

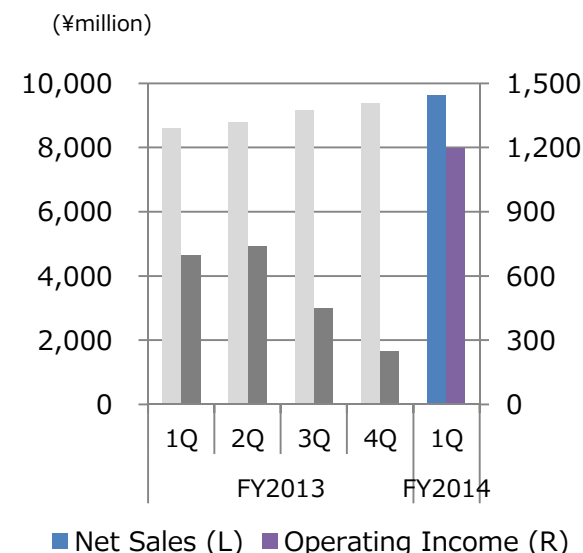
Financial Results for 1Q FY2014

DWANGO Co., Ltd.

Feb 13, 2014

(¥million)

	FY2013 1Q	FY2014 1Q	YoY(¥mil)	YoY(%)
Net Sales	8,586	9,619	1,032	12.0%
COGS	4,590	4,941	351	7.6%
Gross Profit	3,995	4,677	681	17.1%
SGA	3,295	3,478	183	5.6%
Operating Income	700	1,198	498	71.2%
Ordinary Income	715	1,193	477	66.7%
Net Income	722	1,328	605	83.8%

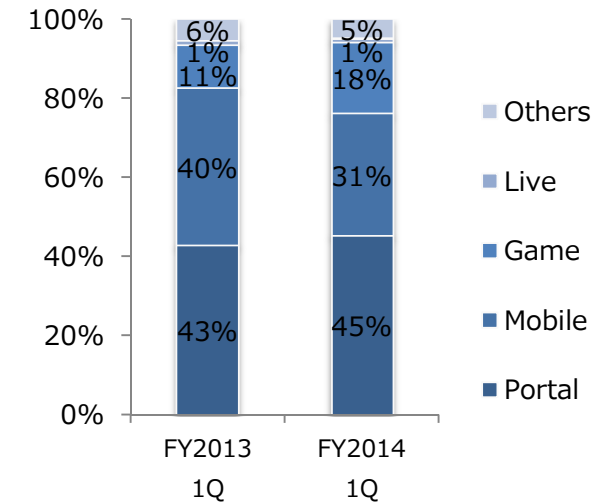


Main reasons (YoY)

- Net Sales : increase of premium members in Portal business, and increase of IP titles sales in Game business
- COGS : increase of outsourcing cost associated with IP titles in Game business
- SGA : decrease of promotion cost in Mobile business, increase of promotion cost and commission and fees in Portal business, and increase of promotion cost in Game business
- Operating Income : +71.2% YoY contributed by Mobile and Game business, operating margin +4.3%pt YoY

(¥million)

	FY2013 1Q	FY2014 1Q	YoY(¥mil)	YoY(%)
Net Sales	8,586	9,619	1,032	12.0%
Portal Business	3,782	4,422	640	16.9%
Mobile Business	3,499	3,013	(486)	(13.9%)
Game Business	948	1,738	790	83.3%
Live Business	100	104	4	4.2%
Other Businesses	489	480	(8)	(1.8%)
Eliminations /Corporate	(233)	(139)	93	(40.0%)

