

Result Briefing for the Nine Months Ended June 2013

August 8, 2013

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.

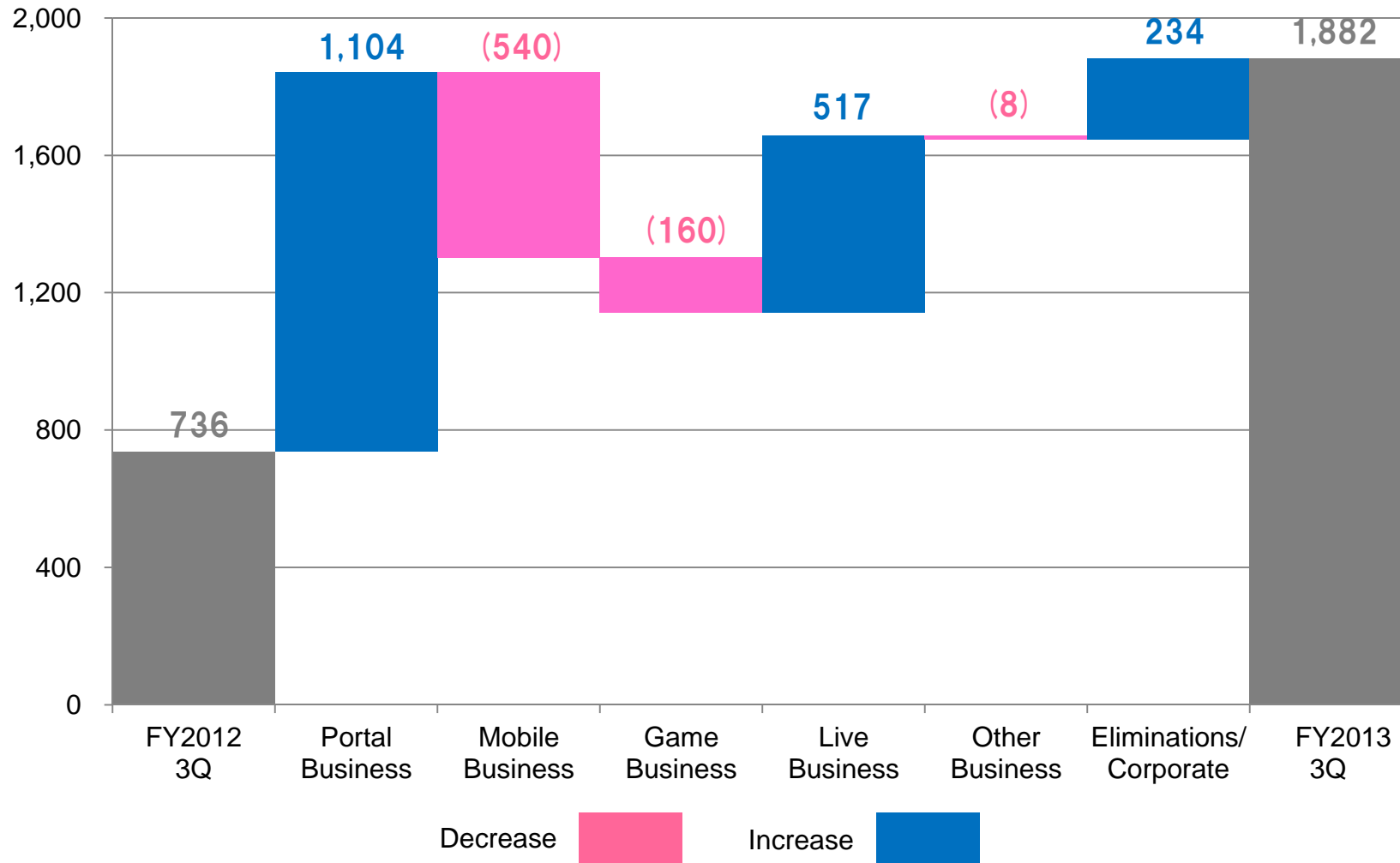
Overview of Consolidated Results for the Nine Months Ended June 2013
in Comparison to Previous Term

(Unit: Million Yen)

