

Financial Results for 3Q FY2014

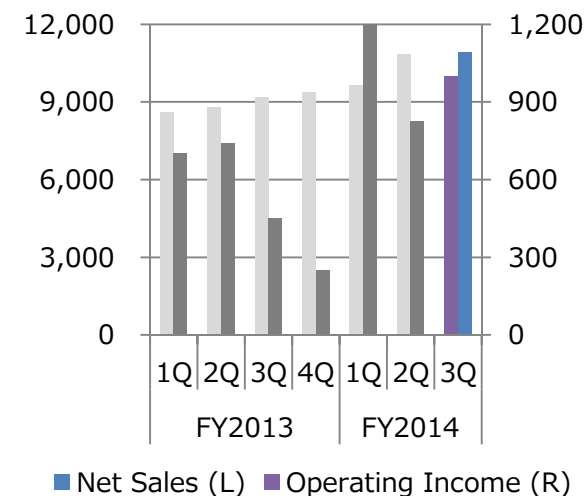
DWANGO Co., Ltd.

Aug 7, 2014

(¥million)

	FY2013 3Q	FY2014 3Q	YoY(¥mil)	YoY(%)
Net Sales	26,555	30,431	3,875	14.6%
COGS	14,995	16,584	1,589	10.6%
Gross Profit	11,559	13,846	2,286	19.8%
SGA	9,677	10,730	1,053	10.9%
Operating Income	1,882	3,115	1,232	65.5%
Ordinary Income	2,004	3,254	1,249	62.3%
Net Income	1,997	2,217	219	11.0%

(¥million)

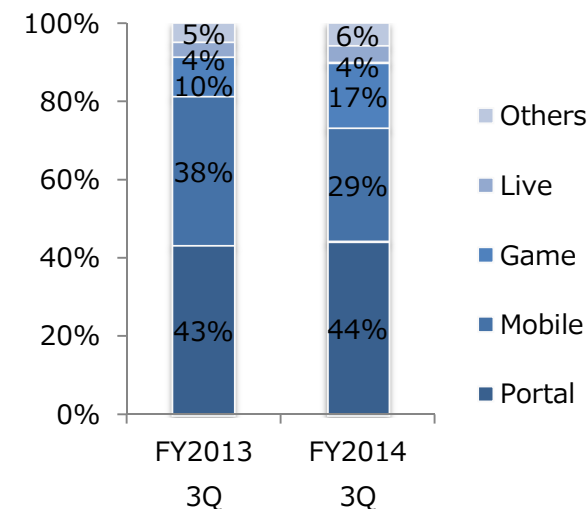


Main reasons (YoY)

- Net Sales : increase of premium members in Portal business, and increase of IP titles sales in Game business
- Operating Income : +65.5% YoY contributed by Portal, Mobile and Game business, operating margin +3.1%pt YoY
- Net Income: Corporate tax increased due to clearing loss carried forward

(¥million)

	FY2013 3Q	FY2014 3Q	YoY(¥mil)	YoY(%)
Net Sales	26,555	30,431	3,875	14.6%
Portal Business	11,703	13,654	1,950	16.7%
Mobile Business	10,253	8,941	(1,312)	(12.8%)
Game Business	2,723	5,108	2,385	87.6%
Live Business	1,008	1,357	348	34.6%
Other Businesses	1,363	1,804	441	32.3%
Eliminations /Corporate	(496)	(434)	62	-



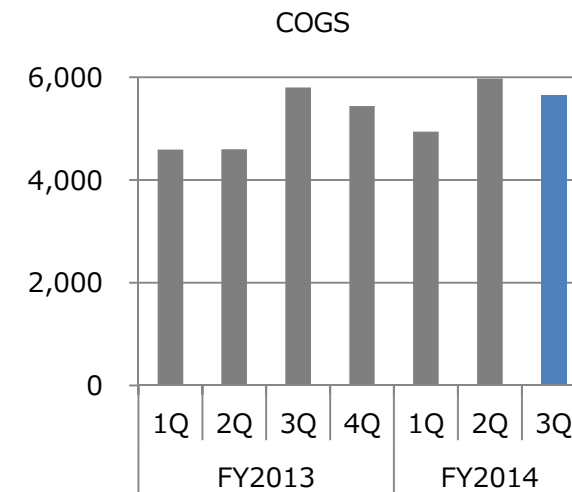
Main reasons (YoY)

