

KADOKAWA DWANGO
Financial Results
for the 3rd Quarter
Ended December 31, 2016

February 9, 2017

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Unit : Million yen

	Forecasts for fiscal year ending March 31, 2017	Nine months ended December 31, 2016	Progress rate
Revenue	202,000	150,428	74.5%
Operating income	6,000	7,388	123.1%
Ordinary income	5,800	7,565	130.4%
Profit attributable to owners of parent	4,000	5,585	139.6%

Unit : Million yen

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Change	Change in %
Revenue	146,038	150,428	4,389	3.0
Operating income	6,290	7,388	1,098	17.5
Ordinary income	7,613	7,565	(47)	(0.6)
Profit attributable to owners of parent	5,324	5,585	261	4.9

Unit : Million yen

	Nine months ended December 31, 2015		Nine months ended December 31, 2016		Change		Change in %	
	Revenue	Operating income	Revenue	Operating income	Revenue	Operating income	Revenue	Operating income
Total	146,038	6,290	150,428	7,388	4,389	1,098	3.0	17.5
Web Services	24,811	3,881	23,476	2,367	(1,335)	(1,513)	(5.4)	(39.0)
Publication	76,931	3,861	82,579	6,151	5,647	2,289	7.3	59.3
Video and Game	29,811	1,572	32,235	2,671	2,424	1,098	8.1	69.9
Others	16,822	(145)	14,447	(770)	(2,374)	(625)	(14.1)	-
Eliminations/ Corporate	(2,338)	(2,879)	(2,311)	(3,030)	27	(150)	-	-

1. The Web Services business exceeded the plan.
 - ↳The number of premium members declined, but the business was shored up by the Niconico Channel.
 - ↳The Live business showed a seasonal trend as anticipated.

2. The Publication business continued to perform well.
 - ↳Magazines returned to profitability.

3. The Video & Game business recorded significantly higher profit.
 - ↳The largest chunk of revenue from the distribution of *"Your Name"* was posted this quarter.
 - ↳The product mix of Video improved.

4. The total investment in the Group in the nine-month period was below the plan.

Business results in the Web Services segment

Unit: Million yen

	Three months ended Dec. 31, 2015	Three months ended Mar. 31, 2016	Three months ended Jun. 30, 2016	Three months ended Sep. 30, 2016	Three months ended Dec. 31, 2016
Revenue	7,852	8,324	7,917	8,171	7,388
Operating expenses	6,830	7,568	7,468	6,875	6,765
Operating income	1,021	756	448	1,295	623

	Comparison			
	Revenue		Operating income	
	YoY	QoQ	YoY	QoQ
Portal	→	→	↘	↘
Live	→	↘	— deficit	— deficit
Mobile	↘	↘	↘	→

Note: The figures for the 3rd to 4th quarters of the fiscal year ended March 31, 2016 are figures before auditing, presented for reference.

Note: +5% or more from 0% to +5%
 from -5% to 0% -5% or less

■ Revenue

Revenue declined significantly QoQ due to a seasonal trend in Live.

Despite a decrease in the number of premium members, revenue in Portal remained flat, reflecting an increase in the number of Niconico Channel dues-paying members.

■ Operating income

Operating income fell due to a seasonal trend in Live and an increase in investment in Portal.



niconico users data *as of Dec. 31, 2016

Premium members	2.52million
Issued IDs	62.10million
Gender	♂ 66% ♀ 34%

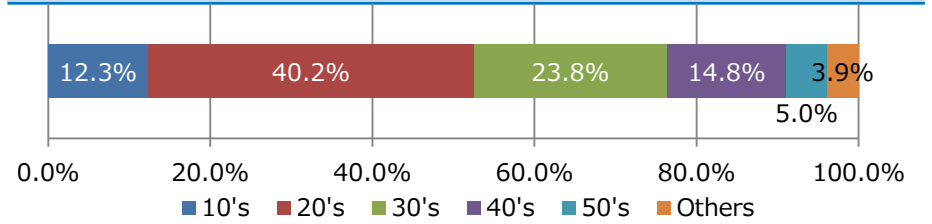
niconico usage data
*average of Oct.-Dec., 2016

