

# **Result Briefing for the Fiscal Year Ended September 2012**

## **DWANGO Co., Ltd.**

November 14, 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.**

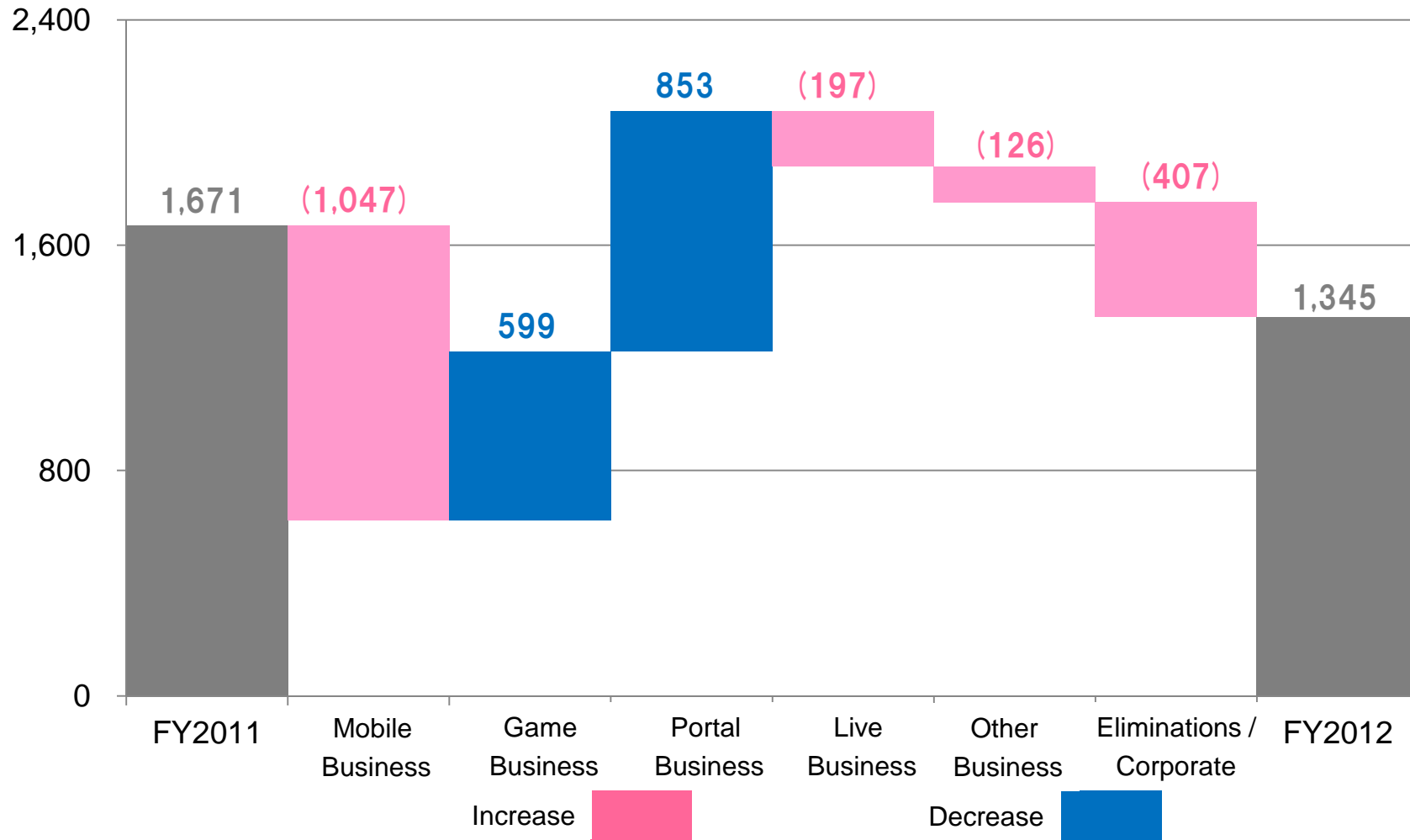
Overview of Consolidated Results for the Fiscal Year Ended September 2012  
In Comparison to Previous Term

(Unit: Million Yen)

	Previous Term 2010/10-2011/9	Current Term 2011/10-2012/9	Change
Net Sales (Growth Rate)	34,298 12.9%	36,243 5.7%	1,945
Gross Profit (Growth Rate) (Gross Profit on Sales)	13,738 3.0% 40.1%	13,862 0.9% 38.3%	124
Operating Income (Growth Rate) (Gross Profit on Sales)	1,671 △12.0% 4.9%	1,345 △19.5% 3.7%	(325)
Ordinary Income (Growth Rate) (Gross Profit on Sales)	1,473 (27.5%) 4.3%	1,284 (12.8%) 3.5%	(190)
Net Income(Loss) (Growth Rate) (Gross Profit on Sales)	1,238 (12.8%) 3.6%	△506 — —	(1,745)