	Previous Term	Current Term	Change
	2011/10-2012/6	2012/10-2013/6	
Net Sales	26,916	26,555	(361)
(Growth Rate)	2.3%	(1.3%)	
Gross Profit	10,195	11,559	1,365
(Growth Rate)	(5.7%)	13.4%	
(on Sales)	37.9%	43.5%	
Operating Income	736	1,882	1,146
(Growth Rate)	(62.0%)	155.7%	
(on Sales)	2.7%	7.1%	
Ordinary Income	698	2,004	1,306
(Growth Rate)	(61.8%)	186.8%	
(on Sales)	2.6%	7.5%	
Net Income	(220)	1,997	2,218
(Growth Rate)	—	—	
(on Sales)	—	7.5%	

Operating Income : Comparison to Previous Term

(Unit: Million Yen)



Cost of Goods Sold

(Unit: Million Yen)

		Previous Term 2011/10-2012/6 <small>(% of total sales)</small>		Current Term 2012/10-2013/6 <small>(% of total sales)</small>		Change
Cost of Goods Sold		16,721	62.1%	14,995	56.5%	(1,726)
Manufacturing Costs	Personnel Costs	4,315	16.0%	4,307	16.2%	(8)
	Commission and Fees Paid	1,570	5.8%	1,730	6.5%	160
	Royalties	3,414	12.7%	2,849	10.7%	(565)
	Outsourcing Costs	4,338	16.1%	2,845	10.7%	(1,493)
	Communication Costs	1,919	7.1%	2,061	7.8%	142
	Other Expenses	2,528	9.4%	2,402	9.0%	(126)
Inventoriable Costs		(365)	(1.4%)	(327)	(1.2%)	38
(Account Transfers)		(999)	(3.7%)	(875)	(3.3%)	124

SG & A

(Unit: Million Yen)

	Previous Term 2011/10-2012/6		Current Term 2012/10-2013/6		Change
		(% of total sales)		(% of total sales)	
Selling, General and Administrative Expenses	9,458	35.1%	9,677	36.4%	218
Advertisement Expenses	3,201	11.9%	3,646	13.7%	444
Personnel Costs	1,883	7.0%	1,803	6.8%	(80)
Commission and Fees Paid	2,602	9.7%	2,518	9.5%	(83)
Research and Development Expenses	306	1.1%	246	0.9%	(59)
Others	1,465	5.4%	1,462	5.5%	(2)

Segment Overview (Total)

(Unit: Million Yen)

	Portal Business	Mobile Business	Game Business	Live Business	Other Businesses	Eliminations /Corporate	Total
Net Sales	11,703	10,253	2,723	1,008	1,363	(496)	26,555
(YoY: %)	14.8	(5.2)	(36.7)	72.1	(30.0)	(46.3)	(1.3)
COGS	6,842	3,947	1,703	1,152	1,390	(41)	14,995
(YoY: %)	2.0	(17.8)	(34.0)	(6.8)	(21.6)	(89.2)	(10.3)
Gross Profit	4,861	6,305	1,019	(144)	(27)	(455)	11,559
(YoY: %)	39.5	4.9	(40.7)	-	-	(15.9)	13.4
SG&A	2,088	4,672	813	130	243	1,729	9,677
(YoY: %)	15.1	24.5	(39.9)	(8.0)	(44.2)	(11.9)	2.3
Income (Loss) before Allocated	2,772	1,633	206	(274)	(270)	(2,184)	1,882
(YoY: %)	66.0	(27.6)	(43.8)	-	-	(12.7)	155.7
Allocated Cost	933	260	-	27	-	(1,220)	-
(YoY: %)	(0.2)	(24.3)	-	1.2	-	(6.5)	-
Operating Income (Loss)	1,839	1,373	206	(301)	(270)	(964)	1,882
(YoY: %)	150.2	(28.2)	(43.8)	-	-	(19.5)	155.7

