

Result Briefing for the Six Months Ended March 2012

May 10, 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 Six Months Ended March 2012
In Comparison to Previous Term

(Unit: Million Yen)

	Previous Term 2010/10-2011/3	Current Term 2011/10-2012/3	Change
Net Sales (Growth Rate)	17,813 10.7%	18,293 2.7%	479
Gross Profit (Growth Rate) (Gross Profit on Sales)	7,173 3.2% 40.3%	7,232 0.8% 39.6%	59
Operating Income (Growth Rate) (Gross Profit on Sales)	1,135 △3.9% 6.4%	827 △27.1% 4.5%	△307
Ordinary Income (Growth Rate) (Gross Profit on Sales)	1,033 △11.5% 5.8%	717 △30.6% 3.9%	△316
Net Income (Growth Rate) (Gross Profit on Sales)	691 △20.0% 3.9%	484 △30.1% 2.7%	△207

Overview of Consolidated Results for the Six Months Ended March 2012
Differences Between Forecast and Results

(Unit: Million Yen)

	Forecast 2011/10-2012/3	Result 2011/10-2012/3	Change
Net Sales (Growth Rate)	17,970 0.9%	18,293 2.7%	323
Gross Profit (Growth Rate) (Gross Profit on Sales)	6,830 4.9% 38.0%	7,232 0.8% 39.6%	402
Operating Income (Growth Rate) (Gross Profit on Sales)	380 △66.5% 2.1%	827 △27.1% 4.5%	447
Ordinary Income (Growth Rate) (Gross Profit on Sales)	515 △65.2% 2.9%	717 △30.6% 3.9%	357
Net Income (Growth Rate) (Gross Profit on Sales)	335 △66.9% 1.3%	484 △30.1% 2.7%	254

Cost of Goods Sold

(Unit: Million Yen)

		Previous Term 2010/10-2011/3 (% of total sales)		Current Term 2011/10-2012/3 (% of total sales)		Change
Cost of Goods Sold		10,640	59.7%	11,060	60.5%	420
Manufacturing Costs	Personnel Costs	2,106	11.8%	2,802	15.3%	695
	Commission and Fees Paid	798	4.5%	839	4.6%	40
	Royalties	2,637	14.8%	2,357	12.9%	△280
	Outsourcing Costs	3,321	18.6%	2,798	15.3%	△522
	Communication Costs	1,007	5.7%	1,240	6.8%	233
	Other Expenses	1,241	7.0%	1,636	8.9%	395
Inventoriable Costs		350	2.0%	308	1.7%	△42
(Account Transfers)		(823)	△4.6%	(921)	△5.0%	△97

SG & A

(Unit: Million Yen)

	Previous Term 2010/10-2011/3 (% of total sales)		Previous Term 2011/10-2012/3 (% of total sales)		Change
Selling, General and Administrative Expenses	6,038	33.9%	6,405	35.0%	366
Advertisement Expenses	2,625	14.7%	2,204	12.1%	△420
Personnel Costs	864	4.9%	1,244	6.8%	380
Commission and Fees Paid	1,677	9.4%	1,787	9.8%	110
Commission and Fees Paid	214	1.2%	194	1.1%	△19
Others	657	3.7%	973	5.3%	316

Changes in Quarterly Performance

(Unit: Million Yen)

	1Q 2011/10-2011/12	2Q 2012/1-2012/3	Total 2011/10-2012/3
Net Sales (Growth Rate)	9,131 6.3%	9,162 △0.7%	18,293 2.7%
Gross Profit (Growth Rate) (Gross Profit on Sales)	3,615 7.5% 39.6%	3,617 △2.6% 39.5%	7,232 0.8% 39.6%
Operating Income (Growth Rate) (Gross Profit on Sales)	506 28.6% 5.6%	321 △56.7% 3.5%	827 △27.1% 4.5%
Ordinary Income (Growth Rate) (Gross Profit on Sales)	515 43.8% 5.6%	202 △70.0% 2.2%	717 △30.6% 3.9%
Net Income (Growth Rate) (Gross Profit on Sales)	335 1.4% 3.7%	149 △58.8% 1.6%	484 △30.1% 2.7%