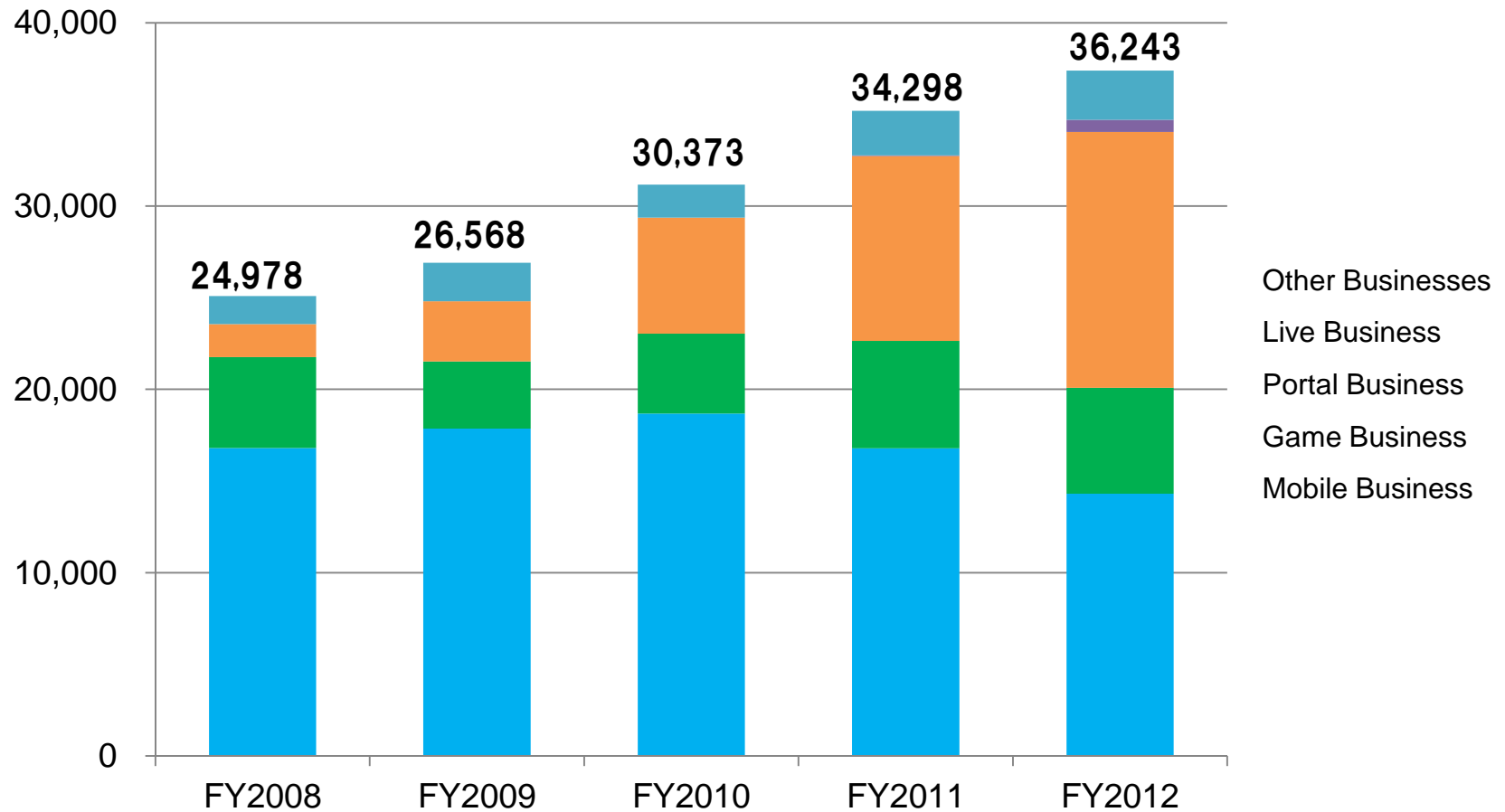
# Operating Income (In Comparison to Previous Term)

(Unit: Million Yen)

