

Born in the NET, Connected by the NET.

Result Briefing for the Nine Months Ended June 2012

August 9, 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 Nine Months Ended June 2012
In Comparison to Previous Term

(Unit: Million Yen)

	Previous Term 2010/10-2011/6	Current Term 2011/10-2012/6	Change
Net Sales (Growth Rate)	26,300 14.2%	26,916 2.3%	616
Gross Profit (Growth Rate) (Gross Profit on Sales)	10,805 7.1% 41.1%	10,195 (5.7%) 37.9%	(610)
Operating Income (Growth Rate) (Gross Profit on Sales)	1,936 14.4% 7.4%	736 (62.0%) 2.7%	(1,200)
Ordinary Income (Growth Rate) (Gross Profit on Sales)	1,828 3.1% 7.0%	698 (61.8%) 2.6%	(1,130)
Net Income (Growth Rate) (Gross Profit on Sales)	1,244 (24.2%) 4.7%	(220) (117.7%) (0.8%)	(1,464)

Overview of Consolidated Results for the Nine Months Ended June 2012
Differences Between Forecast and Results

(Unit: Million Yen)

	Forecast 2011/10-2012/6	Result 2011/10-2012/6	Change
Net Sales (Growth Rate)	27,420 4.3%	26,916 2.3%	(504)
Gross Profit (Growth Rate) (Gross Profit on Sales)	10,420 3.6% 38.0%	10,195 (5.7%) 37.9%	(225)
Operating Income (Growth Rate) (Gross Profit on Sales)	320 (83.5%) 1.2%	736 (62.0%) 2.7%	416
Ordinary Income (Growth Rate) (Gross Profit on Sales)	250 (86.3%) 0.9%	698 (61.8%) 2.6%	448
Net Income (Growth Rate) (Gross Profit on Sales)	60 (95.2%) 0.2%	(220) (117.7%) (0.8%)	(280)

Cost of Goods Sold

(Unit: Million Yen)

		Previous Term 2010/10-2011/6 (% of total sales)		Current Term 2011/10-2012/6 (% of total sales)		Change
Cost of Goods Sold		15,494	58.9%	16,721	62.1%	1,227
Manufacturing Costs	Personnel Costs	3,333	12.7%	4,315	16.0%	981
	Commission and Fees Paid	1,132	4.3%	1,570	5.8%	437
	Royalties	3,926	14.9%	3,414	12.7%	(511)
	Outsourcing Costs	4,378	16.6%	4,338	16.1%	(40)
	Communication Costs	1,532	5.8%	1,919	7.1%	386
	Other Expenses	1,869	7.1%	2,528	9.4%	659
Inventoriable Costs		486	1.9%	(365)	△1.4%	(851)
(Account Transfers)		(1,166)	△4.4%	(999)	△3.7%	167

SG & A

(Unit: Million Yen)

	Previous Term 2010/10-2011/6 (% of total sales)		Current Term 2011/10-2012/6 (% of total sales)		Change
Selling, General and Administrative Expenses	8,869	33.7%	9,458	35.1%	589
Advertisement Expenses	3,444	13.1%	3,201	11.9%	(242)
Personnel Costs	1,485	5.6%	1,883	7.0%	398
Commission and Fees Paid	2,543	9.7%	2,602	9.7%	59
Research and Development Expenses	282	1.1%	306	1.1%	23
Others	1,114	4.2%	1,465	5.4%	351

Changes in Quarterly Performance

(Unit: Million Yen)

