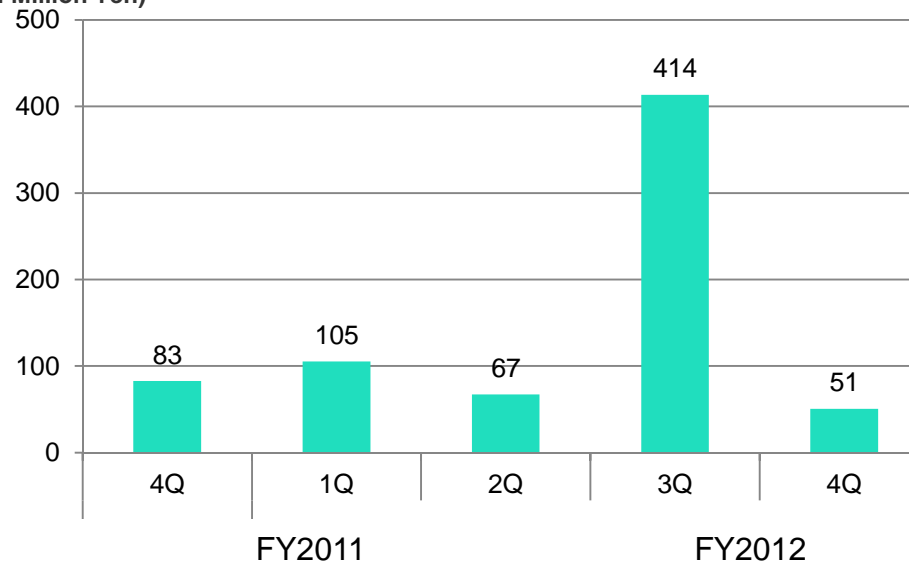


Live Business

| | Result 2011/10-2012/9 | Comparison to Forecast |
|-----------------------|--------------------------|---------------------------|
| Net Sales | 0.65 billion | ↑ 0.01 billion |
| Cost of Goods Sold | 1.41 billion | ↓ 0.01 billion |
| SG&A | 0.15 billion | ↓ 0.00 billion |
| Loss before Allocated | 0.91 billion | ↓ 0.03 billion |
| Allocated Cost | 0.03 billion | ↓ 0.00 billion |
| Operating Loss | 0.95 billion | ↓ 0.03 billion |

(Unit: Million Yen)

Trends in Net Sales



dwango

Summary of Balance Sheets

(Unit: Million Yen)

| | Previous term (End of Sep. 2011) | Current term (End of Sep. 2012) | Change | Major factor of change |
|----------------------------|-------------------------------------|------------------------------------|---------|---|
| Current assets | 15,935 | 14,754 | (1,181) | Decrease cash and time deposits Decrease Marketable securities |
| Fixed assets | 11,082 | 9,898 | (1,184) | impairment loss, increase goodwill and software |
| Total assets | 27,018 | 24,653 | (2,365) | |
| Current liabilities | 5,904 | 6,003 | 99 | |
| Fixed liabilities | 563 | 388 | (175) | Decrease long-term debt |
| Total liabilities | 6,467 | 6,392 | (75) | |
| Net assets | 20,550 | 18,260 | (2,290) | Proceeds from sales of treasury stock |

Previous term
Capital investment

2,781

Current term
Capital investment

2,530

Summary of Cash Flow Statements

(Unit: Million Yen)

| | 2011/10- 2012/9 | Major factor |
|---|--------------------|--|
| Cash flows from operating activities | 3,335 | Loss before income taxes and minority interests, impairment loss, increase depreciation and amortization |
| Cash flows from investing activities | (2,138) | Purchase of tangible and intangible assets |
| Cash flows from financing activities | (2,036) | Purchases of treasury stock |
| Cash and cash equivalents at end of term | 6,159 | |