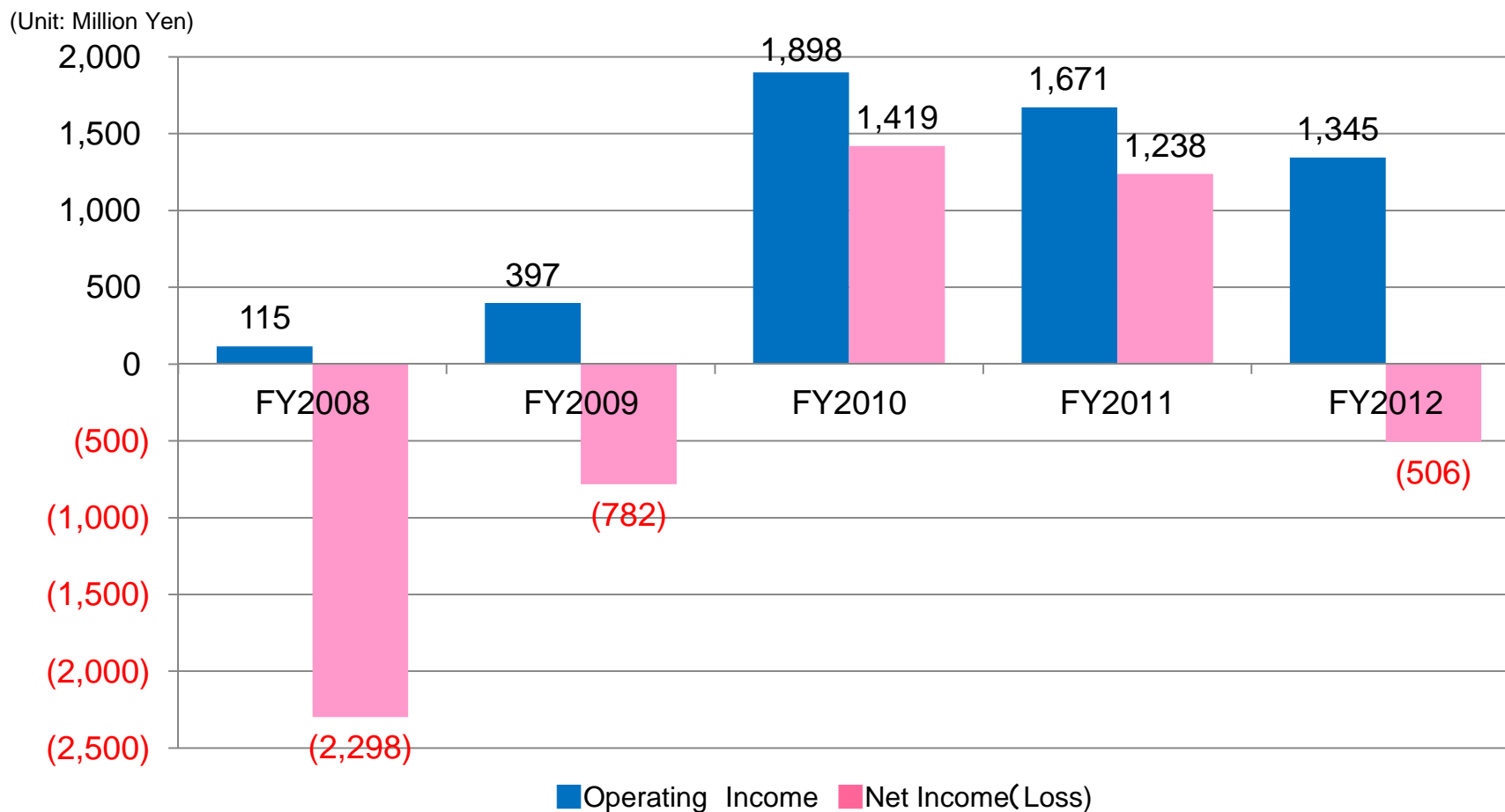


# Changes in Net Sales

(Unit: Million Yen)



# Changes in Operating Income and Net Income(Loss)



**Overview of Consolidated Results for the Fiscal Year Ended September 2012  
In Comparison to Forecast**

(Unit: Million Yen)

	<b>Forecast for the Fiscal Year* 2011/10-2012/9</b>	<b>Actual for the Fiscal Year 2011/10-2012/9</b>	<b>Change</b>
Net Sales	<b>36,020</b>	<b>36,243</b>	<b>223</b>
Gross Profit (Gross Profit on Sales)	<b>13,620</b> 37.8%	<b>13,833</b> 38.2%	<b>213</b>
Operating Income (Operating Income Margin)	<b>1,060</b> 2.9%	<b>1,345</b> 3.7%	<b>285</b>
Ordinary Income (Ordinary Income Margin)	<b>1,020</b> 2.8%	<b>1,284</b> 3.5%	<b>264</b>
Net Income(Loss) (Net Income Margin)	<b>0</b> —	<b>(506)</b> —	<b>(506)</b>

## Changes in Quarterly Performance

(Unit: Million Yen)

	1Q 2011/10-2011/12	2Q 2012/1-2012/3	3Q 201/4-2012/6	4Q 2012/7-2012/9	Total 2011/10-2012/9
Net Sales (Growth Rate)	<b>9,131</b> 6.3%	<b>9,162</b> 9.0%	<b>8,623</b> 1.6%	<b>9,327</b> 16.6%	<b>36,243</b> 5.7%
Gross Profit (Growth Rate) (Gross Profit on Sales)	<b>3,615</b> 7.5% 39.6%	<b>3,715</b> (2.6%) 39.5%	<b>2,962</b> (18.4%) 34.4%	<b>3,667</b> 25.1% 39.3%	<b>13,862</b> 0.9% 38.3%
Operating Income(Loss) (Growth Rate) (Operating Income Margin)	<b>506</b> 28.6% 5.6%	<b>321</b> (56.7%) 3.5%	<b>(92)</b> — —	<b>611</b> 330.2% 6.6%	<b>1,345</b> (19.5%) 3.7%
Ordinary Income(Loss) (Growth Rate) (Ordinary Income Margin)	<b>515</b> 43.8% 5.6%	<b>202</b> (70.0%) 2.2%	<b>(19)</b> — —	<b>586</b> 265.5% 6.3%	<b>1,284</b> (12.8%) 3.5%
Net Income(Loss) (Growth Rate) (Net Income Margin)	<b>335</b> 1.4% 3.7%	<b>149</b> (58.8%) 1.6%	<b>(550)</b> — —	<b>(440)</b> — —	<b>(506)</b> — —