	1Q 2011/10-2011/12	2Q 2012/1-2012/3	3Q 2012/4-2012/6	Total 2011/10-2012/6
Net Sales	9,131	9,162	8,623	26,916
(Growth Rate)	6.3%	△0.7%	1.6%	2.3%
Gross Profit	3,615	3,617	2,962	10,195
(Growth Rate)	7.5%	(2.6%)	(18.4%)	(5.7%)
(Gross Profit on Sales)	39.6%	39.5%	34.4%	37.9%
Operating Income	506	321	(92)	736
(Growth Rate)	28.6%	(56.7%)	(111.5%)	(62.0%)
(Gross Profit on Sales)	5.6%	3.5%	(1.1%)	2.7%
Ordinary Income	515	202	(19)	698
(Growth Rate)	43.8%	(70.0%)	(102.4%)	(61.8%)
(Gross Profit on Sales)	5.6%	2.2%	(0.2%)	2.6%
Net Income	335	149	(704)	(220)
(Growth Rate)	1.4%	(58.8%)	(228.0%)	(117.7%)
(Gross Profit on Sales)	3.7%	1.6%	(8.2%)	(0.8%)

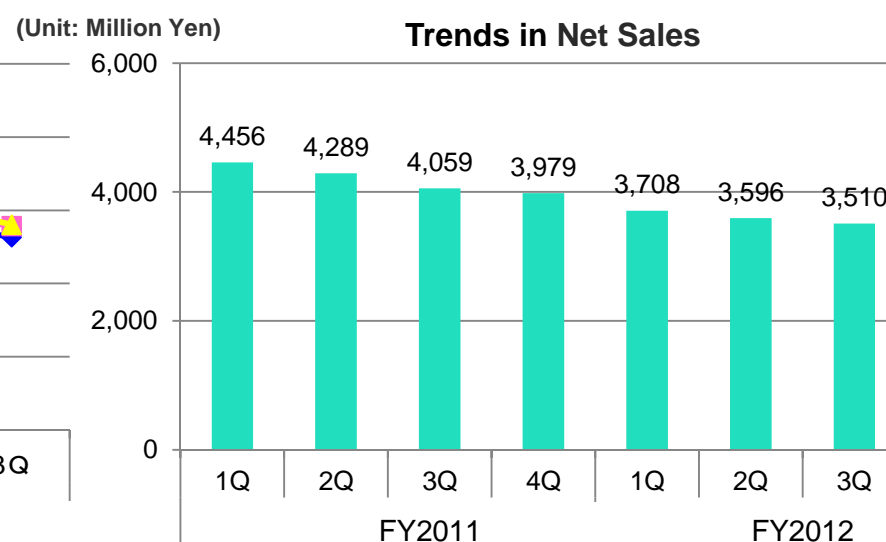
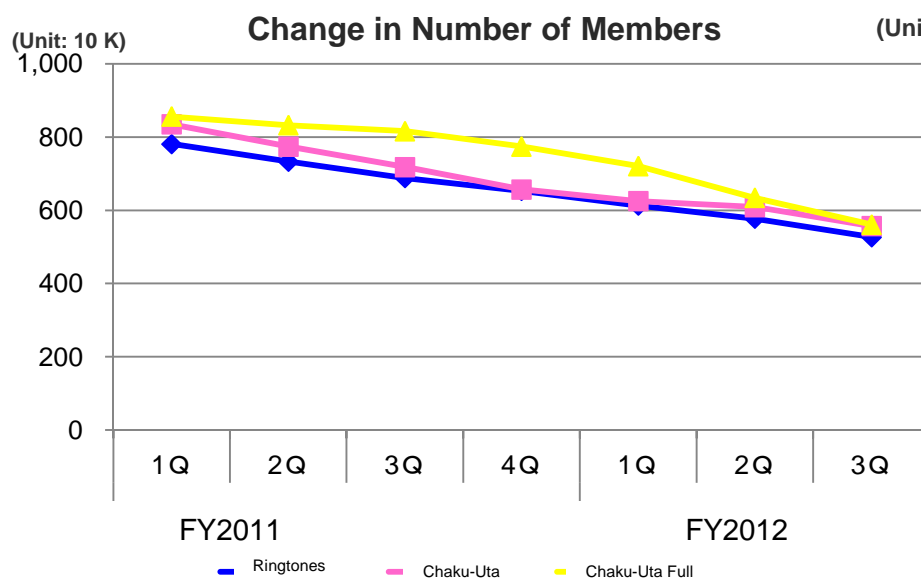
Segment Overview (Total)