- Portal Business : increase of premium members
- Mobile Business : increase of SP members, decrease of FP members, and total members decreased
- Game Business : increase of IP titles sales
- Live Business: added live events operated by MAGES., sales of Niconico super festival increased

(¥million)

	FY2013 3Q	FY2014 3Q	YoY(¥mil)	YoY(%)
COGS	14,995	16,584	1,590	10.6%
Major Accounts				
Labor Cost	4,307	4,345	38	0.9%
Commission and Fees Paid	1,730	2,205	475	27.4%
Royalties	2,849	2,286	(563)	(19.8%)
Outsourcing Cost	2,845	4,700	1,855	65.2%
Communication Cost	2,061	2,052	(9)	(0.5%)

(¥million)



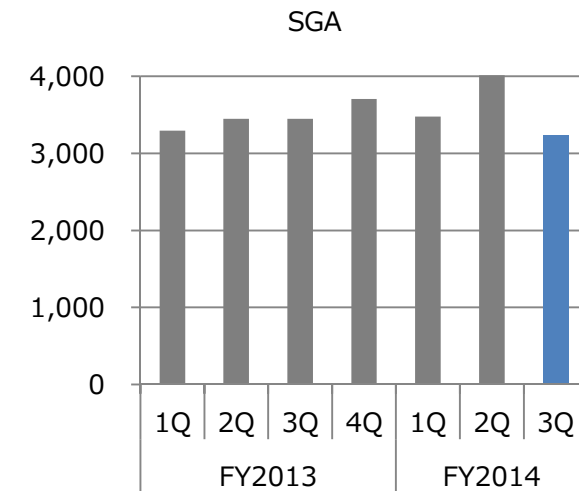
Main reasons (YoY)

- Commission & Fees Paid : contents acquisition cost in Portal business, and royalties in Game business, +27.4% YoY
- Royalties : decrease of music download in Mobile business, -19.8% YoY
- Outsourcing Cost : increase of outsourcing cost associated to IP titles in Game business, +65.2% YoY

(¥million)

	FY2013 3Q	FY2014 3Q	YoY(¥mil)	YoY(%)
SGA	9,677	10,730	1,053	10.9%
Major Accounts				
Promotion Cost	3,646	3,819	172	4.7%
Labor Cost	1,803	2,257	454	25.2%
Commission and Fees Paid	2,518	2,863	345	13.7%

(¥million)



Main reasons (YoY)

- Promotion Cost : decrease in Mobile business, but increase in Portal and Game business, +4.7% YoY
- Commission and Fees Paid : premium members increase in Portal business, +13.7% YoY

Segment revenue and profit

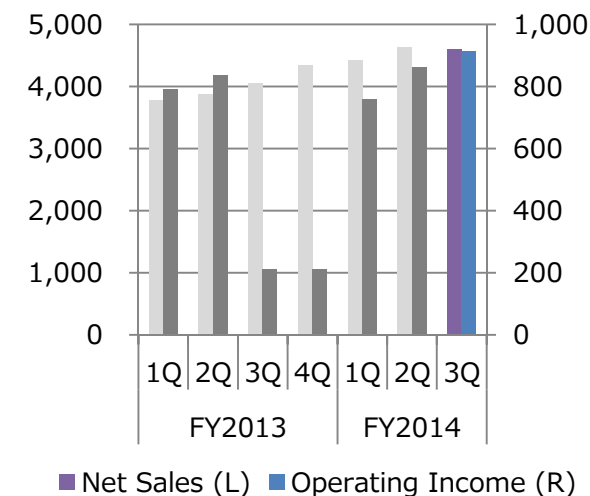
(¥million)