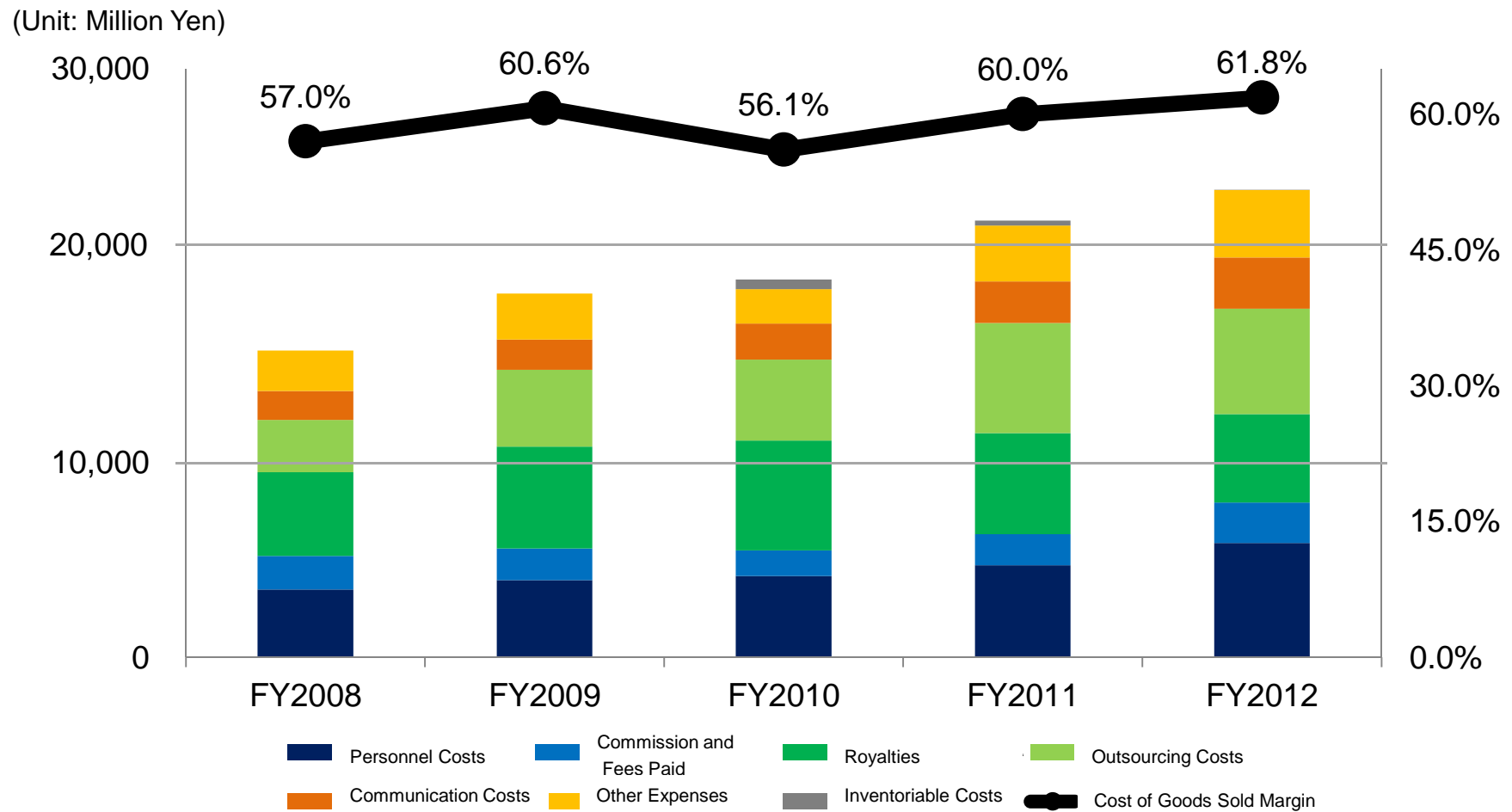


## Cost of Goods Sold

(Unit: Million Yen)

		Previous Term 2010/10-2011/9 (% of total sales)		Current Term 2011/10-2012/9 (% of total sales)		Change
Cost of Goods Sold		20,560	60.0%	22,381	61.8%	1,821
Manufacturing Costs	Personnel Costs	4,688	13.7%	5,829	16.1%	1,141
	Commission and Fees Paid	1,586	4.6%	2,067	5.7%	480
	Royalties	5,135	15.0%	4,498	12.4%	(636)
	Outsourcing Costs	5,621	16.4%	5,383	14.9%	(237)
	Communication Costs	2,109	6.2%	2,605	7.2%	495
	Other Expenses	2,861	8.3%	3,433	9.5%	571
Inventoriable Costs		241	0.7%	15	0.1%	(226)
(Account Transfers)		(1,684)	(4.9%)	(1,451)	(4.0%)	233