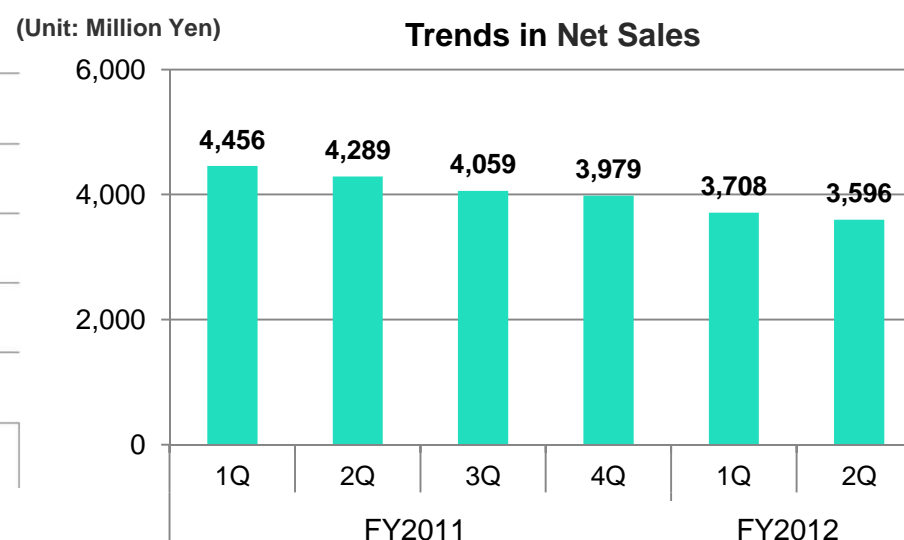
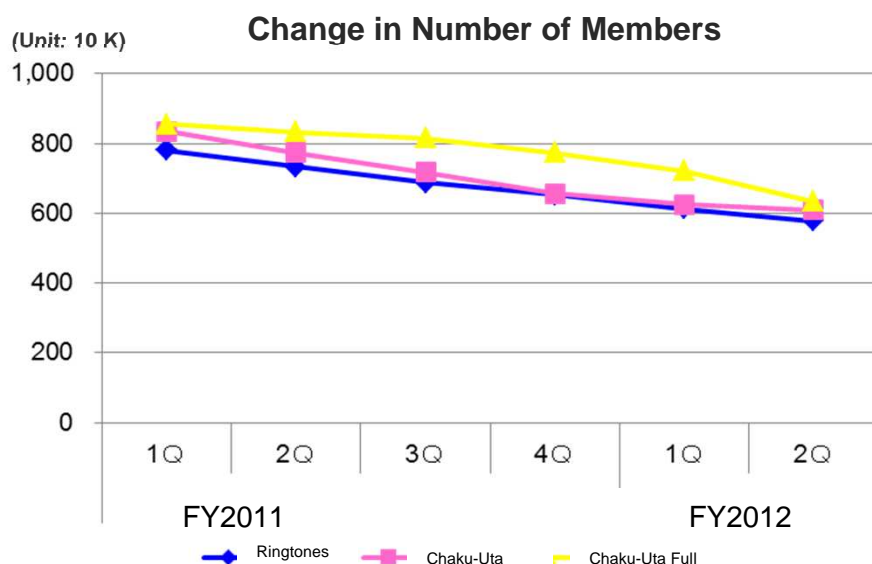
Segment Overview (Total)

(Unit: Million Yen)

	Mobile Business	Game Business	Portal Business	Live Business	Other Businesses	Eliminations /Corporate	Total
Net Sales (Growth Rate)	7,304 △16.5%	3,429 △15.1%	6,595 45.2%	172	1,415	△623 △106.0%	18,293 2.7%
COGS (Growth Rate)	3,326 △10.0%	2,059 △31.9%	4,307 38.6%	401	1,256	△289 3512.5%	11,060 4.0%
Gross Profit (Growth Rate)	3,977 △21.2%	1,369 34.9%	2,287 59.3%	△228	158	△331 5.8%	7,232 0.8%
SG&A (Growth Rate)	2,485 △10.4%	936 △10.0%	1,073 28.5%	56	354	1,501 21.6%	6,405 6.1%
Income before Allocated (Growth Rate)	1,491 △34.4%	433 1,803.0%	1,214 102.1%	△284	△195	△1,832 19.9%	827 △27.1%
Allocated Cost (Growth Rate)	233 △56.0%	—	588 △0.4%	16	—	△837 △25.3%	—
Operating Income (Growth Rate)	1,258 △27.8%	433 1,803.0%	625 6,643.8%	△301	△195	△993 △144.0%	827 △27.1%