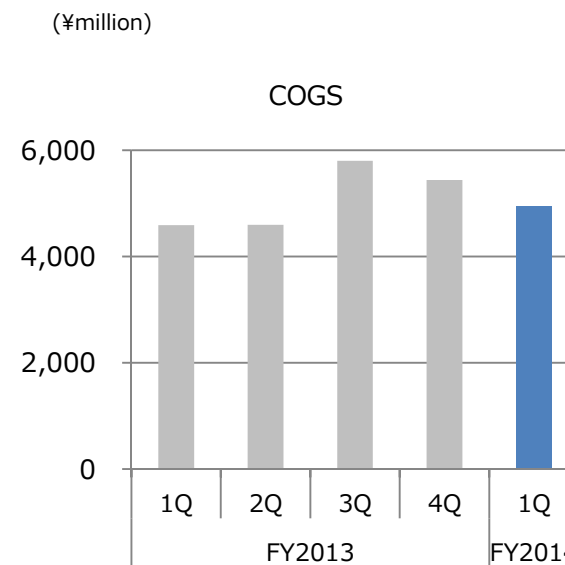


Main reasons (YoY)

- Portal Business : increase of premium members
- Mobile Business : increase of SP members, decrease of FP members, and total members decreased

(¥million)

	FY2013 1Q	FY2014 1Q	YoY(¥mil)	YoY(%)
COGS	4,590	4,941	351	7.6%
Major Accounts				
Labor Cost	1,452	1,334	(119)	(8.2%)
Commission and Fees Paid	414	654	240	58.0%
Royalties	1,026	807	(219)	(21.4%)
Outsourcing Cost	828	1,388	560	67.5%
Communication Cost	693	682	(11)	(1.6%)

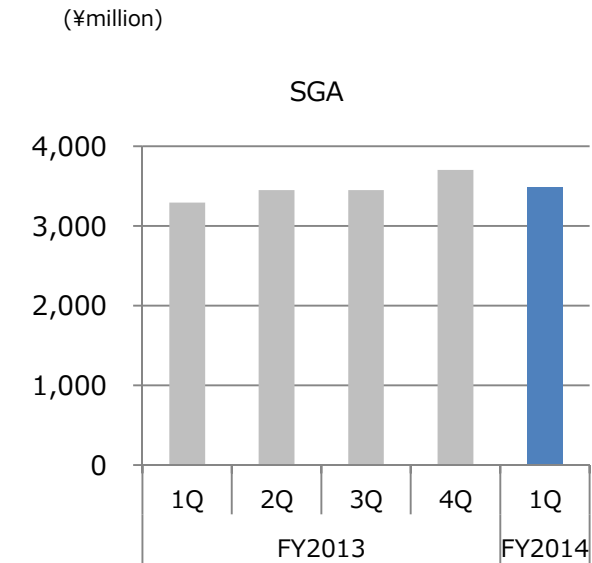


Main reasons (YoY)

- Commission & Fees Paid : contents acquisition cost in Portal business, and royalties in Game business, +58% YoY
- Royalties : decrease of music download in Mobile business, -21.4% YoY
- Outsourcing Cost : production cost in Portal business, and increase of outsourcing cost associated to IP titles in Game business, +67.5% YoY

(¥million)

	FY2013 1Q	FY2014 1Q	YoY(¥mil)	YoY(%)
SGA	3,295	3,478	183	5.6%
Major Accounts				
Promotion Cost	1,409	1,305	(104)	(7.4%)
Labor Cost	597	730	133	22.3%
Commission and Fees Paid	775	907	131	17.0%



Main reasons (YoY)

- Promotion Cost : increase in Portal and Game business, but decrease in Mobile business, -7.4% YoY
- Commission and Fees Paid : premium members increase in Portal business, +17% YoY