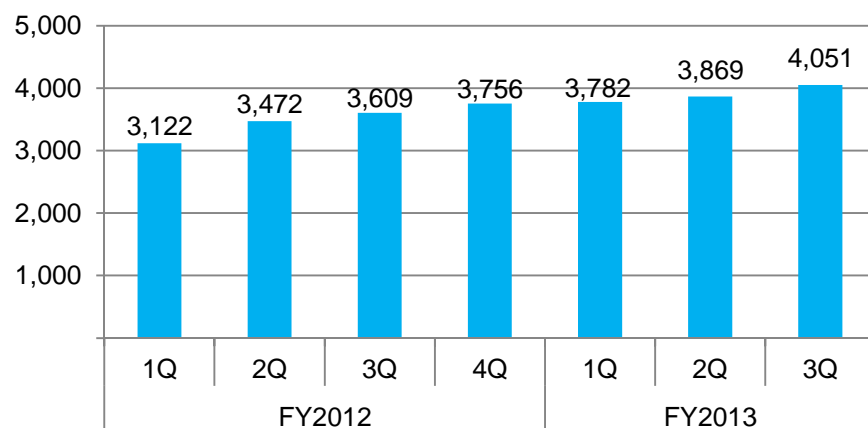
Portal Business: Comparison to Previous Term

(Unit: Million Yen)

	FY2013 3Q	FY2012 3Q	Comparison to Previous	%
Net Sales	11,703	10,194	1,509	14.8
Cost of Goods Sold	6,842	6,708	133	2.0
Gross Profit	4,861	3,485	1,376	39.5
SG&A	2,088	1,814	273	15.1
Income before Allocated	2,772	1,670	1,103	66.0
Allocated Cost	933	935	(2)	(0.2)
Operating Income	1,839	735	1,104	150.2

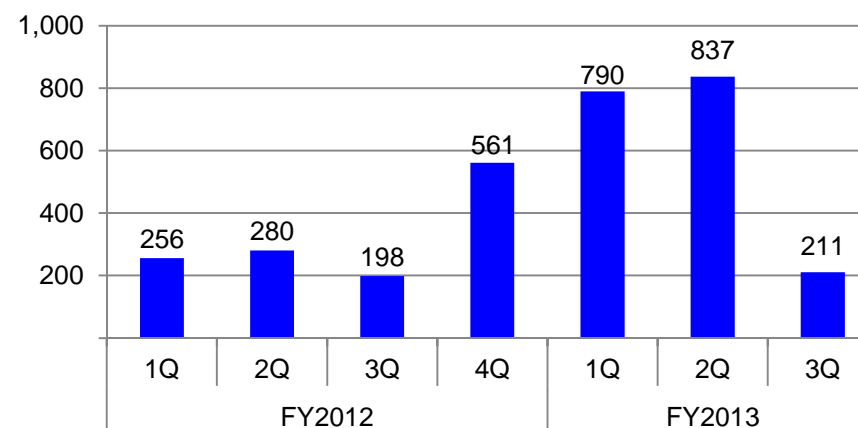
(Unit: Million Yen)

Net Sales



(Unit: Million Yen)

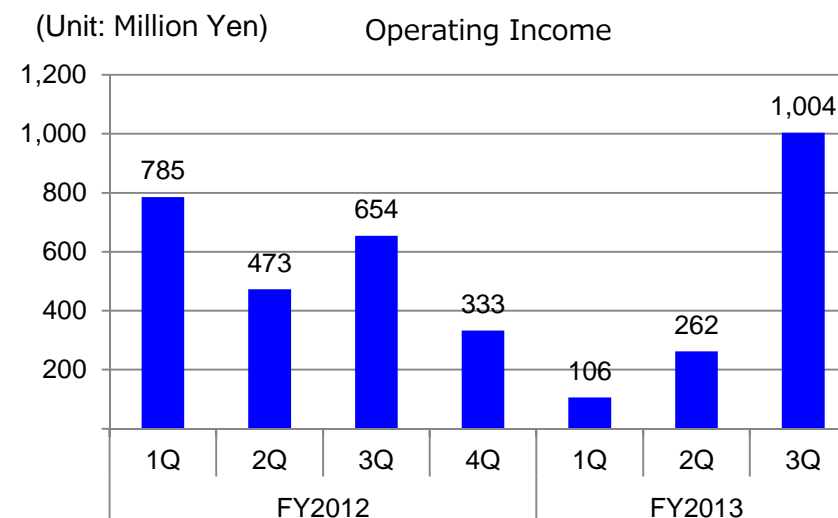
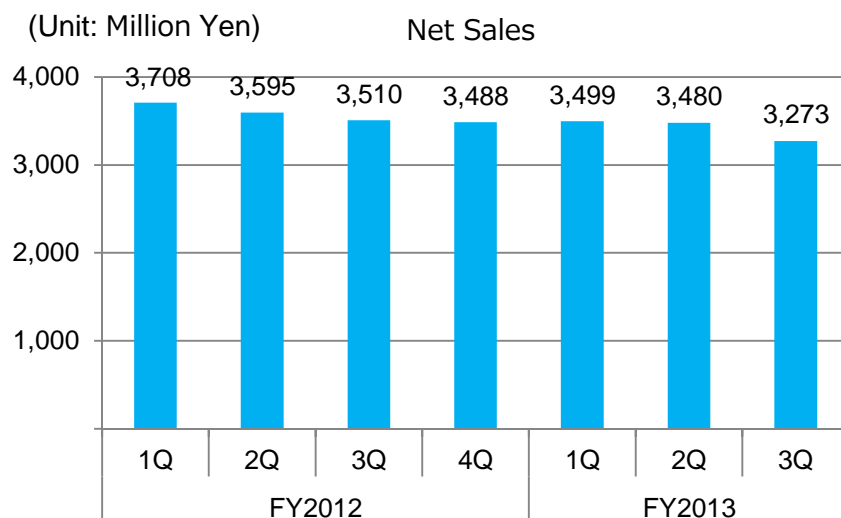
Operating Income