Mobile Business: Comparison to Forecast and Previous Term

	Result 2011/10-2012/3	Comparison to Forecast	Comparison to Previous
Net Sales	7.30 billion	↓ 0.04 billion	↓ 0.14 billion
Cost of Goods Sold	3.32 billion	↓ 0.00 billion	↓ 0.37 billion
SG&A	2.48 billion	↑ 0.19 billion	↓ 0.28 billion
Income before Allocated	1.49 billion	↓ 0.23 billion	↓ 0.78 billion
Allocated Cost	0.23 billion	↓ 0.10 billion	↓ 0.29 billion
Operating Income	1.25 billion	↓ 0.13 billion	↓ 0.48 billion

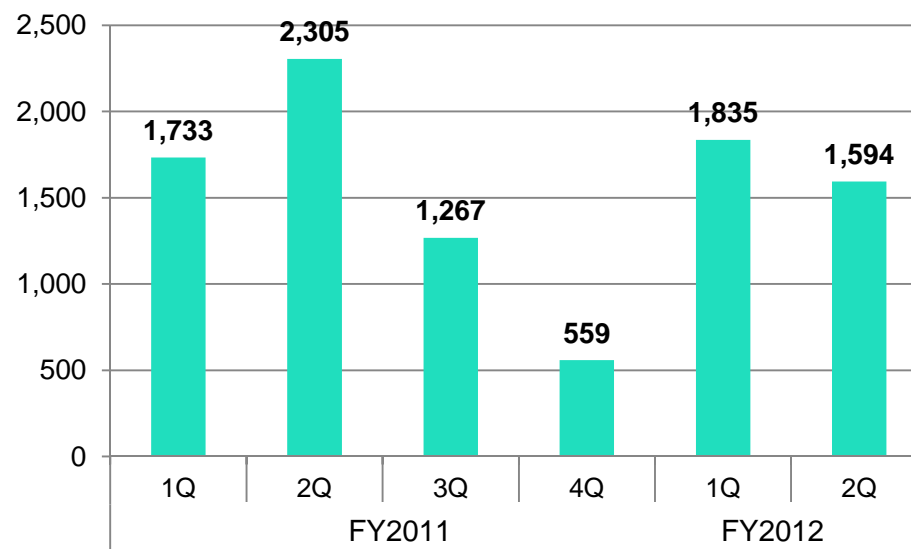


Game Business

	Result 2011/10-2012/3	Comparison to Forecast	Comparison to Previous
Net Sales	3.42 billion	↑ 0.29 billion	↓ 0.60 billion
Cost of Goods Sold	2.06 billion	↑ 0.04 billion	↓ 0.96 billion
SG&A	0.93 billion	↓ 0.02 billion	↓ 0.10 billion
Income before Allocated	0.43 billion	↑ 0.27 billion	↑ 0.45 billion
Allocated Cost	- Billion	Billion	Billion
Operating Income	0.43 billion	↑ 0.27 billion	↑ 0.45 billion

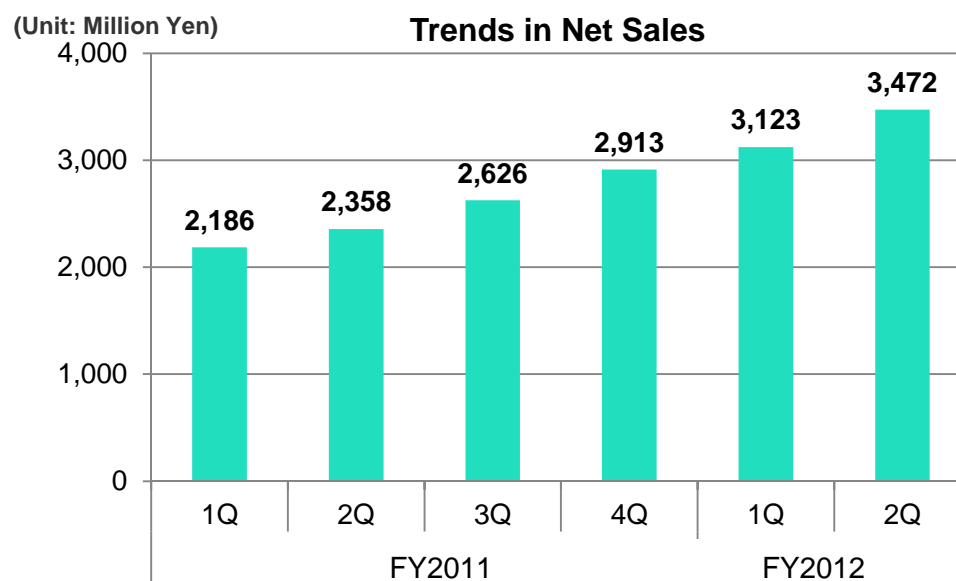
(Unit: Million Yen)