Segment revenue and profit

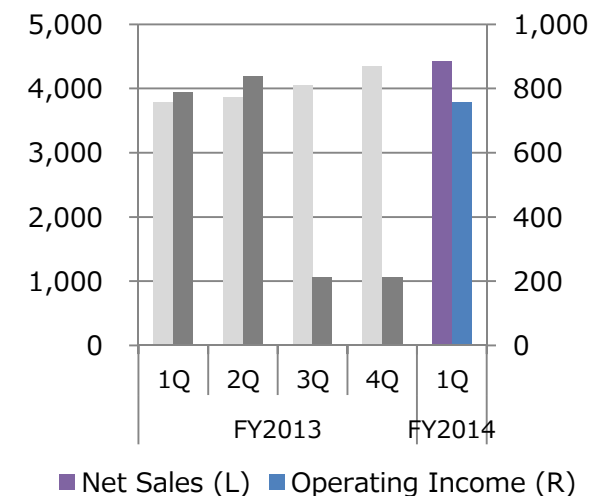
(¥million)

	Portal Business	Mobile Business	Game Business	Live Business	Other Businesses	Eliminations /Corporate	Total
Net Sales	4,422	3,013	1,738	104	480	(139)	9,619
YoY(%)	16.9%	(13.9%)	83.3%	4.2%	(1.7%)	-	12.0%
COGS	2,373	1,082	923	207	384	(28)	4,941
YoY(%)	16.5%	(25.0%)	67.2%	23.8%	(13.9%)	-	7.6%
Gross Profit	2,049	1,930	815	(102)	96	(111)	4,677
YoY(%)	17.5%	(6.1%)	105.7%	-	124.2%	-	17.1%
SGA	970	1,304	398	34	135	634	3,478
YoY(%)	56.9%	(30.1%)	45.8%	175.0%	59.7%	50.5%	5.6%
Income before Allocated Cost	1,079	625	416	(137)	(39)	(746)	1,198
YoY(%)	(4.2%)	231.3%	239.1%	-	-	-	71.2%
Allocated Cost	321	92	-	17	-	(431)	-
YoY(%)	(4.2%)	11.3%	-	101.4%	-	-	-
Operating Income	757	533	416	(155)	(39)	(314)	1,198
YoY(%)	(4.2%)	402.7%	239.1%	-	-	-	71.2%

(¥million)

	FY2013 1Q	FY2014 1Q	YoY(¥mil)	YoY(%)
Net Sales	3,782	4,422	640	16.9%
COGS	2,037	2,373	335	16.5%
Gross Profit	1,744	2,049	304	17.5%
SGA	618	970	352	56.9%
Income before Allocated Cost	1,126	1,079	(47)	(4.2%)
Allocated Cost	335	321	(14)	(4.2%)
Operating Income	790	757	(33)	(4.2%)

(¥million)

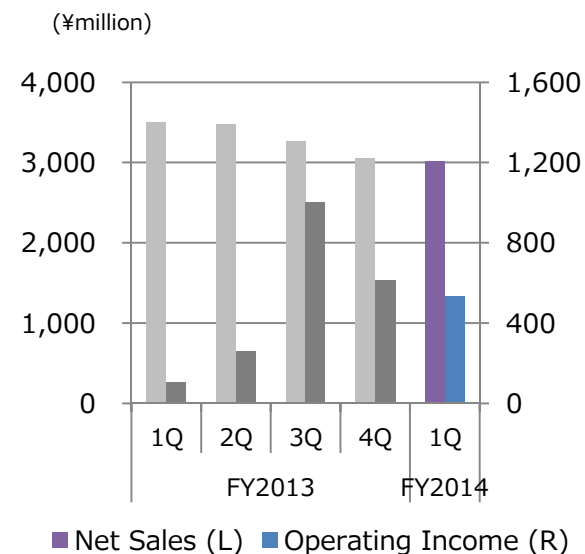


Main reasons (YoY)

- Net Sales : increase of premium members, +16.9% YoY
- Operating Income : increase of live programs related cost and promotion cost, and decrease of transferred software capitalization associated to regulation change, -4.2% YoY
- Premium Members : 2.17M as of Dec 31, 2013, +355K YoY

(¥million)