Mobile Business: Comparison to Previous Term

(Unit: Million Yen)

	FY2013 3Q	FY2012 3Q	Comparison to Previous	%
Net Sales	10,253	10,814	(561)	(5.2)
Cost of Goods Sold	3,947	4,804	(857)	(17.8)
Gross Profit	6,305	6,009	296	4.9
SG&A	4,672	3,752	920	24.5
Income before Allocated	1,633	2,257	(624)	(27.6)
Allocated Cost	260	344	(84)	(24.3)
Operating Income	1,373	1,913	(540)	(28.2)



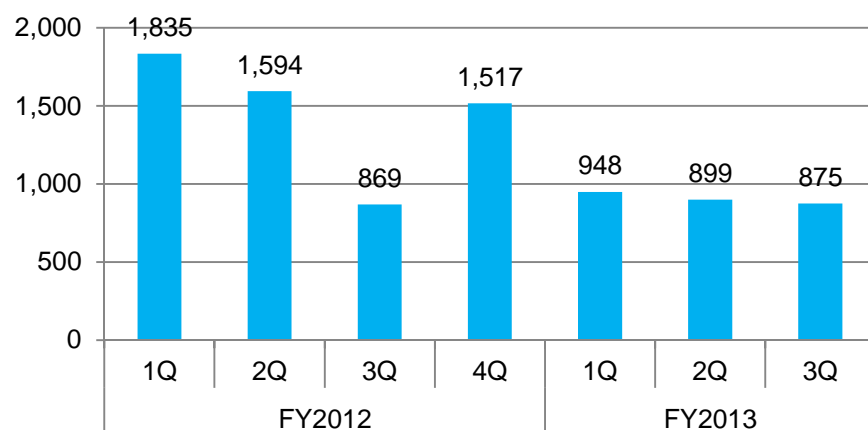
Game Business: Comparison to Previous Term

(Unit: Million Yen)

	FY2013 3Q	FY2012 3Q	Comparison to Previous	%
Net Sales	2,723	4,298	(1,576)	(36.7)
Cost of Goods Sold	1,703	2,580	(877)	(34.0)
Gross Profit	1,019	1,718	(699)	(40.7)
SG&A	813	1,352	(539)	(39.9)
Income before Allocated	206	366	(161)	(43.8)
Allocated Cost	—	—	—	—
Operating Income	206	366	(161)	(43.8)