Business Forecast for Year Ending September 2013

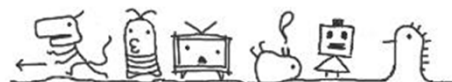
(Unit: Million Yen)

| | Current Term 2011/10-2012/9 | Next Term 2012/10-2013/9 (Forecast) | Changes |
|--|--------------------------------|---|---------|
| Net Sales (Growth Rate) | 36,243 5.7% | 37,500 3.5% | 1,257 |
| Gross Profit (Growth Rate) (Gross Profit on Sales) | 13,862 0.9% 38.3% | 15,600 12.5% 41.6% | 1,738 |
| Operating Income (Growth Rate) (Operating Income Margin) | 1,345 (19.5%) 3.7% | 2,000 48.7% 5.3% | 655 |
| Ordinary Income (Growth Rate) (Ordinary Income Margin) | 1,283 (12.9%) 3.5% | 2,000 55.9% 5.3% | 717 |
| Net Income(Loss) (Growth Rate) (Net Income Margin) | (506) (140.9%) — | 2,300 — 6.1% | 2,806 |

Business Forecast for Year Ending September 2013 (Segment Overview)

(Unit: Million Yen)

| | Mobile Business | Game Business | Portal Business | Live Business | Others | Eliminations /Corporate | Total |
|--------------------------------|-----------------|------------------|-----------------|----------------|------------------|-------------------------|------------------|
| Net Sales | 15,000 4.9 | 4,400 (24.0%) | 15,900 13.9% | 1,100 68.5% | 2,000 (25.7%) | (900) 23.7% | 37,500 3.5% |
| COGS | 6,200 (1.1%) | 2,700 (25.5%) | 10,000 10.4% | 1,500 6.0% | 1,850 (23.1%) | (350) 22.2% | 21,900 (2.1%) |
| Gross Profit | 8,800 9.6% | 1,700 (21.3%) | 5,900 20.4% | (400) 47.5% | 150 (47.4%) | (550) 24.7% | 15,600 12.5% |
| SG&A | 6,100 10.3% | 1,600 (7.0%) | 2,500 16.5% | 200 32.5% | 300 (46.1%) | 2,900 7.8% | 13,600 8.6% |
| Income (Loss) before allocated | 2,700 0.4% | 100 (77.3%) | 3,400 21.5% | (600) 34.4% | (150) 44.6% | (3,450) 1.0% | 2,000 55.9% |
| Allocated Cost | 350 (22.9%) | — | 1,200 (3.2%) | 50 35.1% | — | (1,600) 10.1% | — |
| Operating Income (Loss) | 2,350 4.6% | 100 (77.3%) | 2,200 44.9% | (650) 31.7% | (150) 44.6% | (1,850) (12.8%) | 2,000 55.9% |