	Portal Business	Mobile Business	Game Business	Live Business	Other Businesses	Eliminations /Corporate	Total
Net Sales	13,654	8,941	5,108	1,357	1,804	(434)	30,431
YoY(%)	16.7%	(12.8%)	87.6%	34.6%	32.3%	-	14.6%
COGS	7,342	3,202	3,155	1,554	1,455	(125)	16,584
YoY(%)	7.3%	(18.9%)	85.2%	34.9%	4.7%	-	10.6%
Gross Profit	6,311	5,738	1,953	(196)	348	(308)	13,846
YoY(%)	29.8%	(9.0%)	91.6%	-	-	-	19.8%
SGA	2,791	3,807	1,116	326	464	2,224	10,730
YoY(%)	33.7%	(18.5%)	37.2%	150.4%	91.4%	28.6%	10.9%
Income before Allocated Cost	3,519	1,931	837	(523)	(116)	(2,532)	3,115
YoY(%)	26.9%	18.2%	306.3%	-	-	-	65.5%
Allocated Cost	988	274	-	51	-	1,313	-
YoY(%)	5.9%	5.3%	-	88.9%	-	-	-
Operating Income	2,531	1,657	837	(574)	(116)	(1,219)	3,115
YoY(%)	37.6%	20.7%	306.3%	-	-	-	65.5%

(¥million)

	FY2013 3Q	FY2014 3Q	YoY(¥mil)	YoY(%)
Net Sales	11,703	13,654	1,950	16.7%
COGS	6,842	7,342	500	7.3%
Gross Profit	4,861	6,311	1,450	29.8%
SGA	2,088	2,791	703	33.7%
Income before Allocated Cost	2,772	3,519	746	26.9%
Allocated Cost	933	988	54	5.9%
Operating Income	1,839	2,531	691	37.6%

(¥million)

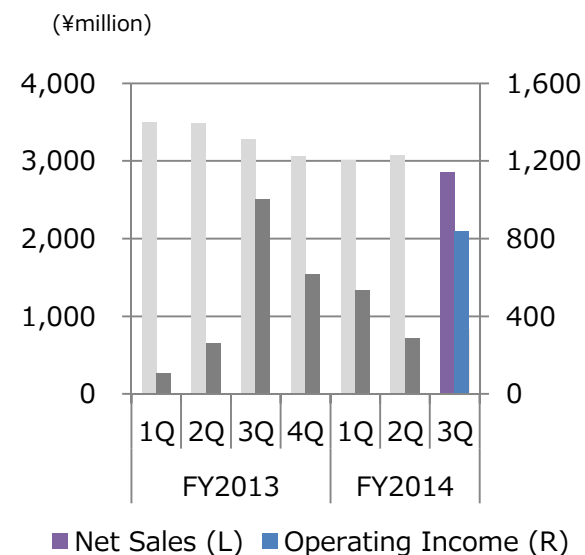


Main reasons (YoY)

- Net Sales : increase of premium members, +16.7% YoY
- Operating Income : increase of live programs related cost and promotion cost, and temporary increase of depreciation cost associated to software capitalization recorded as an asset being expensed in last fiscal year disappeared, +37.6% YoY
- Premium Members : 2.29M as of June 30, 2014, +300K YoY

(¥million)

	FY2013 3Q	FY2014 3Q	YoY(¥mil)	YoY(%)
Net Sales	10,253	8,941	(1,312)	(12.8%)
COGS	3,947	3,202	(745)	(18.9%)
Gross Profit	6,305	5,738	(567)	(9.0%)
SGA	4,672	3,807	(864)	(18.5%)
Income before Allocated Cost	1,633	1,931	297	18.2%
Allocated Cost	260	274	13	5.3%
Operating Income	1,373	1,657	283	20.7%