	FY2013 1Q	FY2014 1Q	YoY(¥mil)	YoY(%)
Net Sales	3,499	3,013	(486)	(13.9%)
COGS	1,444	1,082	(361)	(25.0%)
Gross Profit	2,055	1,930	(124)	(6.1%)
SGA	1,866	1,304	(561)	(30.1%)
Income before Allocated Cost	188	625	437	231.3%
Allocated Cost	82	92	9	11.3%
Operating Income	106	533	427	402.7%



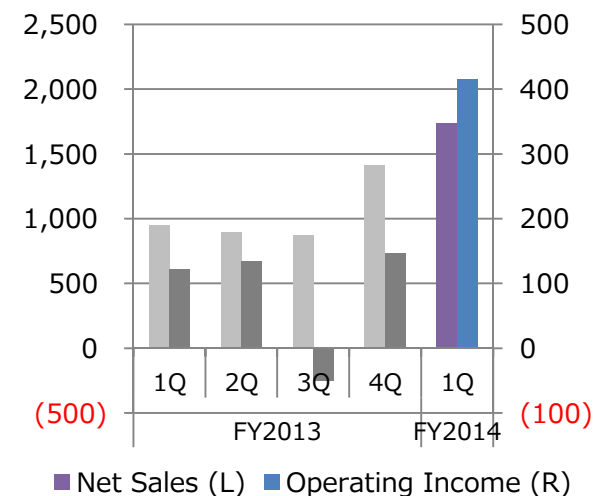
Main reasons (YoY)

- Net Sales : downward trend of FP members, -13.9% YoY
- Operating Income : decrease of royalties and promotion cost, +402.7% YoY

(¥million)

	FY2013 1Q	FY2014 1Q	YoY(¥mil)	YoY(%)
Net Sales	948	1,738	790	83.3%
COGS	552	923	371	67.2%
Gross Profit	396	815	418	105.7%
SGA	273	398	125	45.8%
Income before Allocated Cost	122	416	293	239.1%
Allocated Cost	-	-	-	-
Operating Income	122	416	293	239.1%

(¥million)

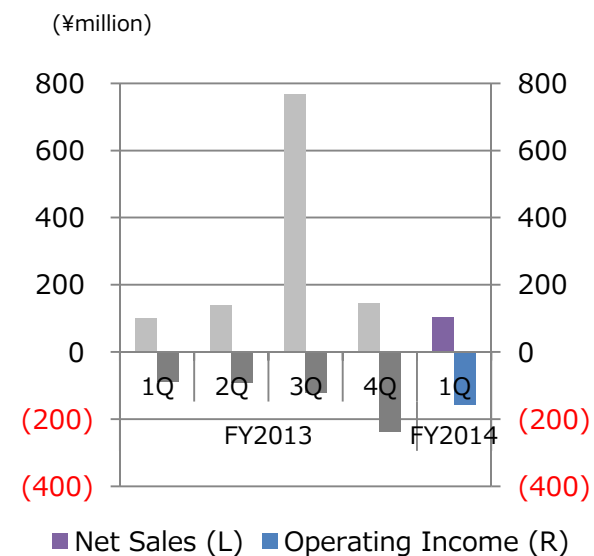


Main reasons (YoY)

- Net Sales : IP title “Dangan-Ronpa 1&2 Reload”, and “Shingeki-no-Kyojin”, +83.3% YoY
- Operating Income : net sales growth outweighed increase of outsourcing cost and promotion cost associated to IP titles, +239.1% YoY

(¥million)

	FY2013 1Q	FY2014 1Q	YoY(¥mil)	YoY(%)
Net Sales	100	104	4	4.2%
COGS	167	207	39	23.8%
Gross Profit	(67)	(102)	(35)	-
SGA	12	34	21	175.0%
Income before Allocated Cost	(79)	(137)	(57)	-
Allocated Cost	8	17	9	101.4%
Operating Income	(88)	(155)	(66)	-



As MAGES. Inc. has become a consolidated subsidiary, DWANGO has revised the guidance announced on Nov 14, 2013.