MAU (million)	919
(average of Jul-Sep, 2016)	954
DAU (million)	331
(average of Jul-Sep, 2016)	346

niconico Channel users data
*as of Dec. 31, 2016

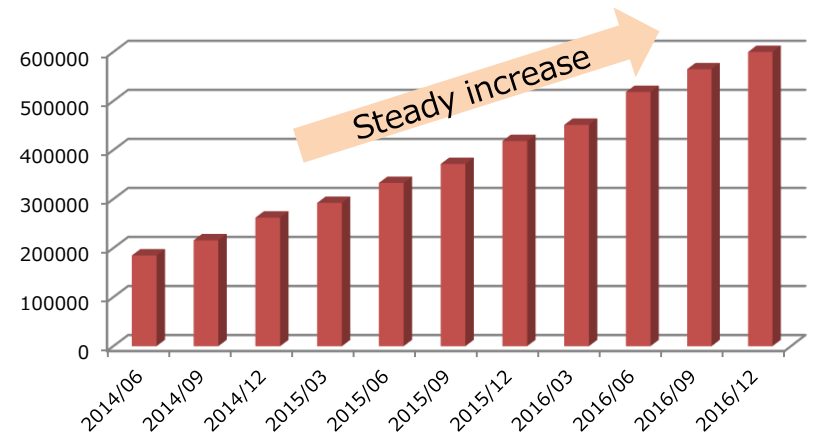
Number of channels	7,702
Number of channels with monthly fee	1,119
Dues-paying members(thousand people)	600

Age *as of Dec. 31, 2016



ニコンニコチャンネル
niconico CHANNEL

Changes in the number of dues-paying members



Business results in the Publication segment

Unit: Million yen

	Three months ended Dec. 31, 2015	Three months ended Mar. 31, 2016	Three months ended Jun. 30, 2016	Three months ended Sep. 30, 2016	Three months ended Dec. 31, 2016
Revenue	28,499	28,268	25,952	27,791	28,835
Operating expenses	25,598	25,847	23,794	26,064	26,568
Operating income	2,900	2,420	2,157	1,726	2,266

	Comparison			
	Revenue		Operating income	
	YoY	QoQ	YoY	QoQ
Books	→	→	↘	↗
e-books・e-magazines	↗	↗	↘	→
Magazines	→	↗	— Turned positive	— Turned positive