Trends in Net Sales



Portal Business

	Result 2011/10-2012/3	Comparison to Forecast	Comparison to Previous
Net Sales	6.59 billion	↑ 0.20 billion	↑ 2.05 billion
Cost of Goods Sold	4.30 billion	↓ 0.05 billion	↑ 1.20 billion
SG&A	1.07 billion	↑ 0.04 billion	↑ 0.23 billion
Income before Allocated	1.21 billion	↑ 0.21 billion	↑ 0.61 billion
Allocated Cost	0.58 billion	0.00 billion	↓ 0.00 billion
Operating Income	0.62 billion	↑ 0.21 billion	↑ 0.61 billion



Business Forecast for 3rd Quarter Year Ending September 2012

(Unit: Million Yen)

	Previous Term 3rd Quarter 2010/10-2011/6	Next Term 3rd Quarter 2011/10-2012/6 (Forecast)	Changes
Net Sales (Growth Rate)	26,300 14.2%	27,420 4.3%	1,120
Gross Profit (Growth Rate)	10,805 7.1%	10,420 △3.6%	△385
Operating Income (Growth Rate)	1,936 14.4%	320 △83.5%	△1,616
Ordinary Income (Growth Rate)	1,828 3.1%	250 △86.3%	△1,578
Net Income (Growth Rate)	1,244 △24.2%	60 △95.2%	△1,184

Business Forecast for 3rd Quarter Year Ending September 2012 (Segment Overview)

(Unit: Million Yen)

	Mobile Business	Game Business	Portal Business	Live Business	Others	Eliminations/Corporate	Total
Net Sales	10,800 △15.6	4,500 △15.2%	10,220 42.6%	590	1,760 12.0%	△450 △18.0%	27,420 4.3%
COGS	4,880 △10.2%	2,780 △28.0%	6,750 42.8%	1,220	1,600 △3.9%	△230 47.4%	17,000 9.7%
Gross Profit	5,920 △19.7%	1,720 △16.4%	3,470 42.1%	△630	160 △272.0%	△220 △43.9%	10,420 △3.6%
SG&A	3,640 △6.2%	1,380 △0.8%	1,640 36.2%	160	490 44.5%	2,790 35.9%	10,100 13.9%
Income Before allocated	2,280 △34.7%	340 295.3%	1,830 47.8%	△790	△330 △23.8%	△3,010 23.1%	320 △83.5%
Allocated Cost	520 △34.2%	—	930 5.6%	30	—	△1,480 △11.5%	—
Operating Income	1,760 △34.8%	340 295.3%	900 152.1%	△820	△330 △23.8%	△1,530 △97.9%	320 △83.5%