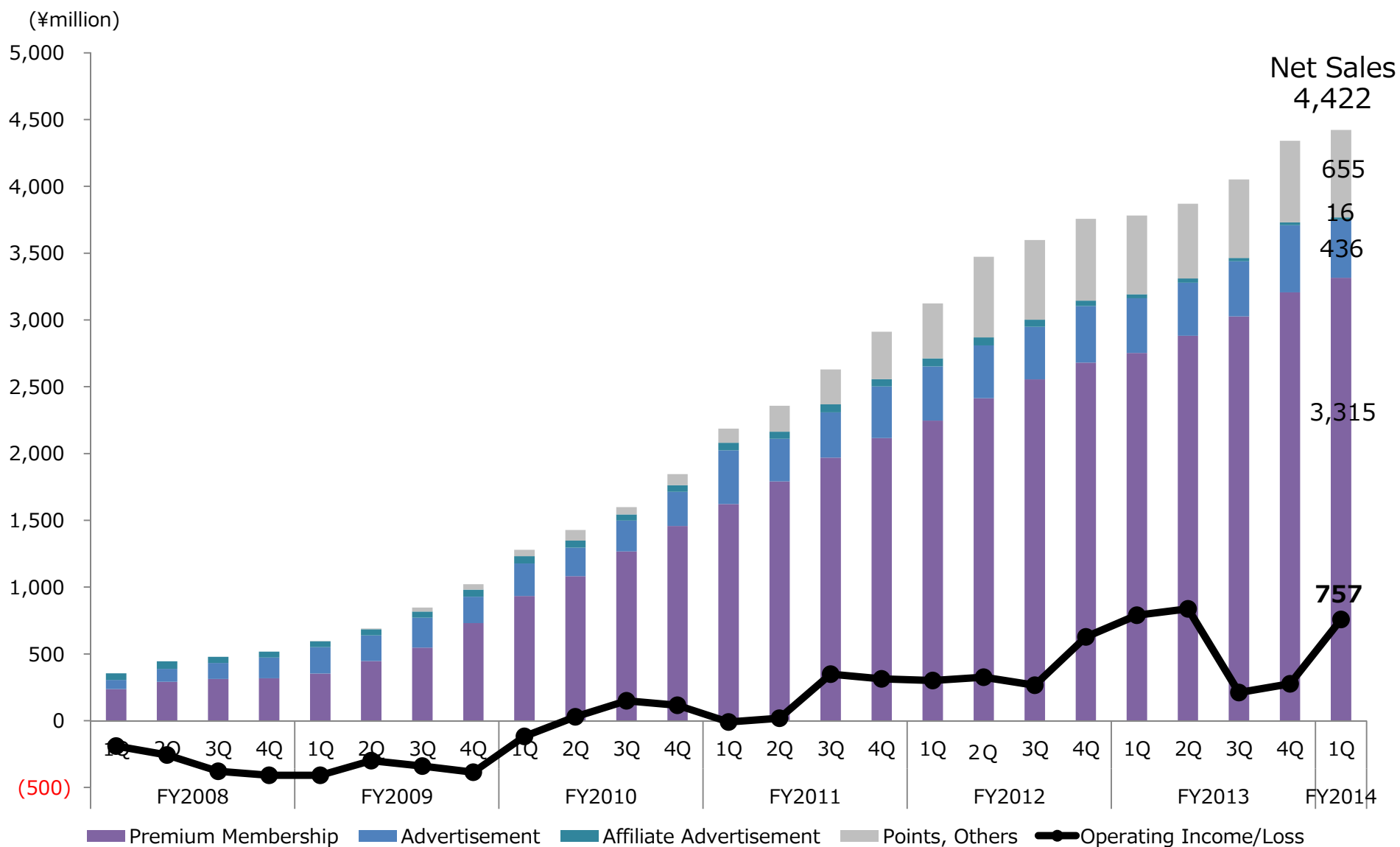
(¥million)