(Unit: Million Yen)

	Mobile Business	Game Business	Portal Business	Live Business	Other Businesses	Eliminations /Corporate	Total
Net Sales (Growth Rate)	10,814 (15.5%)	4,298 (19.0%)	10,194 42.2%	586	1,947	(923) (68.2%)	26,916 2.4%
COGS (Growth Rate)	4,804 (11.6%)	2,580 (32.6%)	6,708 42.0%	1,236	1,774	(382) 28.4%	16,721 7.9%
Gross Profit (Growth Rate)	6,009 (18.5%)	1,718 16.3%	3,485 42.7%	(650)	173	(541) (3,638.5%)	10,195 △5.7%
SG&A (Growth Rate)	3,752 (3.3%)	1,352 (2.8%)	1,658 37.7%	139	435	2,120 179.4%	9,458 6.7%
Income before Allocated (Growth Rate)	2,257 (35.3%)	366 321.1%	1,826 47.5%	(790)	(261)	(2,661) (244.1%)	736 (62.0%)
Allocated Cost (Growth Rate)	344 (56.5%)	—	935 6.1%	26	—	(1,305) 21.9%	—
Operating Income (Growth Rate)	1,913 (29.1%)	366 321.1%	891 149.6%	(817)	(261)	(1,355) (75.3%)	736 (62.0%)

Mobile Business: Comparison to Forecast and Previous Term

	Result 2011/10-2012/6	Comparison to Forecast	Comparison to Previous
Net Sales	10.81 billion	↑ 0.01 billion	↓ 1.98 billion
Cost of Goods Sold	4.80 billion	↓ 0.08 billion	↓ 0.62 billion
SG&A	3.75 billion	↑ 0.11 billion	↓ 0.12 billion
Income before Allocated	2.25 billion	↓ 0.02 billion	↓ 1.23 billion
Allocated Cost	0.34 billion	↓ 0.17 billion	↓ 0.44 billion
Operating Income	1.91 billion	↑ 0.15 billion	↓ 0.78 billion

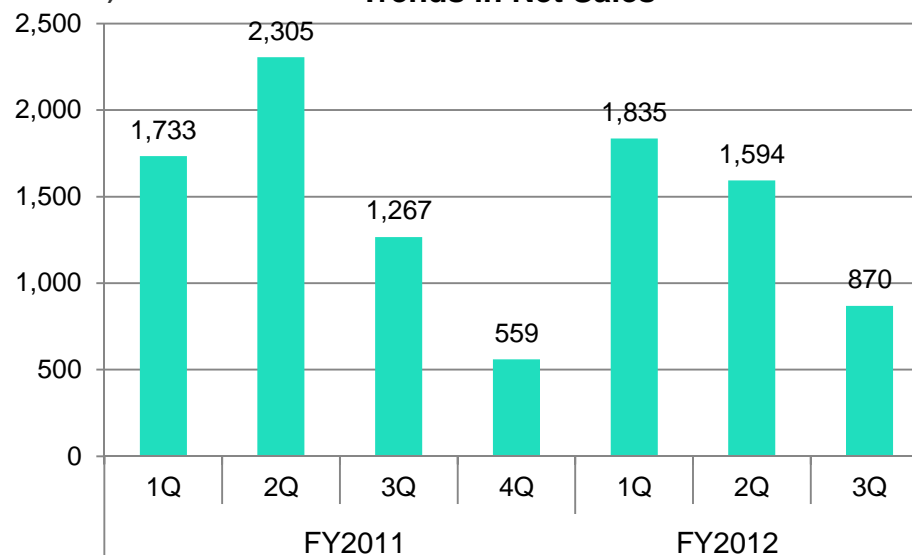


Game Business

	Result 2011/10-2012/6	Comparison to Forecast	Comparison to Previous
Net Sales	4.29 billion	↓ 0.20 billion	↓ 1.00 billion
Cost of Goods Sold	2.58 billion	↓ 0.20 billion	↓ 1.24 billion
SG&A	1.35 billion	↓ 0.02 billion	↓ 0.03 billion
Income before Allocated	0.36 billion	↑ 0.02 billion	↑ 0.27 billion
Allocated Cost	- Billion	- Billion	- Billion
Operating Income	0.36 billion	↑ 0.02 billion	↑ 0.27 billion