dwango



ニコニコ動画:Zero
niconico DOUGA

ニコニコ生放送:Zero
niconico LIVE

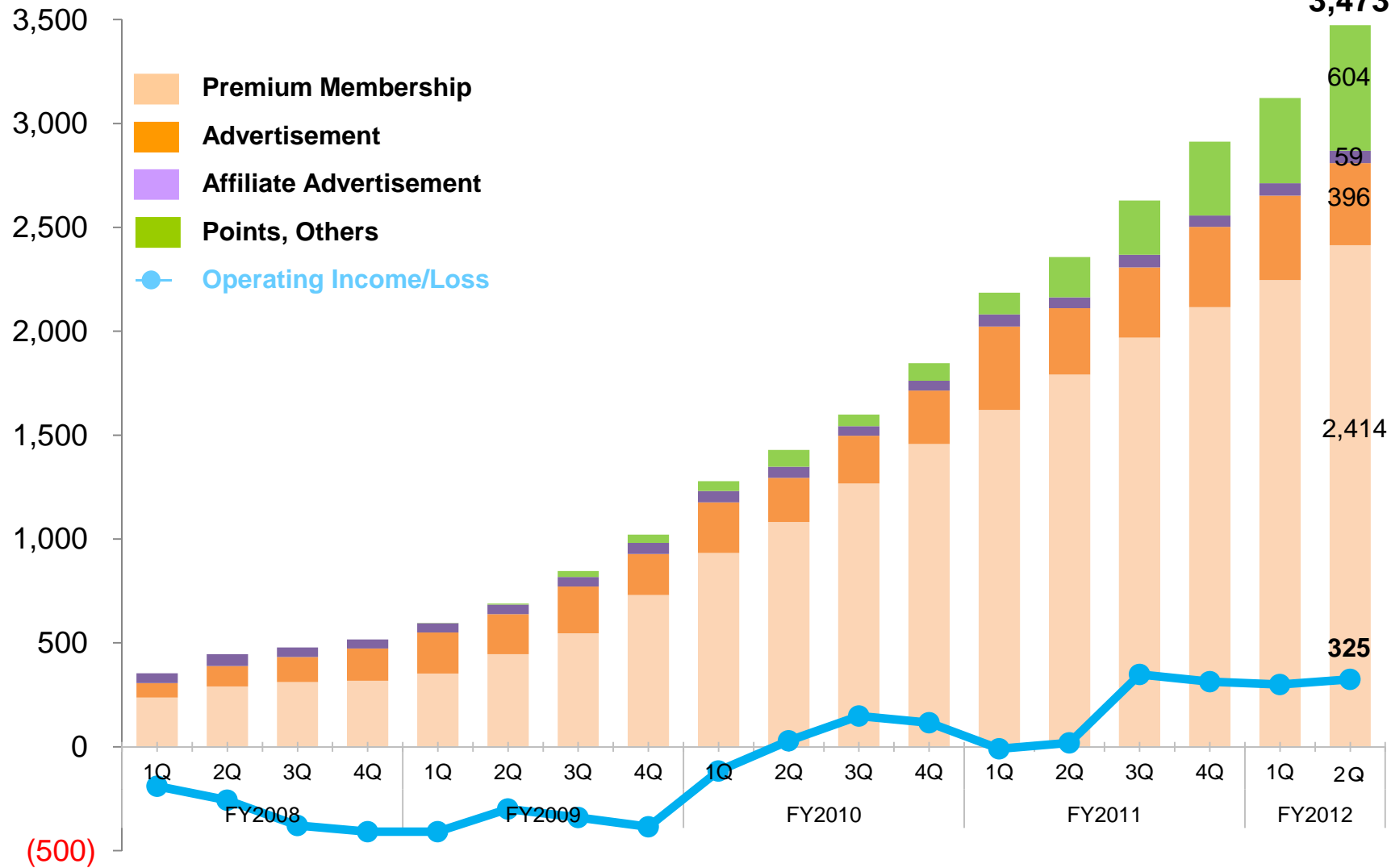


Revenues from niconico

(Unit: Million Yen)