	FY2014 Guidance announced on Nov 14, 2013 (A)	FY2014 Guidance announced on Feb 13, 2014 (B)	(B) - (A) (¥mil)	(B) - (A) / (A) (%)	FY2013
Net Sales	37,609	42,251	4,642	12.3%	35,946
Operating Income	3,115	3,165	50	1.6%	2,130
Ordinary Income	3,267	3,224	(43)	(1.3%)	2,292
Net Income	2,115	2,463	348	16.5%	2,271

(¥million)

	Portal Business	Mobile Business	Game Business	Live Business	Other Businesses	Eliminations /Corporate	Total
Net Sales	18,985	11,741	6,540	2,451	3,065	(533)	42,251
YoY(%)	18.3%	(11.8%)	58.1%	112.6%	60.6%	-	17.5%
COGS	10,685	4,535	3,891	2,541	2,345	(38)	23,961
YoY(%)	13.0%	(11.2%)	52.5%	70.7%	28.0%	-	17.3%
Gross Profit	8,299	7,206	2,649	(89)	719	(494)	18,290
YoY(%)	25.9%	(12.2%)	67.3%	-	858.3%	-	17.9%
SGA	4,226	4,724	1,848	435	752	3,136	15,125
YoY(%)	30.8%	(19.8%)	50.2%	155.2%	133.6%	23.6%	13.0%
Income before Allocated Cost	4,072	2,481	800	(525)	(33)	(3,631)	3,165
YoY(%)	21.2%	7.1%	126.9%	-	-	-	48.5%
Allocated Cost	1,313	360	-	67	-	(1,741)	-
YoY(%)	5.5%	9.1%	-	98.0%	-	-	-
Operating Income	2,759	2,120	800	(592)	(33)	(1,890)	3,165
YoY(%)	30.4%	6.7%	126.9%	-	-	-	48.5%

Appendix



As of Dec 31, 2013

growth of members

registered members

37.58 million

As of Sep 30, 2013 : 36.26 mil

premium members

2.17 million

As of Sep 30, 2013 : 2.11 mil



Average of Oct-Dec, 2013
(average of Jul-Sep, 2013)

niconico total

■ average PV per day

119.98 million (125.95)

■ average visitors per month

8.03 million (8.46)

■ average sojourn time per visitor per day

109.4 minutes (104.5)

niconico live

16.23 million (16.26)

3.22 million (3.32)

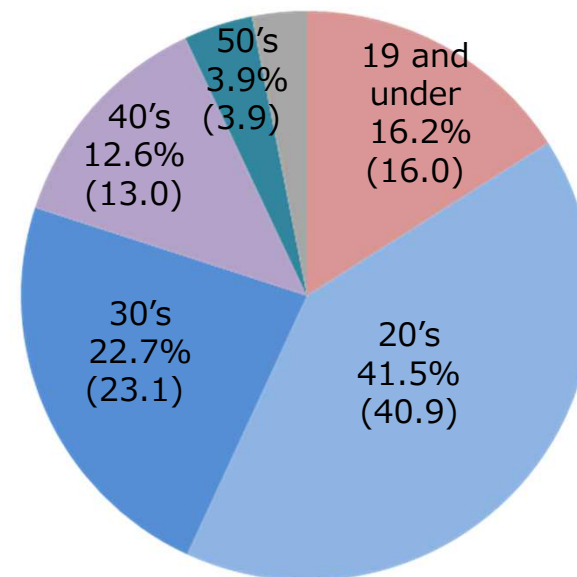
84.4 minutes (76.7)

gender

♂ 67% ♀ 33%

As of Dec 31, 2013

age





contact

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 - Future figures involve various uncertainties, and actual results may differ. Please refrain from making investment decisions based entirely on these forecasts.
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