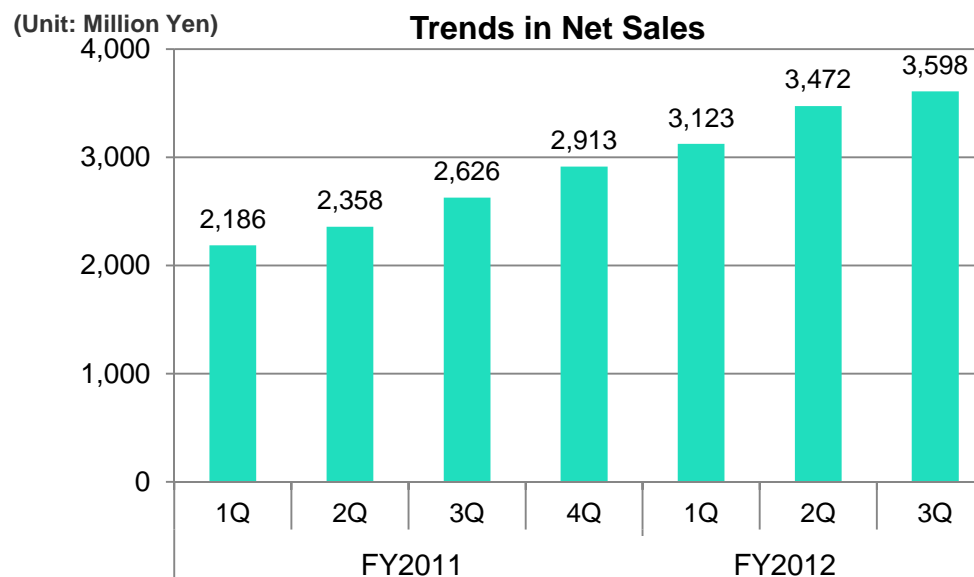
(Unit: Million Yen)

Trends in Net Sales



Portal Business

	Result 2011/10-2012/6	Comparison to Forecast	Comparison to Previous
Net Sales	10.19 billion	↑ 0.02 billion	↑ 3.02 billion
Cost of Goods Sold	6.70 billion	↓ 0.04 billion	↑ 1.98 billion
SG&A	1.65 billion	↑ 0.02 billion	↑ 0.45 billion
Income before Allocated	1.82 billion	↓ 0.00 billion	↑ 0.58 billion
Allocated Cost	0.93 billion	↑ 0.00 billion	↑ 0.05 billion
Operating Income	0.89 billion	↓ 0.00 billion	↑ 0.53 billion



Summary of Balance Sheets

(Unit: Million Yen)

	Previous term (End of Sep. 2011)	Current Term 2011/10-2012/6	Change	Major factor of change
Current assets	15,935	15,503	(432)	
Fixed assets	11,082	11,535	453	Increase of goodwill
Total assets	27,018	27,038	20	
Current liabilities	5,904	8,152	2,247	Increase in short-term borrowing
Fixed liabilities	563	450	(113)	
Total liabilities	6,467	8,602	2,135	
Net assets	20,550	18,436	(2,114)	Decrease in capital surplus Decrease in retained earnings Decrease in minority interests

Summary of Cash Flow Statements

(Unit: Million Yen)

	Previous term 2010/10-2011/6	Current Term 2011/10-2012/6
Cash flows from operating activities	2,313	1,779
Cash flows from investing activities	△4,105	△2,366
Cash flows from financing activities	1,650	10
Cash and cash equivalents at end of term	7,219	6,420