# Changes in Cost of Goods Sold



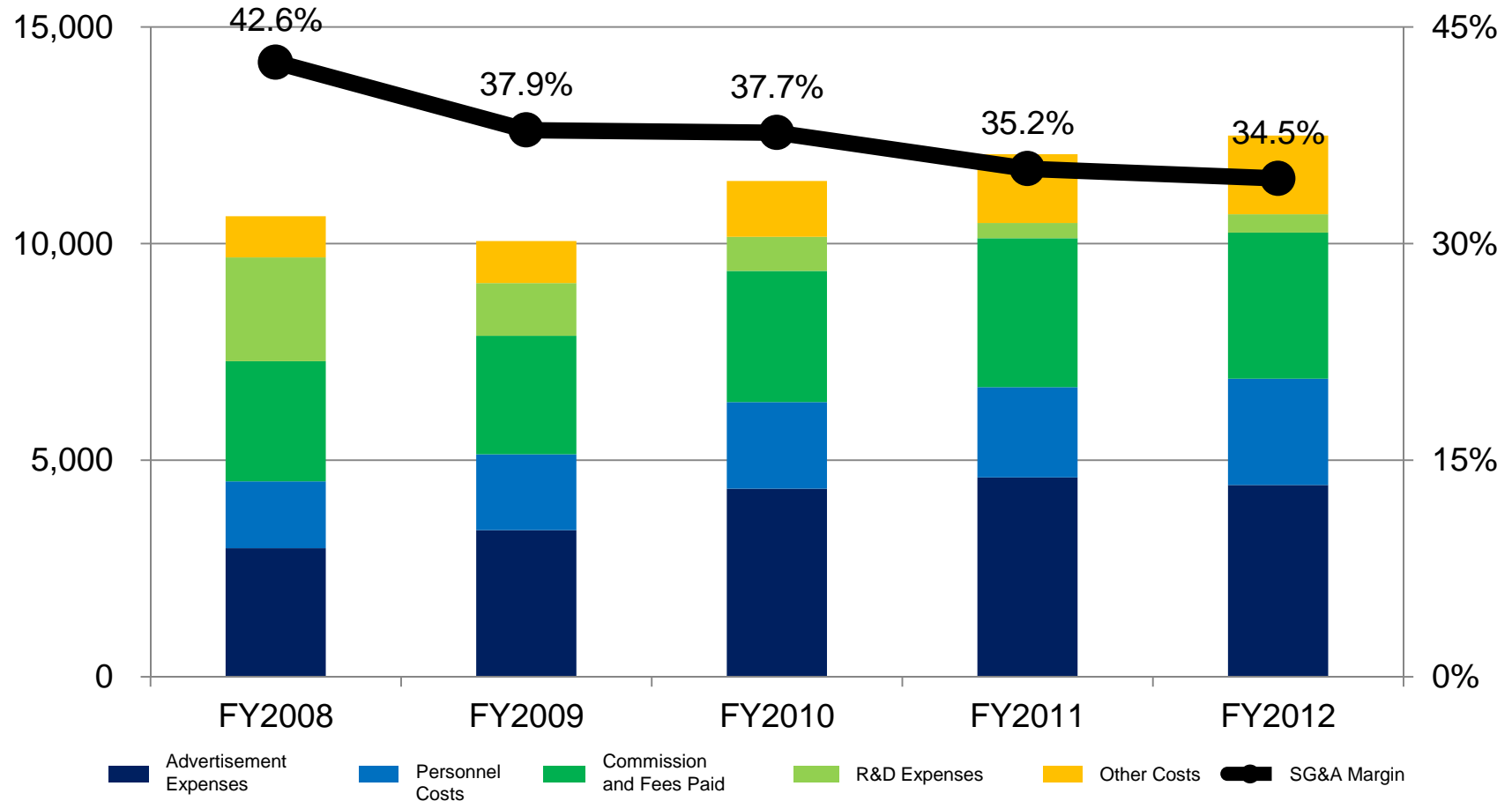
## SG &amp; A

(Unit: Million Yen)

	Previous Term 2010/10-2011/9		Current Term 2011/10-2012/9		Change
		(% of total sales)		(% of total sales)	
Selling, General and Administrative Expenses	12,067	35.2%	12,516	34.5%	449
Advertisement Expenses	4,599	13.4%	4,424	12.2%	(175)
Personnel Costs	2,084	6.1%	2,464	6.8%	379
Commission and Fees Paid	3,440	10.0%	3,375	9.3%	(65)
Research and Development Expenses	354	1.0%	426	1.2%	72
Others	1,587	4.6%	1,824	5.0%	237

# Changes in SG & A

(Unit: Million Yen)