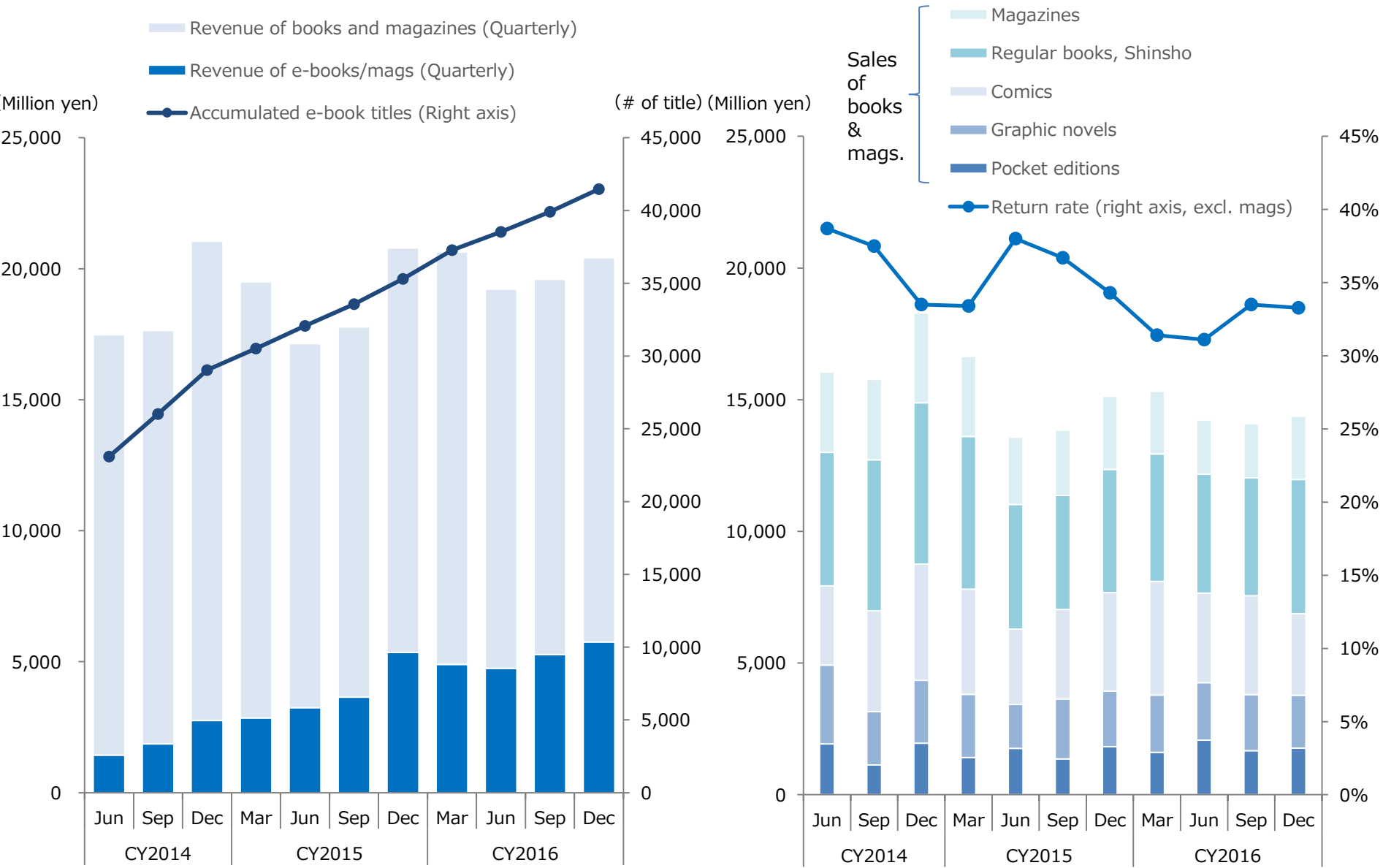
Note: The figures for the 3rd to 4th quarters of the fiscal year ended March 31, 2016 are figures before auditing, presented for reference.

Note: ↗ +5% or more ↘ from 0% to +5%
 → from -5% to 0% ↙ -5% or less

■ Revenue
 Revenue from books related to the movie "Your Name," popular media-mix products, and "Bura Tamori" series remained strong.
 Revenue from magazines and e-books continued to rise.

■ Operating Income
 An increase in revenue owing to year-end and New Year editions, along with game strategy guides and photo collections, contributed to Magazines returning to profitability.
 Operating income from e-books in the first nine months was close to full-year operating income in the fiscal year ended March 31, 2016.

Business results in the Publication segment (reference)



*Revenue (quarterly) was the results for KADOKAWA CORPORATION before September 2014 and for KADOKAWA DWANGO CORPORATION after October 2014.

Business results in the Video & Game segment

Unit: Million yen

	Three months ended Dec. 31, 2015	Three months ended Mar. 31, 2016	Three months ended Jun. 30, 2016	Three months ended Sep. 30, 2016	Three months ended Dec. 31, 2016
Revenue	10,675	14,472	10,229	11,325	10,680
Operating expenses	10,553	12,430	9,176	11,066	9,320
Operating income	121	2,042	1,052	258	1,359

	Comparison			
	Revenue		Operating income	
	YoY	QoQ	YoY	QoQ
Video			— Turned positive	— Turned positive
Game				

Note: +5% or more from 0% to +5%
 from -5% to 0% -5% or less

Note: The figures for the 3rd to 4th quarters of the fiscal year ended March 31, 2016 are figures before auditing, presented for reference.