Review of FY2012 in niconico

The number of Premium members grew steadily

- From 1.39 million (FY2011) to 1.75 million (FY2012), up 25.9%

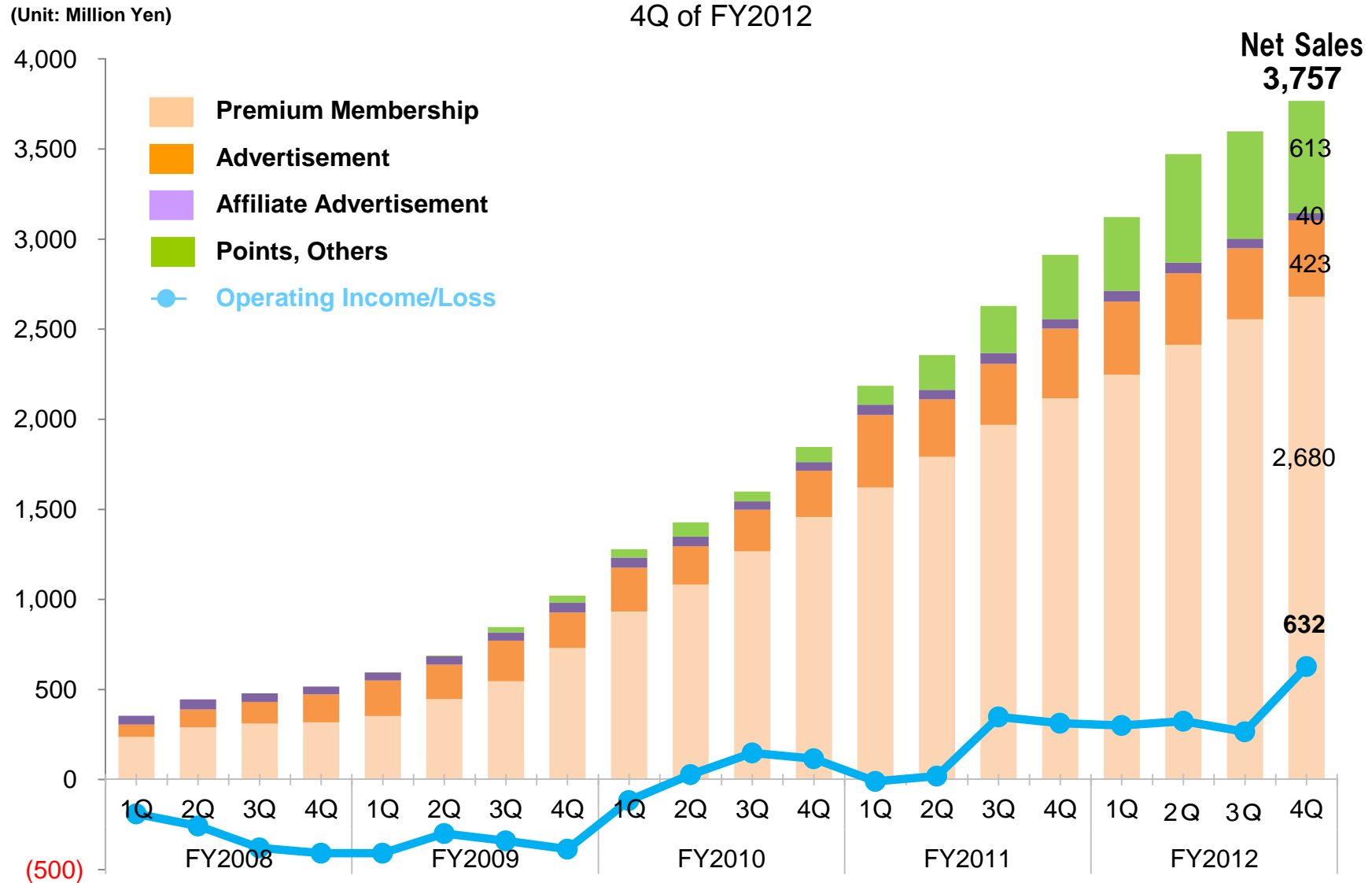
New Version : Zero was started

- A New Service “Bromaga” is an encouraging start

Niconico super festival was held

- The number of visitors was 93,000 and viewers from internet was 3.5 million

Revenues from niconico



Number of Members of niconico

As of September 30, 2012

Registered Users

29.46 million

As of June 30, 2012: 28.08 million

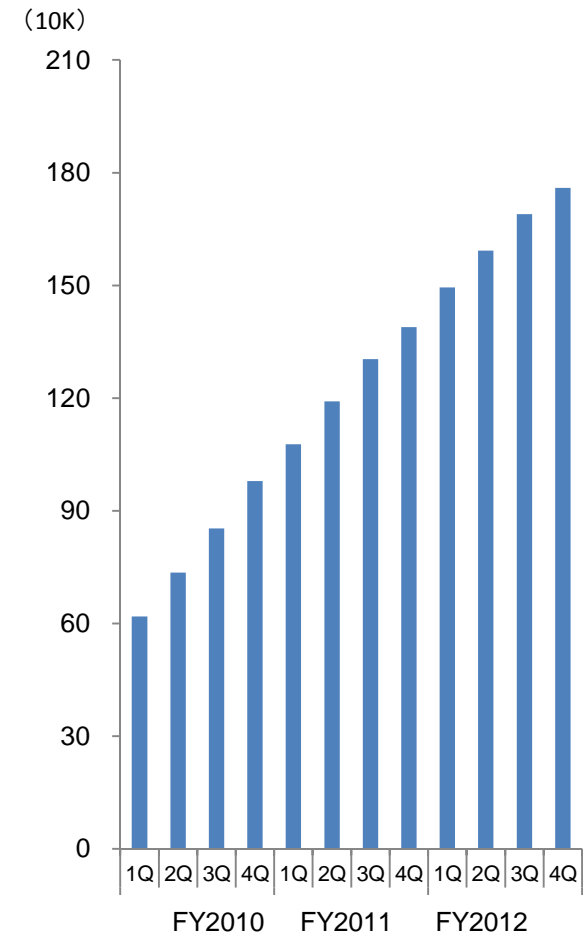
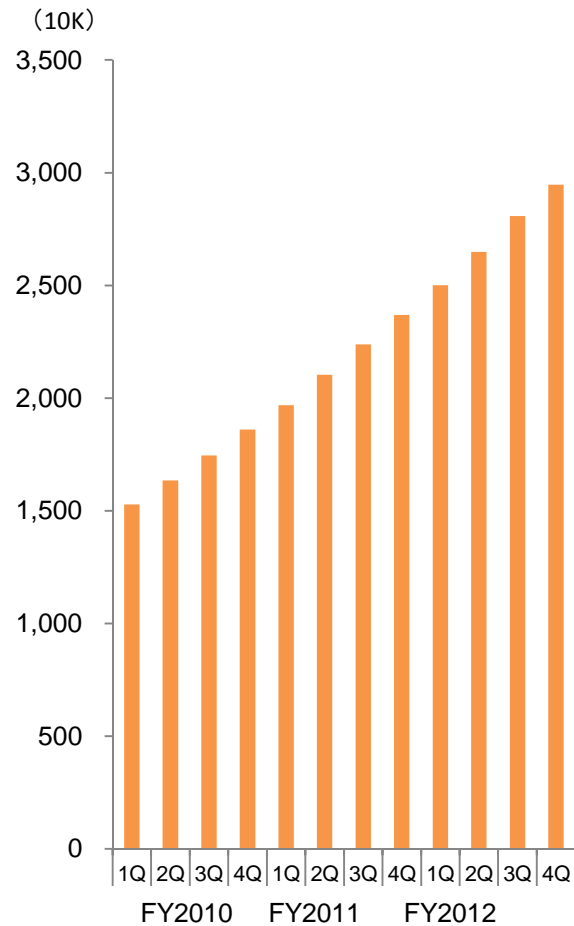
As of Sep 30, 2011: 23.69 million

Premium Members

1.75 million

As of June 30, 2012: 1.69 million

As of Sep 30, 2011: 1.39 million



Usage and Attributes of NICO NICO DOUGA Users

Average of Forth quarter period ended September 2012

(Figures in parentheses indicate results for 3th quarter period ended September 2012)

NICO NICO DOUGA

NICO NICO LIVE

Average PVs per day

111.16 million PV (102.63)

10.13 million PV (7.86)

Average visitors per month

817 million people (8.10)

2.86 million people (2.80)

Average sojourn time per day * This is the total length of stay per user.