2Q of FY2012

Net Sales
3,473



Number of Members of niconico

As of March 31, 2012

Registered Users

26.48 million

As of Dec 31, 2011: 25.50 million

Premium Members

1.59 million

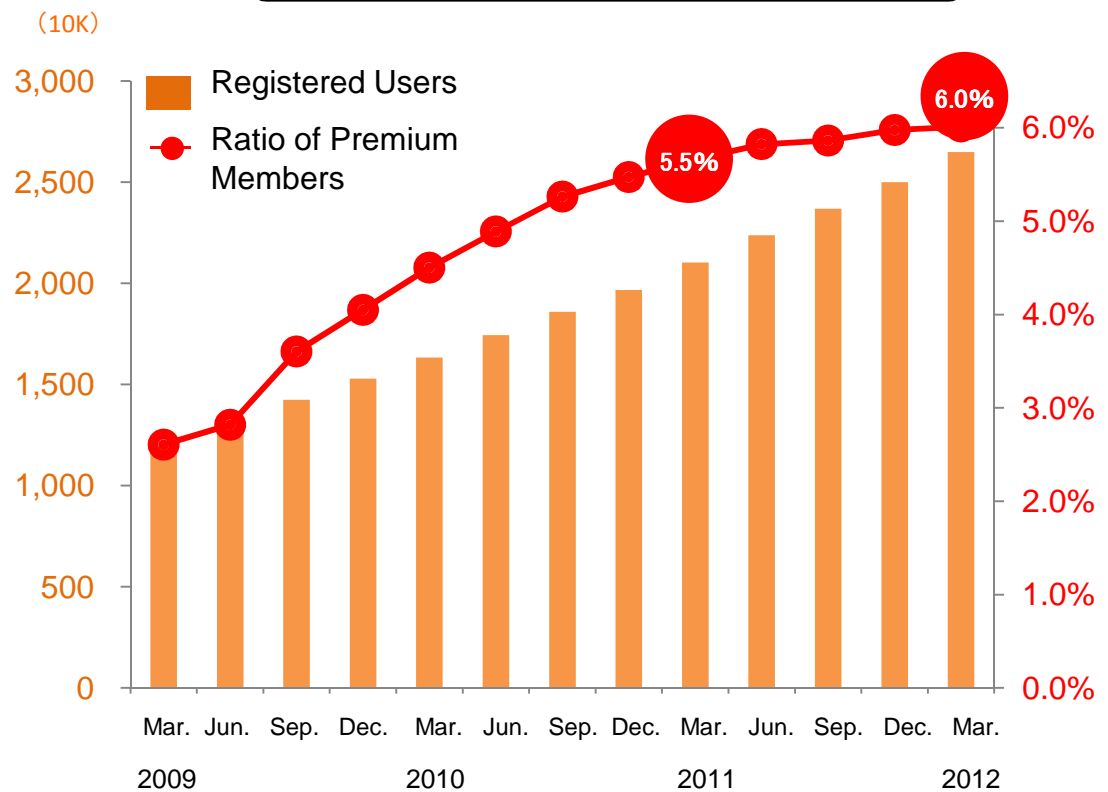
As of Dec 31, 2011: 1.49 million

Mobile Members

7.37 million

As of Dec 31, 2011: 7.11 million

The Ratio of Premium Members



Usage and Attributes of niconico Users

Average of 2nd quarter period ended March 2012

(Figures in parentheses indicate results for 1st quarter period ended December 2011)

NICO NICO DOUGA

■ Average PVs per day

104.51 million PV (92.47)

■ Average visitors per month

7.86 million people (7.63)

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

102.5 minutes (101.4)

NICO NICO LIVE

7.61 million PV (7.14)

2.65 million people (2.29)

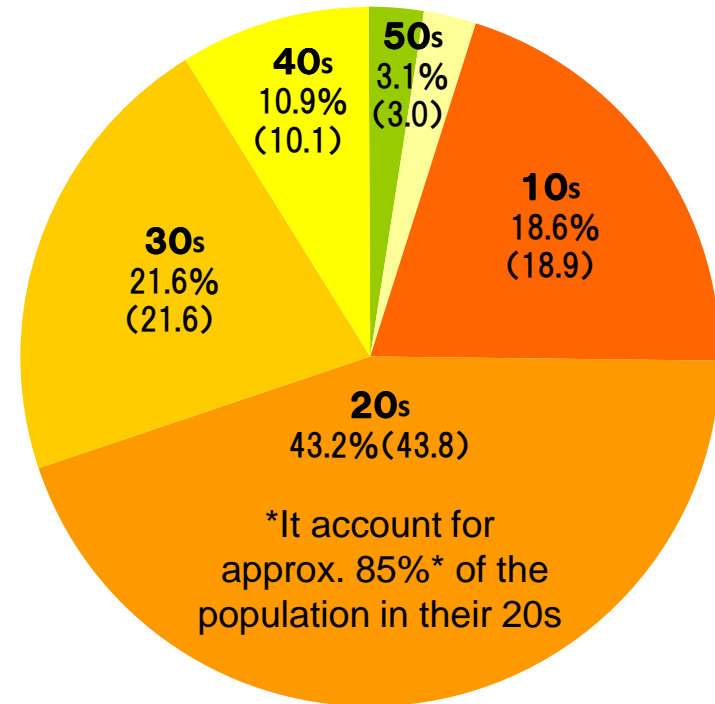
63.3 minutes (62.6)

by gender

♂ **67%** ♀ **33%**

As of March 31, 2012

by age



*This amounts to 11.44 million users for a population of about 13.48 million people (as of March, 2012), as posted by the Ministry of Internal Affairs and Communications.