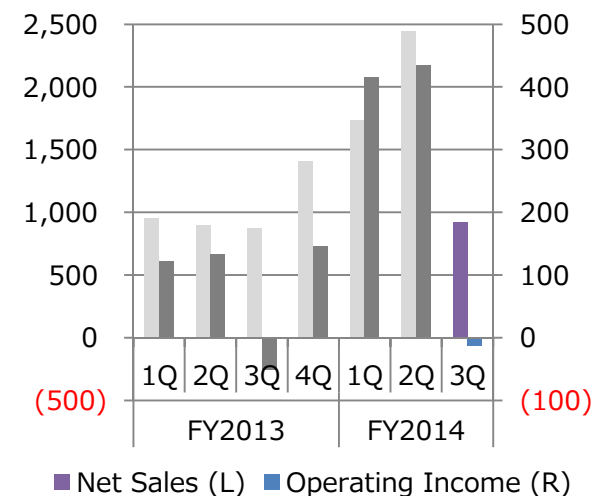
Main reasons (YoY)

- Net Sales : downward trend of FP members, -12.8% YoY
- Operating Income : decrease of royalties and promotion cost, +20.7% YoY

(¥million)

	FY2013 3Q	FY2014 3Q	YoY(¥mil)	YoY(%)
Net Sales	2,723	5,108	2,385	87.6%
COGS	1,703	3,155	1,451	85.2%
Gross Profit	1,019	1,953	933	91.6%
SGA	813	1,116	302	37.2%
Income before Allocated Cost	206	837	631	306.3%
Allocated Cost	-	-	-	-
Operating Income	206	837	631	306.3%

(¥million)

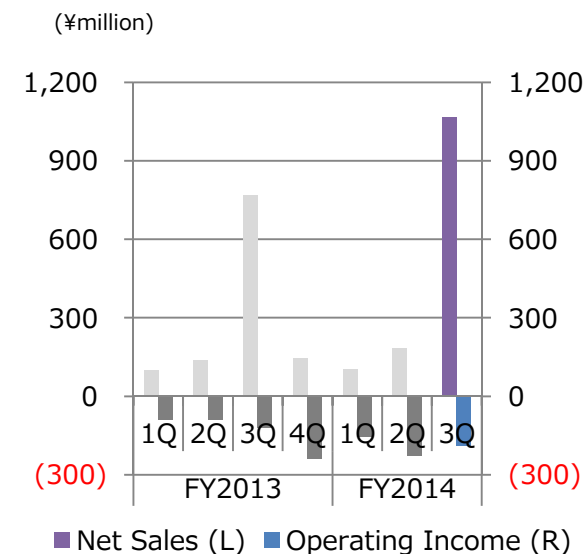


Main reasons (YoY)

- Net Sales : Strong sales of IP title “Shingeki-no-Kyojin”, “Dangan-Ronpa 1&2 Reload”, +87.6% YoY
- Operating Income : net sales growth outweighed increase of outsourcing cost and promotion cost associated to IP titles, and unprofitable title in 3Q, +306.3% YoY

(¥million)

	FY2013 3Q	FY2014 3Q	YoY(¥mil)	YoY(%)
Net Sales	1,008	1,357	348	34.6%
COGS	1,152	1,554	401	34.9%
Gross Profit	(144)	(196)	(52)	-
SGA	130	326	196	150.4%
Income before Allocated Cost	(274)	(523)	(249)	-
Allocated Cost	27	51	24	88.9%
Operating Income	(301)	(574)	(273)	-