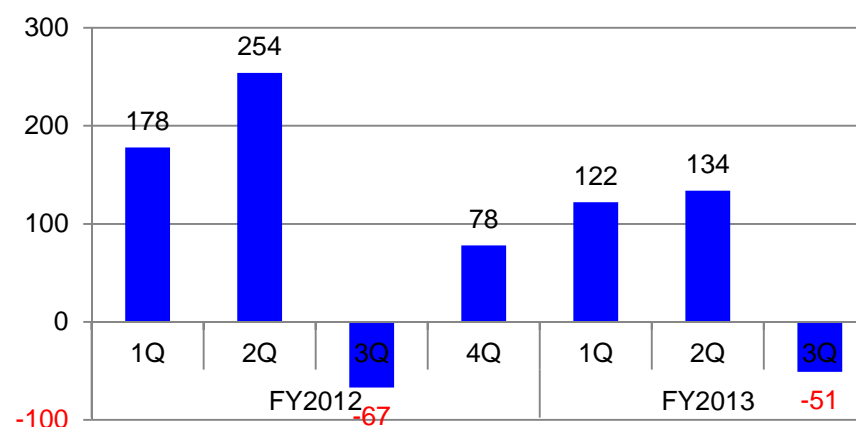
(Unit: Million Yen)

Net Sales



(Unit: Million Yen)

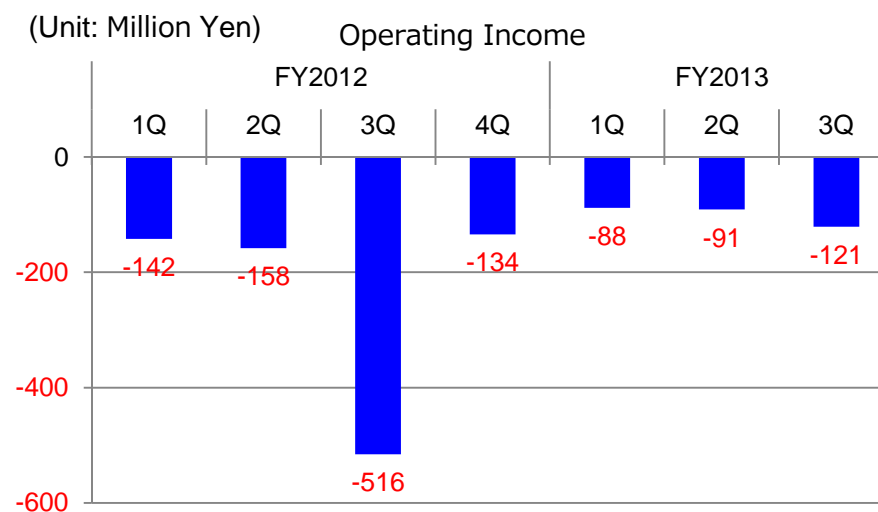
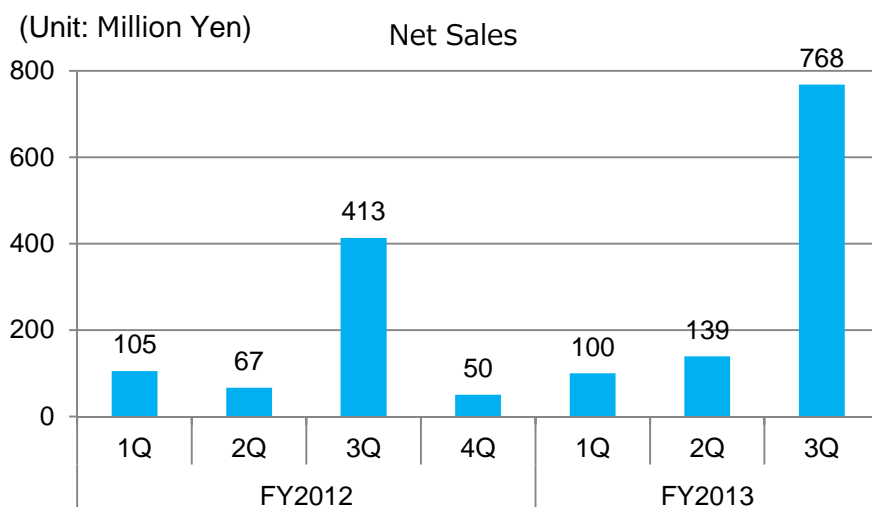
Operating Income



Live Business: Comparison to Previous Term

(Unit: Million Yen)