# Segment Information

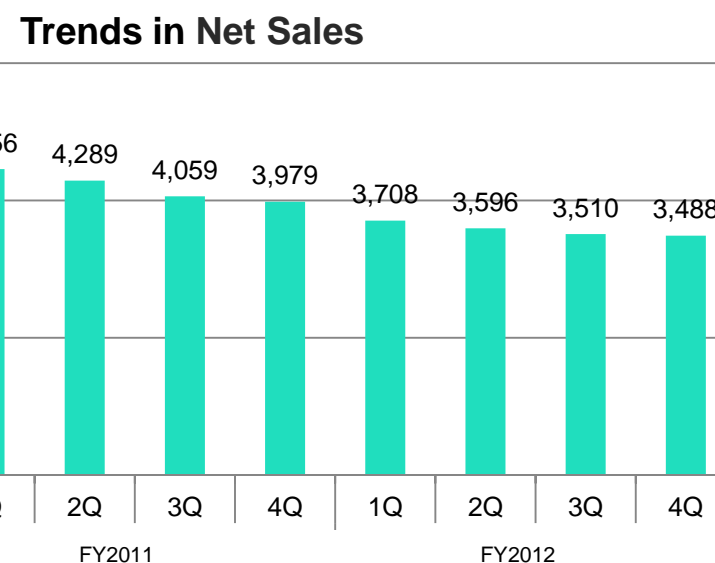
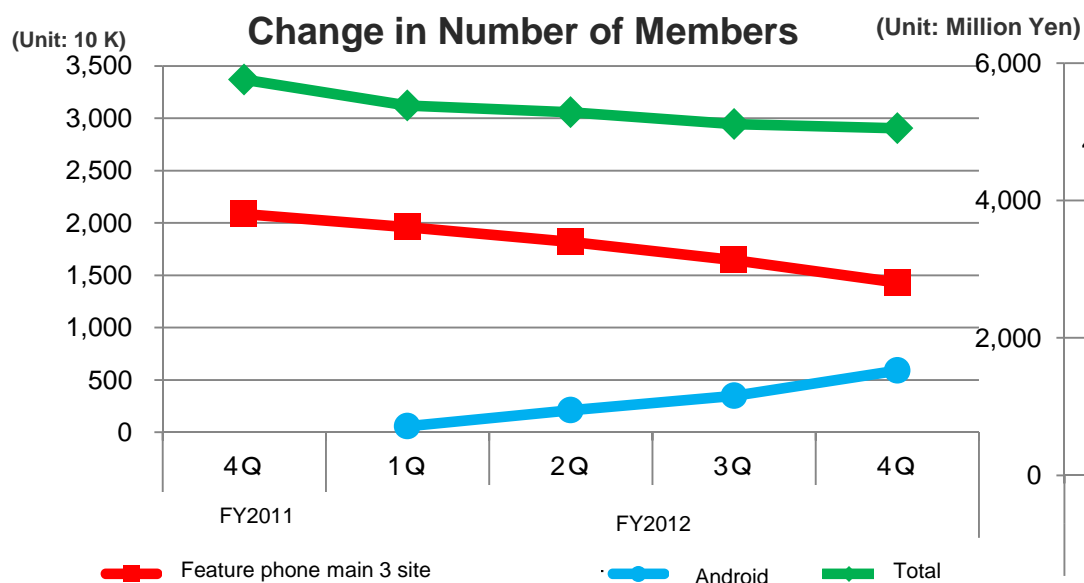
## Segment Overview (Total)

(Unit: Million Yen)

	Mobile Business	Game Business	Portal Business	Live Business	Other Businesses	Eliminations /Corporate	Total
Net Sales	14,302 (14.8)	5,816 (0.8%)	13,961 38.5%	653 174.4%	2,693 20.4%	(1,183) (171.4%)	36,243 5.7%
COGS	6,271 (12.4%)	3,625 (15.5%)	9,058 37.7%	1,415 56.1%	2,408 24.4%	(398) (16.5%)	22,381 8.9%
Gross Profit	8,031 (16.6%)	2,190 39.1%	4,902 40.0%	(762) 14.0%	284 (5.5%)	(785) (39.4%)	13,862 0.9%
SG&A	5,330 0.8%	1,747 (1.0%)	2,098 25.4%	151 193.5%	557 24.5%	2,631 (8.4%)	12,516 3.7%
Income (Loss) before Allocated	2,700 (37.7%)	443 385.7%	2,804 53.3%	(914) (26.9%)	(272) (86.3%)	(3,416) 0.6%	1,345 (19.5%)
Allocated Cost	454 (56.4%)	—	1,281 10.5%	37	—	(1,772) (6.0%)	—
Operating Income (Loss)	2,246 (31.8%)	443 385.7%	1,523 127.3%	(951) (32.1%)	(272) (86.3%)	(1,643) 6.8%	1,345 (19.5%)

# Mobile Business: Comparison to Forecast and Previous Term

	Result 2011/10-2012/9	Comparison to Forecast	Comparison to Previous
Net Sales	14.30 billion	↓ 0.02 billion	↓ 2.48 billion
Cost of Goods Sold	6.27 billion	↑ 0.00 billion	↓ 0.88 billion
SG&A	5.33 billion	↑ 0.16 billion	↑ 0.04 billion
Income before Allocated	2.70 billion	↓ 0.19 billion	↓ 1.63 billion
Allocated Cost	0.45 billion	↓ 0.00 billion	↓ 0.58 billion
Operating Income	2.24 billion	↓ 0.18 billion	↓ 1.04 billion