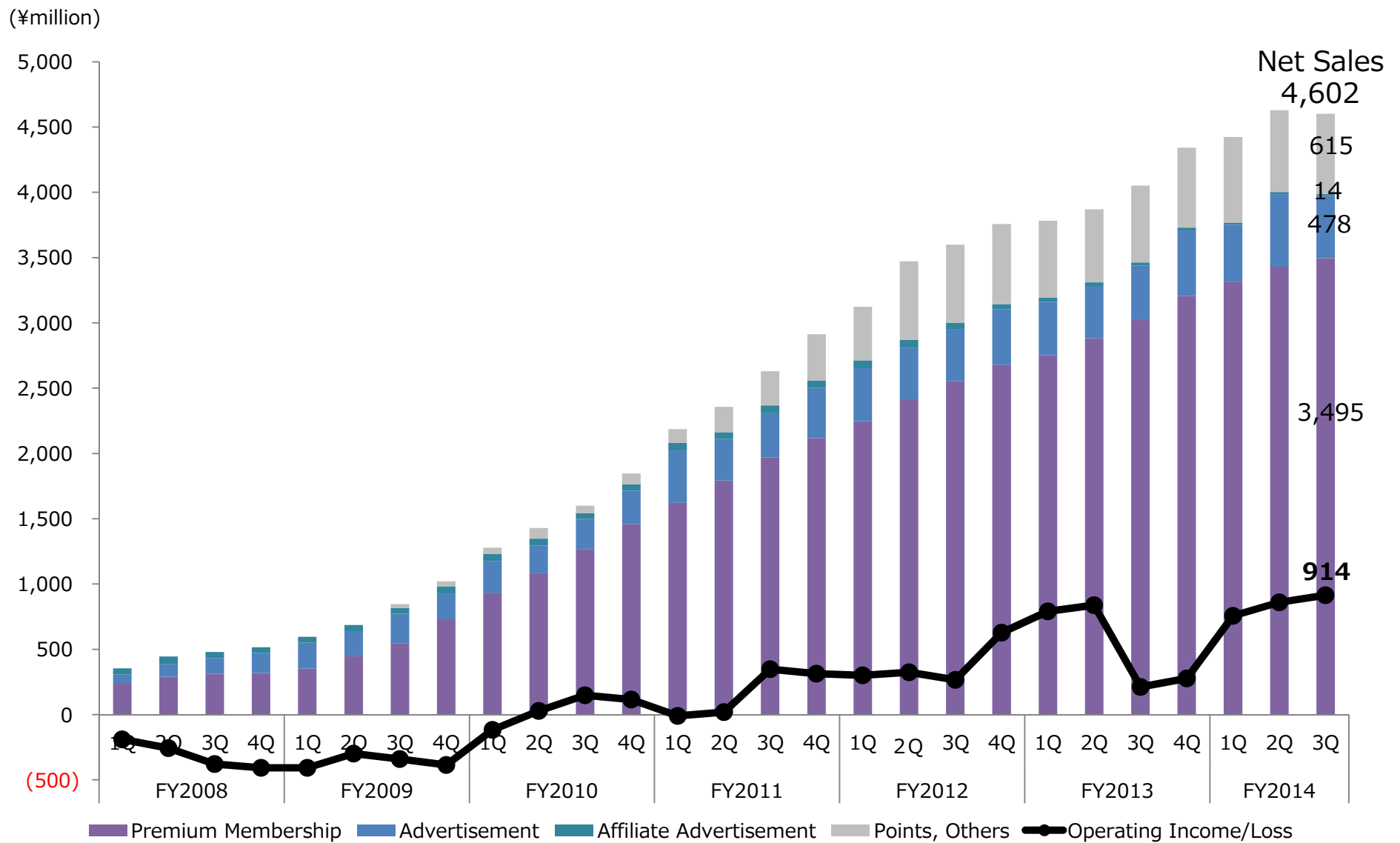
Main reasons (YoY)

- Net Sales : Sales of Niconico super festival increased and live events operated by MAGES. added, +34.6% YoY
- Operating Loss : The number of event held at Nicofarre decreased and increase costs due to changing of organization