	FY2013 3Q	FY2012 3Q	Comparison to Previous	%
Net Sales	1,008	586	422	72.1
Cost of Goods Sold	1,152	1,236	(84)	(6.8)
Gross Profit	(144)	(650)	506	—
SG&A	130	141	(11)	(8.0)
Income before Allocated	(274)	(792)	518	—
Allocated Cost	27	26	0	1.2
Operating Income	(301)	(818)	517	—



Business Forecast for Year Ending September 2013

(Unit: Million Yen)

	Portal Business	Mobile Business	Game Business	Live Business	Other Businesses	Eliminations /Corporate	Total
Net Sales	15,900	15,000	4,400	1,100	2,000	(900)	37,500
(YoY: %)	13.9	4.9	(20.4)	68.5	(25.7)	23.7	3.5
COGS	10,000	6,200	2,700	1,500	1,850	(350)	21,900
(YoY: %)	10.4	(1.1)	(25.5)	6.0	(23.1)	22.2	(2.1)
Gross Profit	5,900	8,800	1,700	(400)	150	(550)	15,600
(YoY: %)	20.4	9.6	(21.3)	47.5	(47.4)	24.7	12.5
SG&A	2,500	6,100	1,600	200	300	2,900	13,600
(YoY: %)	16.5	10.3	(7.0)	32.5	(46.1)	7.8	8.5
Income (Loss) before Allocated	3,400	2,700	100	(600)	(150)	(3,450)	2,000
(YoY: %)	21.5	0.4	(77.3)	34.4	44.6	1.0	55.9
Allocated Cost	1,200	350	–	50	–	(1,600)	–
(YoY: %)	(3.2)	(22.9)	–	35.1	–	10.1	–
Operating Income (Loss)	2,200	2,350	100	(650)	(150)	(1,850)	2,000
(YoY: %)	44.9	4.6	(77.3)	31.7	44.6	(12.8)	55.9

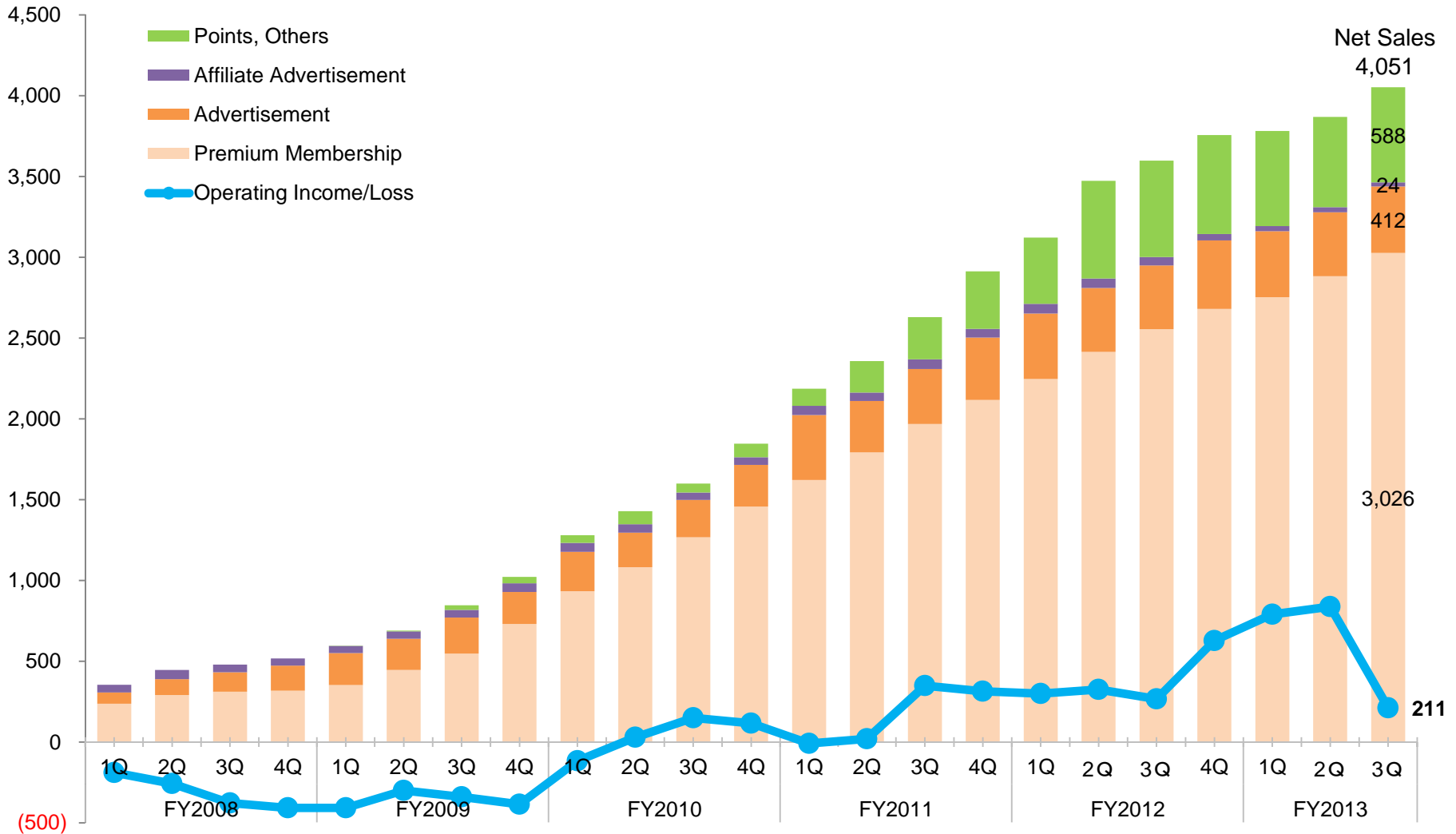
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Revenues from niconico