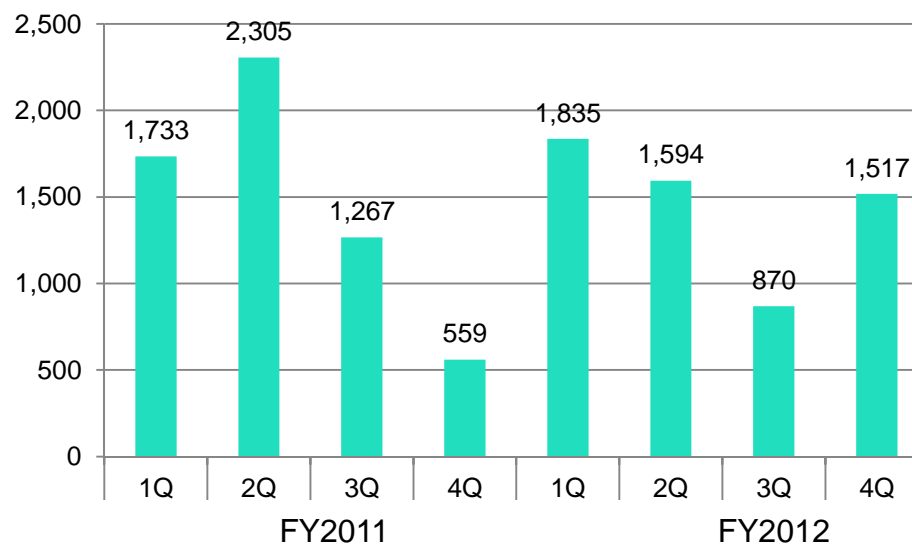


## Game Business

	Result 2011/10-2012/9	Comparison to Forecast	Comparison to Previous
Net Sales	5.81 billion	↑ 0.06 billion	↓ 0.04 billion
Cost of Goods Sold	3.62 billion	↑ 0.05 billion	↓ 0.66 billion
SG&A	1.74 billion	↓ 0.00 billion	↑ 0.01 billion
Income before Allocated	0.43 billion	↑ 0.00 billion	↑ 0.59 billion
Allocated Cost	— billion	— billion	— billion
Operating Income	0.43 billion	↑ 0.00 billion	↑ 0.59 billion

(Unit: Million Yen)