(¥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 June 30, 2014

growth of members

registered members

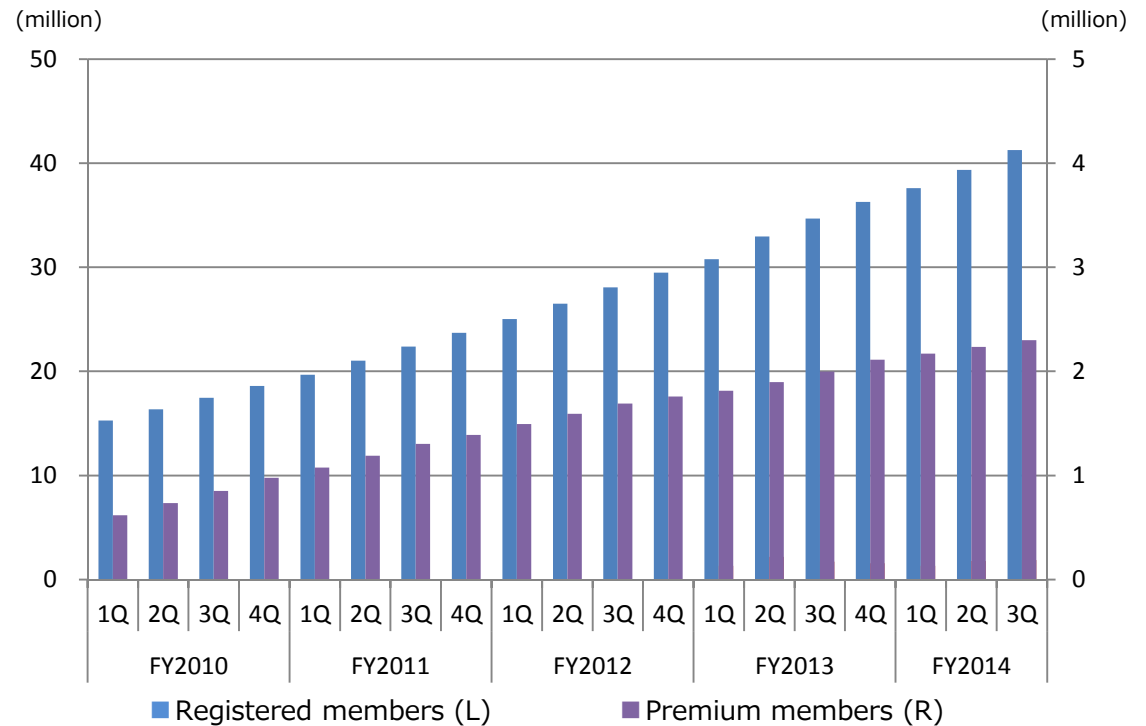
41.24 million

As of Mar 31, 2014 : 39.36 mil

premium members

2.29 million

As of Mar 31, 2014 : 2.23 mil



Average of Apr-Jun, 2014
(average of Jan-Mar, 2014)

niconico total

■ average PV per day

140.36 million (135.16)

niconico live

18.48 million (18.40)

■ average visitors per month

8.49 million (8.11)

3.58 million (3.33)

■ average sojourn time per visitor per day

110.5 minutes (117.4)

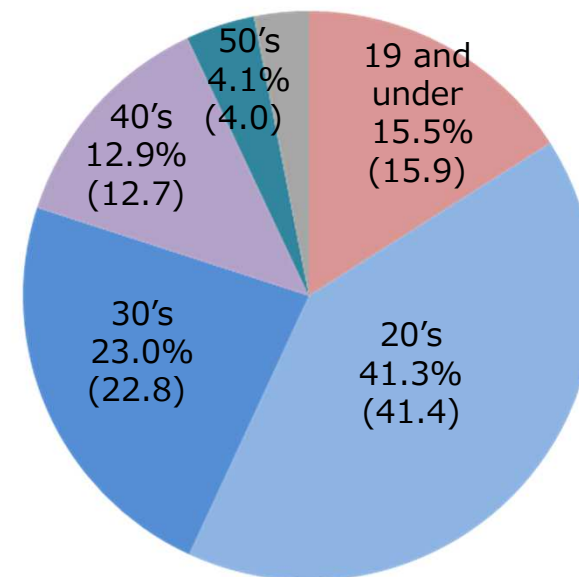
95.0 minutes (92.3)

gender

♂ 67% ♀ 33%

As of June 30, 2014

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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