Business Forecast for Year Ending September 2012

(Unit: Million Yen)

	Previous Term 2010/10-2011/9	Current Term 2011/10-2012/9 (Forecast)	Changes
Net Sales (Growth Rate)	34,298 12.9%	36,020 5.0%	1,722
Gross Profit (Growth Rate)	13,738 3.0%	13,620 (0.9%)	(118)
Operating Income (Growth Rate)	1,671 (12.0%)	1,060 (36.6%)	(611)
Ordinary Income (Growth Rate)	1,473 4.3%	1,020 (30.8%)	(453)
Net Income (Growth Rate)	1,238 3.6%	0	(1,238)

Business Forecast for Year Ending September 2012 (Segment Overview)

(Unit: Million Yen)

	Mobile Business	Game Business	Portal Business	Live Business	Others	Eliminations/Corporate	Total
Net Sales	14,330 (14.6)	5,750 (1.9%)	13,890 37.8%	640 168.9%	2,590 15.8%	(1,180) (30.4%)	36,020 5.0%
COGS	6,270 (12.4%)	3,570 (16.8%)	9,210 40.0%	1,430 52.1%	2,370 22.5%	(450) (31.6%)	22,400 9.0%
Gross Profit	8,060 (16.3%)	2,180 38.5%	4,680 33.6%	(790) 12.5%	220 (26.9%)	(730) (29.9%)	13,620 (0.9%)
SG&A	5,170 (2.3%)	1,750 1.2%	2,230 33.3%	160 213.7%	560 25.3%	2,690 (6.4%)	12,560 4.1%
Income Before allocated	2,890 (33.3%)	430 377.4%	2,450 34.0%	(950) (26.0%)	(340) (132.9%)	(3,420) 0.5%	1,060 (36.6%)
Allocated Cost	460 (56.8%)	—	1,280 10.4%	40	—	(1,780) 19.1%	—
Operating Income	2,430 (26.2%)	430 377.4%	1,170 74.6%	(990) (31.0%)	(340) (132.9%)	(1,640) (32.7%)	1,060 (36.6%)