Trend on NICO NICO LIVE and Viewers

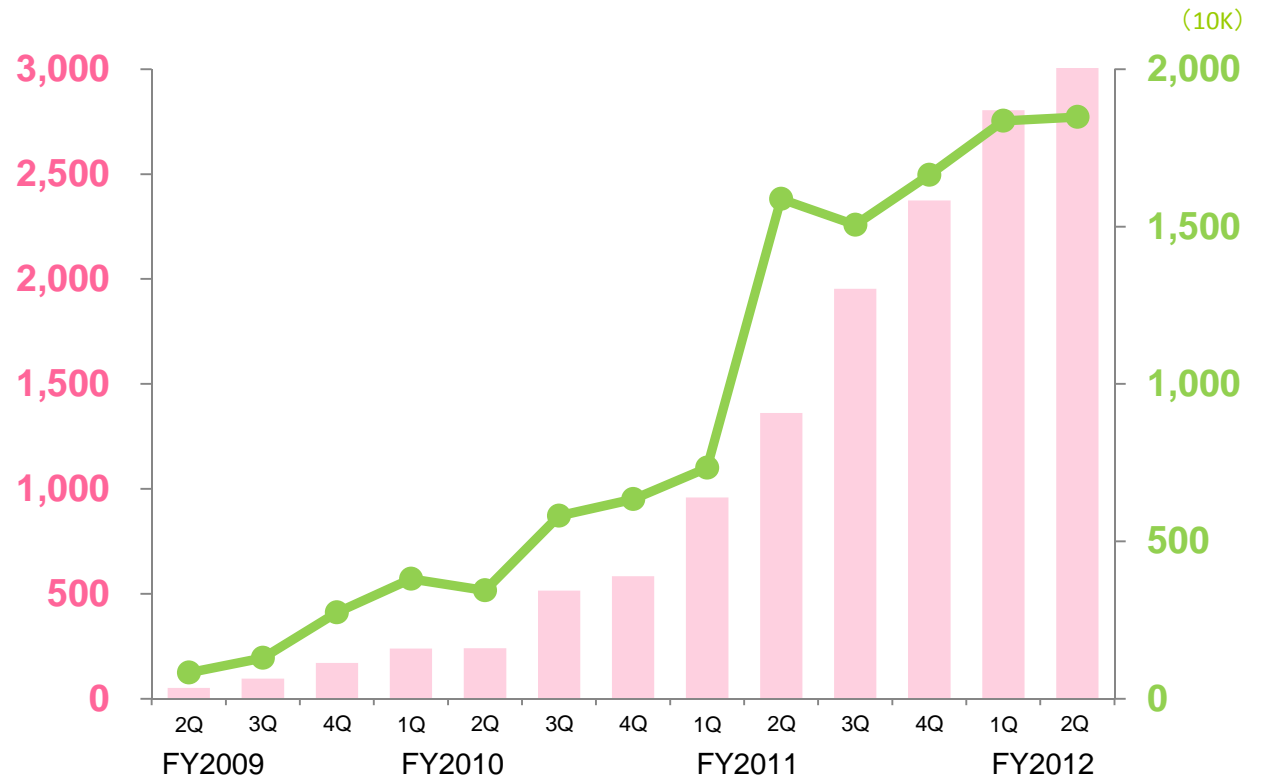
2Q Results
Jan. to Mar.

No. of official programs

3,279 programs

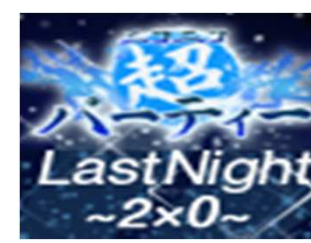
Total No. of viewers

18.48 million



Sample of Programs on NICO NICO LIVE

From January to the present



Topics

New Version  **niconico** has started
 ニコニコ動画:Zero niconico DOUGA ニコニコ生放送:Zero niconico LIVE

NicoNico Douga, which has been started since Dec 12th 2006 and upgraded ten times from the first version “Niconico Douga (仮)”, marked fifth anniversary. This time new version “Niconico Douga : Zero” and “Niconico Live Broadcast : Zero” is started.



ニコニコ超会議 was held

オフィシャルサイト

4.28 (sat) 29 (sun) in 幕張メッセ

The festival named “Niconico Chokaigi”, whose theme is recreating almost all of the contents of Niconico Douga in the real world, was held at Makuhari Messe. 92,000 people visited the event and 3,472 thousand people watched live broadcast program related this festival over two days.

Subsidiaries

dwango mobile

Mobil

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



Portal Business Others

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



Portal Business Others

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



Portal Business

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



Portal Business Others

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

Others

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



Others

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



Others

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



Others

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



Game Business

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



Game Business

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



Game Business

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

For more information:

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