100.7 minutes (95.8)

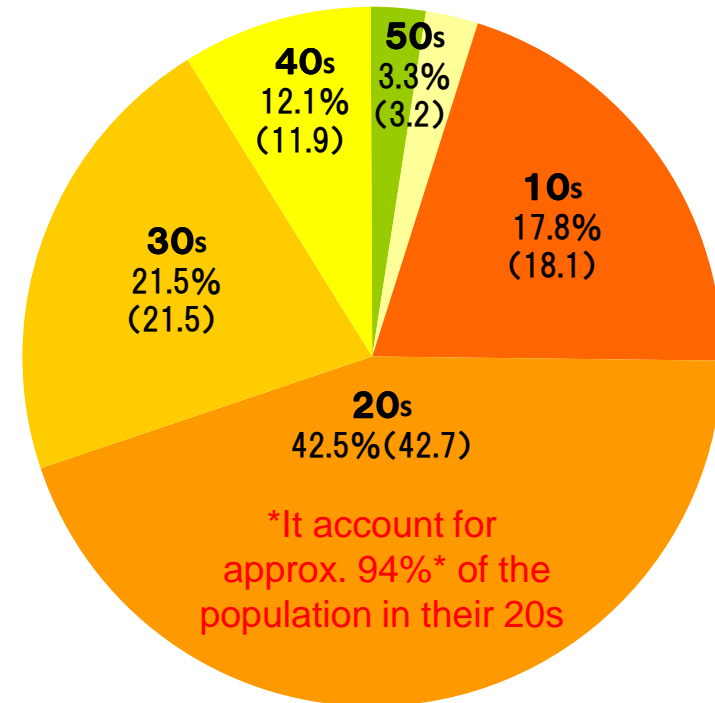
65.0 minutes (61.7)

by gender

♂ **67%** ♀ **33%**

As of September 30, 2012

by age



*This amounts to 12.51 million users for a population of about 13.32 million people (as of Oct, 2012), as posted by the Ministry of Internal Affairs and Communications.

Sample of Programs on NICO NICO LIVE

From July to the present



niconico's Next Approach

Develop niconico for smartphone aggressively

- Enhance basic functions and create new services

Expands “niconico seiga” contents

- Tying up with 124 publishing companies, Start to distribute fee-based contents. The number of comic books at niconico is the largest in Japanese electronic book market.

Strengthen a function of niconico as a platform

- Evolve new services revolving around niconico channel

niconico's Next Approach

“niconico seiga (electronic book)”
3,200 books is available whose number is the largest in Japanese electronic book market

Tying up with 124 publishers include major publishers as Shueisha, Kodansha, Shogakukan and Kadokawa Group etc, start to distribute fee-based contents at 24th October. There are variety of electronic books from comics to light novels and photography books.



TOP page

Subsidiaries

dwango mobile

Mobil

■ dwango mobil Holding: 100%
□ Planning, Producing of Contents for mobilphone

CELL

■ CELL Holding: 100%
□ Planning, Producing of Mobile Contents, Producing and Distributing Live Programs

Portal Business Others

ニワンゴ

■ niwango, inc. Holding: 80.1%
□ Information distribution and movie distribution

Portal Business Others

QTERAS

■ Qteras, Inc. Holding: 100%
□ Planning and development of services for consumer electronics

Portal Business

SKYSCRAPER

■ skyscraper, inc. Holding: 96.0%
□ Advertisement sales, etc.

Portal Business Others

多玩國股份有限公司(Taiwan)

■ 多玩國股份有限公司(Taiwan) Holding: 98.8%
□ Market Research for Mobile Contents

Others

mobile contents

■ Mobile Contents Holding: 77.6%
□ Contents Production and supply

Others

dme
Dwango Music entertainment, Inc.

■ Dwango Music entertainment, Inc. Holding: 100%
□ Production of master recordings, management of music copyrights, sale of CDs and DVDs

Others

MAGES.

■ MAGES. Holding: 46.9%
□ Planning and production of animation, school business, event business etc.

Others

Games Arena

■ GAMES ARENA Co., Ltd. Holding: 100%
□ Supervision

Game Business

SPIKE CHUNSOFT Co., Ltd.

■ SPIKE CHUNSOFT Co., Ltd. Holding: 100%
□ Planning, development, and sales

Game Business

T&E SOFT

■ T&E SOFT Inc. Holding: 100% (GAMES ARENA Co., Ltd.)
□ Planning and development

Game Business

For more information:

Investor Relations Section
Corporate Planning Division
DWANGO Co., Ltd.

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