dwango



ニコニコ動画:Zero
niconico DOUGA

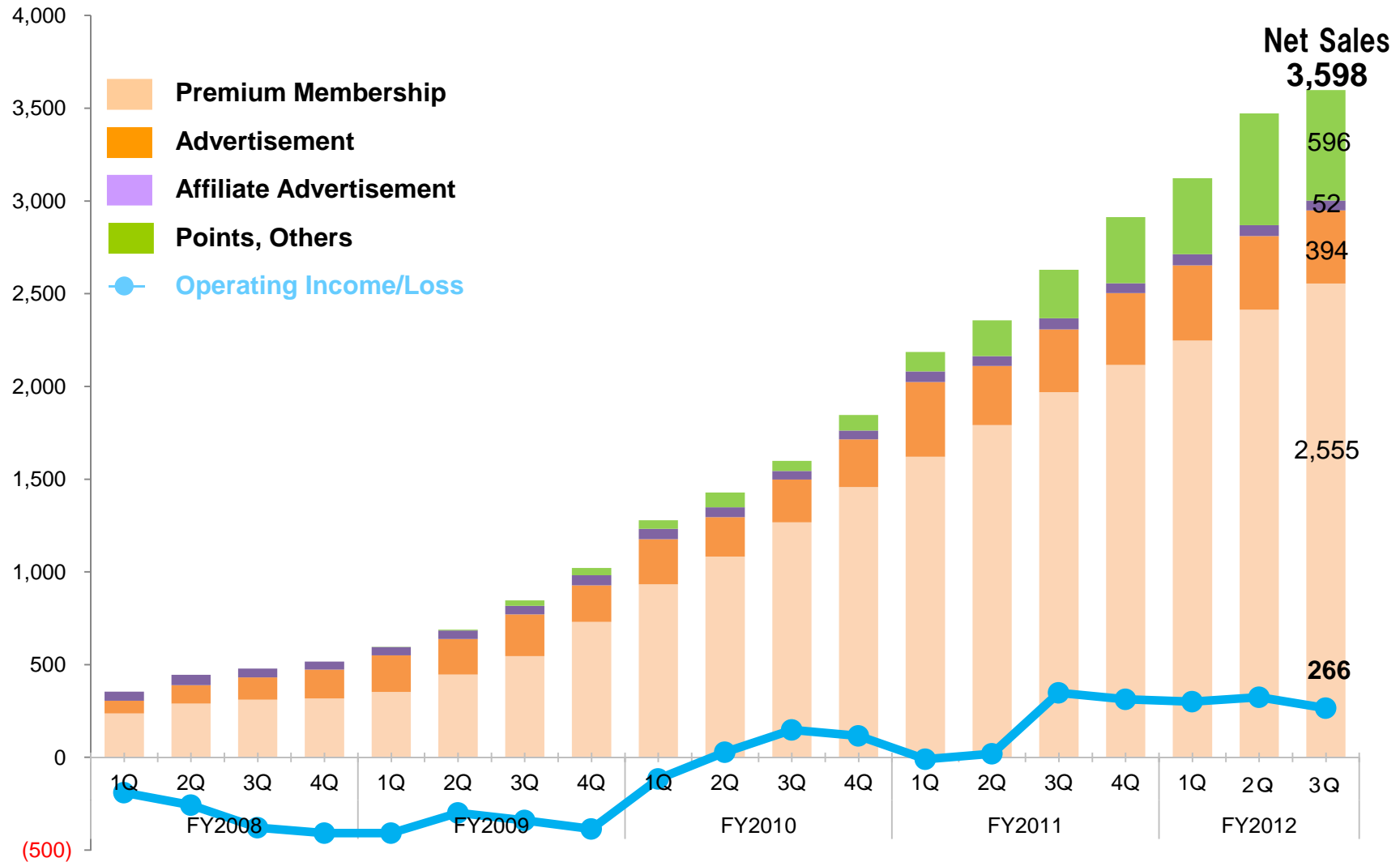
ニコニコ生放送:Zero
niconico LIVE



Revenues from niconico

(Unit: Million Yen)