■ Revenue

The largest chunk of revenue from the distribution of "Your Name" was posted this quarter. Revenue from the theatrical version of "KanColle" was also strong. Sales of the downloadable content of "DARK SOULS III" and royalties from it continued.

■ Operating Income

The profit margin improved due to "Your Name," the distribution rights and packages of animations, and packages of foreign films.

Summary of Consolidated Quarterly Statements of Income

Unit: Million yen

	Three months ended Jun. 30, 2015	Three months ended Sep. 30, 2015	Three months ended Dec. 31, 2015	Three months ended Mar. 31, 2016	Three months ended Jun. 30, 2016	Three months ended Sep. 30, 2016	Three months ended Dec. 31, 2016
Revenue	46,906	47,020	52,112	54,906	49,014	50,780	50,633
Cost of revenue	33,107	32,892	36,728	38,416	34,178	36,412	35,090
Gross margin	13,799	14,127	15,383	16,490	14,836	14,367	15,542
SG&A	12,653	11,768	12,598	13,656	12,103	12,680	12,573
Operating income	1,145	2,359	2,785	2,834	2,732	1,687	2,969
Ordinary income	1,648	2,554	3,410	2,576	2,037	1,974	3,553
Profit attributable to owners of parent	△220	2,134	3,410	1,521	1,059	1,961	2,565

Unit: Million yen

	Three months ended Jun. 30, 2015	Three months ended Sep. 30, 2015	Three months ended Dec. 31, 2015	Three months ended Mar. 31, 2016	Three months ended Jun. 30, 2016	Three months ended Sep. 30, 2016	Three months ended Dec. 31, 2016
Cost of revenue	33,107	32,892	36,728	38,416	34,178	36,412	35,090
Major accounts:							
Direct costs	15,881	16,770	17,315	17,626	15,709	18,970	18,105
Labor costs	5,232	5,273	5,239	5,532	5,578	5,809	5,651
Commission paid	1,352	1,250	1,298	1,192	1,368	1,174	1,349
Royalties	681	565	599	576	408	449	472
Outsourcing costs	2,525	2,370	2,536	3,211	2,656	2,433	2,607
Communication costs	820	804	815	821	851	859	859
SG&A	12,653	11,768	12,598	13,656	12,103	12,680	12,573
Major accounts:							
Promotion costs	2,804	2,931	3,488	3,605	2,658	2,895	2,913
Labor costs	4,202	4,116	4,255	4,538	4,446	4,766	4,603
Commission paid	1,281	1,560	1,266	1,815	1,150	1,268	1,119

Unit: Million yen

	As of Mar. 31. 2016	%	As of Dec. 31, 2016	%
Current assets	131,827	65.4%	168,187	69.9%
Non-current assets	69,781	34.6%	72,313	30.1%
<i>Tangible assets</i>	34,587	17.2%	35,509	14.8%
<i>Intangible assets</i>	6,534	3.2%	8,464	3.5%
<i>Investment and other assets</i>	28,659	14.2%	28,339	11.8%
Total assets	201,609	100.0%	240,501	100.0%

Current liabilities	61,459	30.5%	55,962	23.3%
Non-current liabilities	35,623	17.7%	74,846	31.1%
Shareholders' equity	102,659	50.9%	106,940	44.5%
Total equity	104,526	51.8%	109,691	45.6%
Total liabilities and equity	201,609	100.0%	240,501	100.0%

	9 months ended Dec. 31, 2016
Cash flows from operating activities	1,542
Cash flows from investing activities	(9,231)
Cash flows from financing activities	37,705
Cash and cash equivalents at the end of period	82,223

- Forward-looking statements such as results forecasts contained in this material are judgments of the Group based on currently available information.
- The forward-looking statements include various uncertainties, and actual results may differ from these values. Please refrain from making investment judgments, etc. by relying entirely on these values.