(Unit: Million Yen)

3Q of FY2013



Number of Members of niconico

As of June 30, 2013

Registered Users

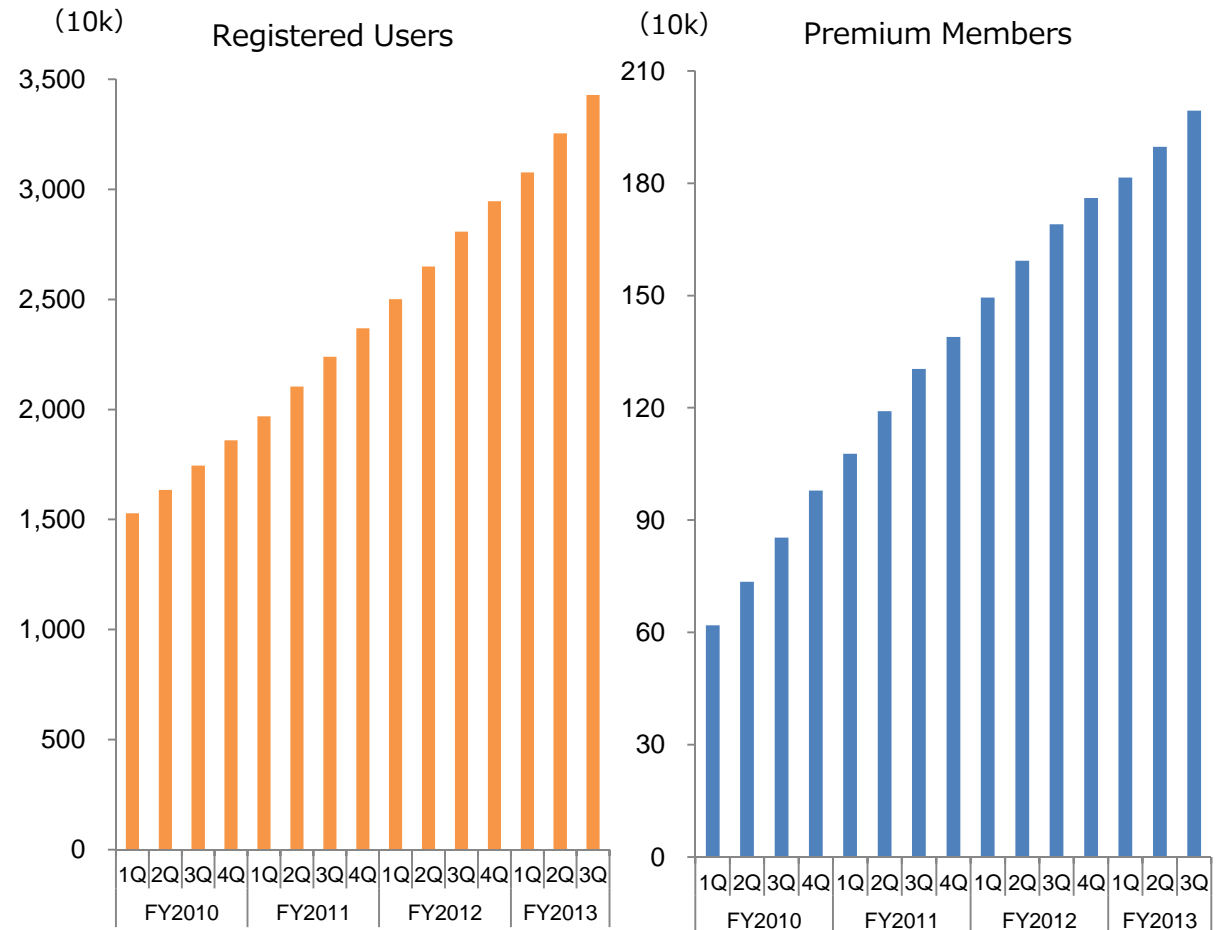
34.68million

As of March 31, 2013 : 32.95million

Premium Members

2.00million

As of March 31, 2013 : 1.89million



Usage and Attributes of niconico Users

Average of 3rd quarter period ended June 2013
 (Figures in parentheses indicate results for 2nd quarter period ended March 2013)

As of June 30, 2013

niconico total

niconico LIVE

by age

■ Average PVs per day

119.52 million PV (116.23)

15.21 million PV (12.65)

■ Average visitors per month

8.46 million people (8.30)

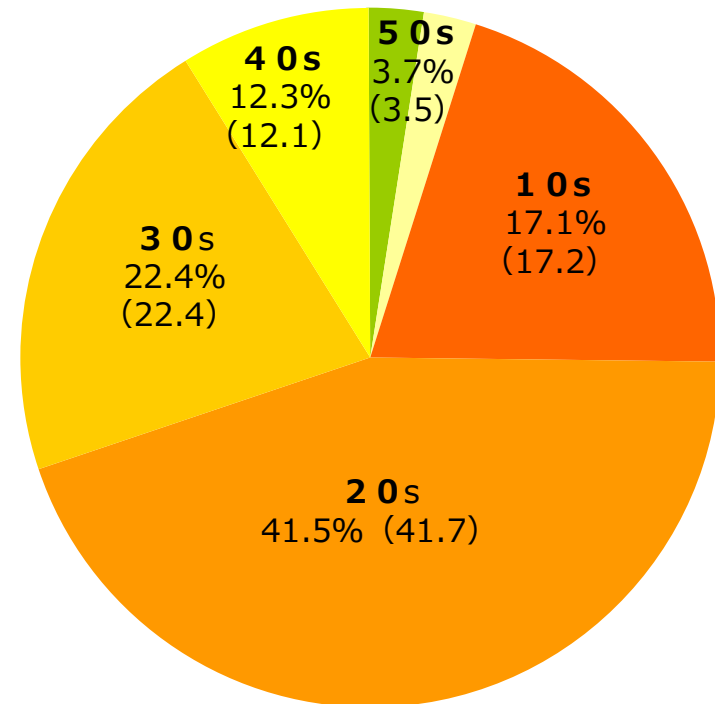
3.15 million people (2.80)

■ Average sojourn time per day

* This is the total length of stay per user.

101.9 minutes (108.6)

73.4 minutes (73.7)



by gender

♂ **67%** ♀ **33%**

Sample of Programs on niconico LIVE

From April to the present



Subsidiaries



■ Dwango Contents, Inc.
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 Others

Others

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



■ Dwango Mobil, Inc.
Holding : 100%
 • Planning, Producing of Contents for mobilphone

Mobil



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

Portal Business



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

Others



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

Game Business



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

Others



■ smiledge
Holding: 40%
 • Advertisement sales, etc.

Portal Business Others

For more information:

Investor Relations Section
DWANGO Co., Ltd.

E-mail: ir@dwango.co.jp