3Q of FY2012



Number of Members of niconico

As of June 30, 2012

Registered Users

28.08 million

As of March 31, 2012: 26.48 million

Premium Members

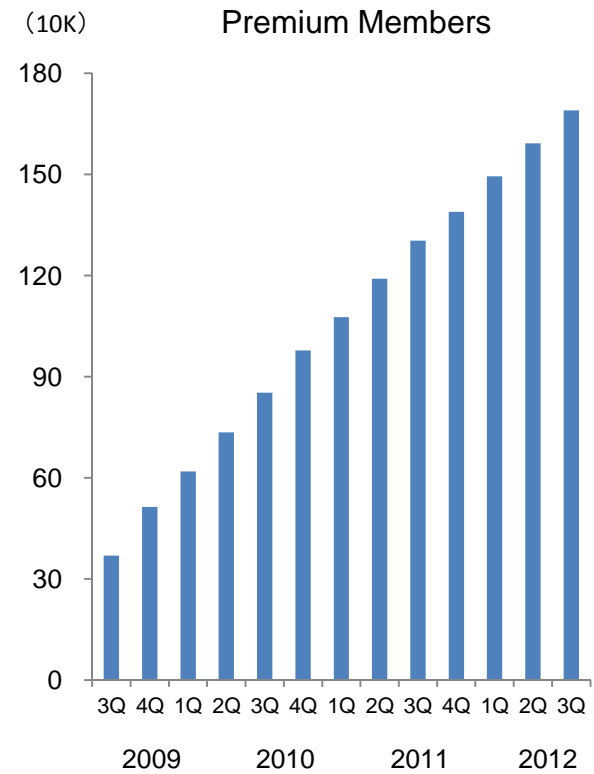
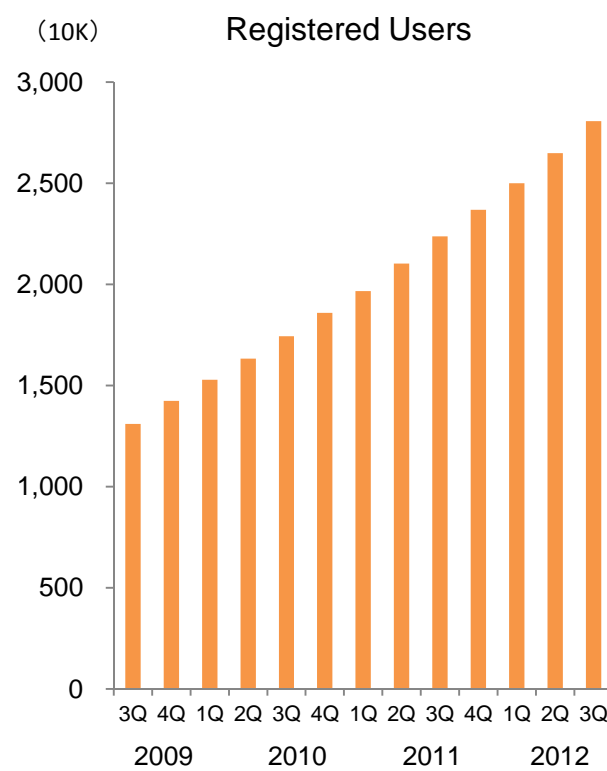
1.69 million

As of March 31, 2012: 1.59 million

Mobile Members

7.57 million

As of March 31, 2012: 7.37 million



Usage and Attributes of niconico Users

Average of 3rd quarter period ended June 2012

(Figures in parentheses indicate results for 2nd quarter period ended March 2012)

NICO NICO DOUGA

Average PVs per day

102.63 million PV (104.51)

Average visitors per month

8.10 million people (7.86)

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

95.8 minutes (102.5)

NICO NICO LIVE

7.86 million PV (7.61)

2.80 million people (2.65)

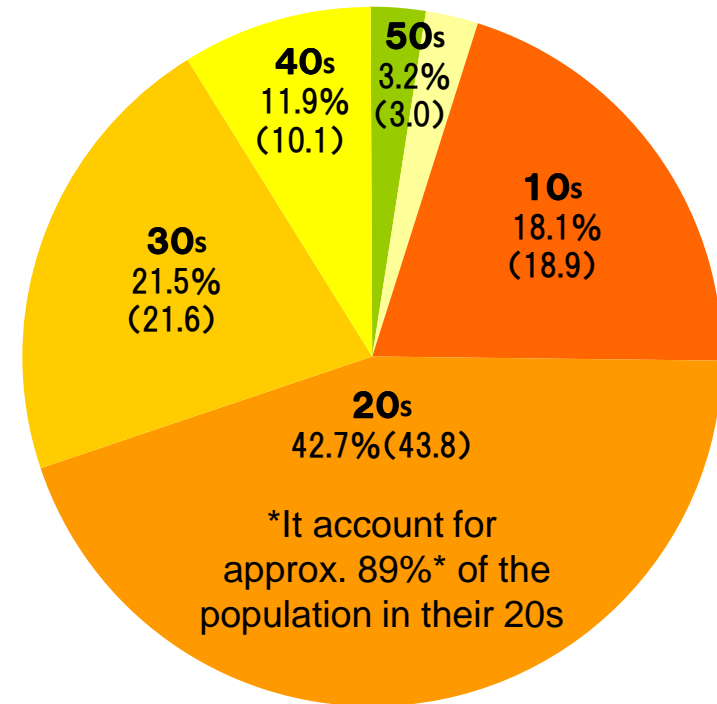
61.7 minutes (63.3)

by gender

♂ **67%** ♀ **33%**

As of June 30, 2012

by age



*This amounts to 11.99 million users for a population of about 13.43 million people (as of June, 2012), as posted by the Ministry of Internal Affairs and Communications.

Trend on NICO NICO LIVE and Viewers

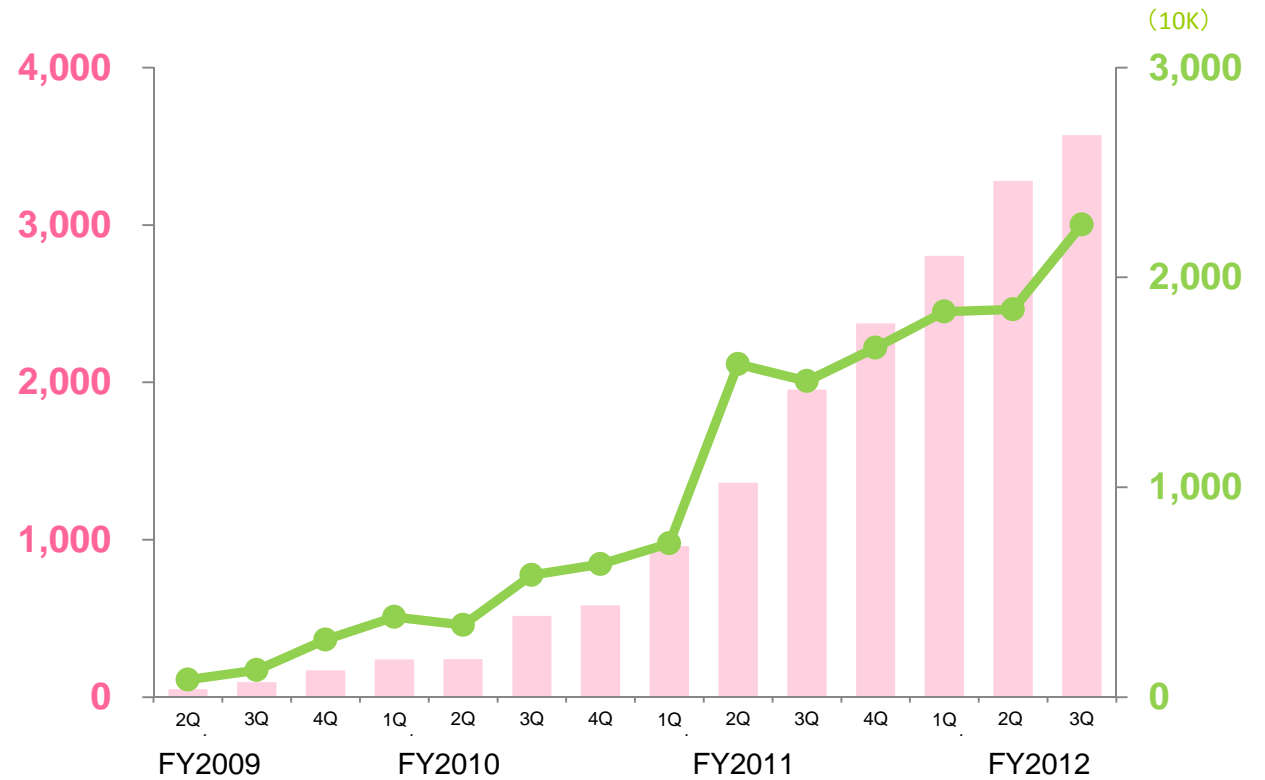
3Q Results
Mar. to Jun.

No. of official programs

3,570 programs

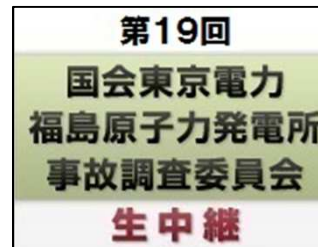
Total No. of viewers

22.51 million



Sample of Programs on NICO NICO LIVE

From March to the present



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:

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