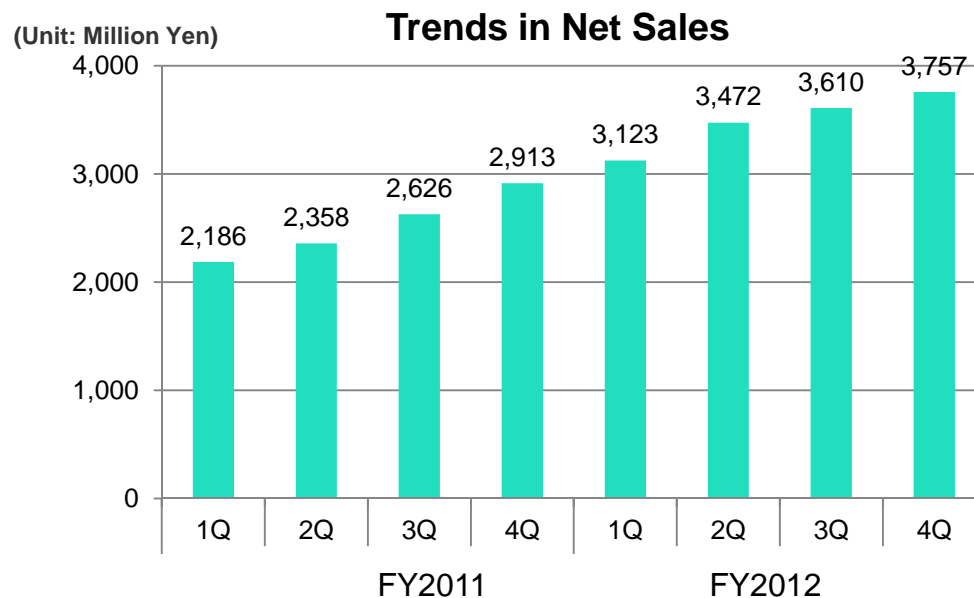
Trends in Net Sales





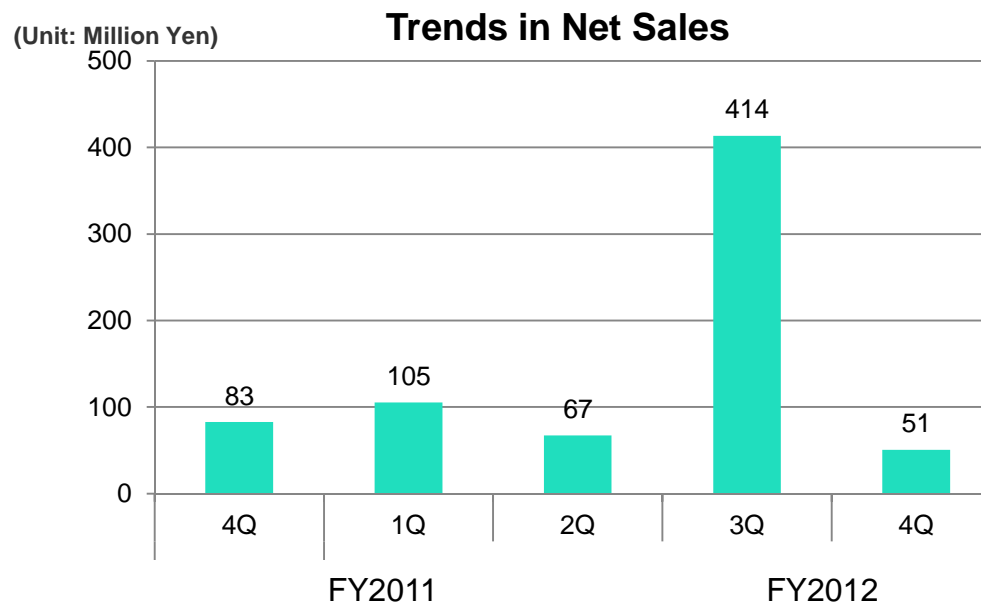
## Portal Business

	Result 2011/10-2012/9	Comparison to Forecast	Comparison to Previous
Net Sales	13.96 billion	↑ 0.07 billion	↑ 3.88 billion
Cost of Goods Sold	9.05 billion	↓ 0.15 billion	↑ 2.47 billion
SG&A	2.09 billion	↓ 0.13 billion	↑ 0.42 billion
Income before Allocated	2.80 billion	↑ 0.35 billion	↑ 0.97 billion
Allocated Cost	1.28 billion	↑ 0.00 billion	↑ 0.12 billion
Operating Income	1.52 billion	↑ 0.35 billion	↑ 0.85 billion



# Live Business

	Result 2011/10-2012/9	Comparison to Forecast
Net Sales	0.65 billion	↑ 0.01 billion
Cost of Goods Sold	1.41 billion	↓ 0.01 billion
SG&A	0.15 billion	↓ 0.00 billion
Loss before Allocated	0.91 billion	↓ 0.03 billion
Allocated Cost	0.03 billion	↓ 0.00 billion
Operating Loss	0.95 billion	↓ 0.03 billion



dwango

## Summary of Balance Sheets

(Unit: Million Yen)

	Previous term (End of Sep. 2011)	Current term (End of Sep. 2012)	Change	Major factor of change
<b>Current assets</b>	15,935	14,754	(1,181)	Decrease cash and time deposits Decrease Marketable securities
<b>Fixed assets</b>	11,082	9,898	(1,184)	impairment loss, increase goodwill and software
<b>Total assets</b>	27,018	24,653	(2,365)	
<b>Current liabilities</b>	5,904	6,003	99	
<b>Fixed liabilities</b>	563	388	(175)	Decrease long-term debt
<b>Total liabilities</b>	6,467	6,392	(75)	
<b>Net assets</b>	20,550	18,260	(2,290)	Proceeds from sales of treasury stock

Previous term  
Capital investment

2,781

Current term  
Capital investment

2,530

## Summary of Cash Flow Statements

(Unit: Million Yen)

	2011/10- 2012/9	Major factor
<b>Cash flows from operating activities</b>	3,335	Loss before income taxes and minority interests, impairment loss, increase depreciation and amortization
<b>Cash flows from investing activities</b>	(2,138)	Purchase of tangible and intangible assets
<b>Cash flows from financing activities</b>	(2,036)	Purchases of treasury stock
<b>Cash and cash equivalents at end of term</b>	6,159	

# Business Forecast for Year Ending September 2013

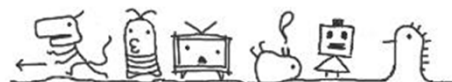
(Unit: Million Yen)

	Current Term 2011/10-2012/9	Next Term 2012/10-2013/9 (Forecast)	Changes
Net Sales (Growth Rate)	36,243 5.7%	37,500 3.5%	1,257
Gross Profit (Growth Rate) (Gross Profit on Sales)	13,862 0.9% 38.3%	15,600 12.5% 41.6%	1,738
Operating Income (Growth Rate) (Operating Income Margin)	1,345 (19.5%) 3.7%	2,000 48.7% 5.3%	655
Ordinary Income (Growth Rate) (Ordinary Income Margin)	1,283 (12.9%) 3.5%	2,000 55.9% 5.3%	717
Net Income(Loss) (Growth Rate) (Net Income Margin)	(506) (140.9%) —	2,300 — 6.1%	2,806

Business Forecast for Year Ending September 2013 (Segment Overview)

(Unit: Million Yen)

	Mobile Business	Game Business	Portal Business	Live Business	Others	Eliminations /Corporate	Total
Net Sales	15,000 4.9	4,400 (24.0%)	15,900 13.9%	1,100 68.5%	2,000 (25.7%)	(900) 23.7%	37,500 3.5%
COGS	6,200 (1.1%)	2,700 (25.5%)	10,000 10.4%	1,500 6.0%	1,850 (23.1%)	(350) 22.2%	21,900 (2.1%)
Gross Profit	8,800 9.6%	1,700 (21.3%)	5,900 20.4%	(400) 47.5%	150 (47.4%)	(550) 24.7%	15,600 12.5%
SG&A	6,100 10.3%	1,600 (7.0%)	2,500 16.5%	200 32.5%	300 (46.1%)	2,900 7.8%	13,600 8.6%
Income (Loss) before allocated	2,700 0.4%	100 (77.3%)	3,400 21.5%	(600) 34.4%	(150) 44.6%	(3,450) 1.0%	2,000 55.9%
Allocated Cost	350 (22.9%)	—	1,200 (3.2%)	50 35.1%	—	(1,600) 10.1%	—
Operating Income (Loss)	2,350 4.6%	100 (77.3%)	2,200 44.9%	(650) 31.7%	(150) 44.6%	(1,850) (12.8%)	2,000 55.9%





## Review of FY2012 in niconico

**The number of Premium members grew steadily**

- From 1.39 million (FY2011) to 1.75 million (FY2012), up 25.9%

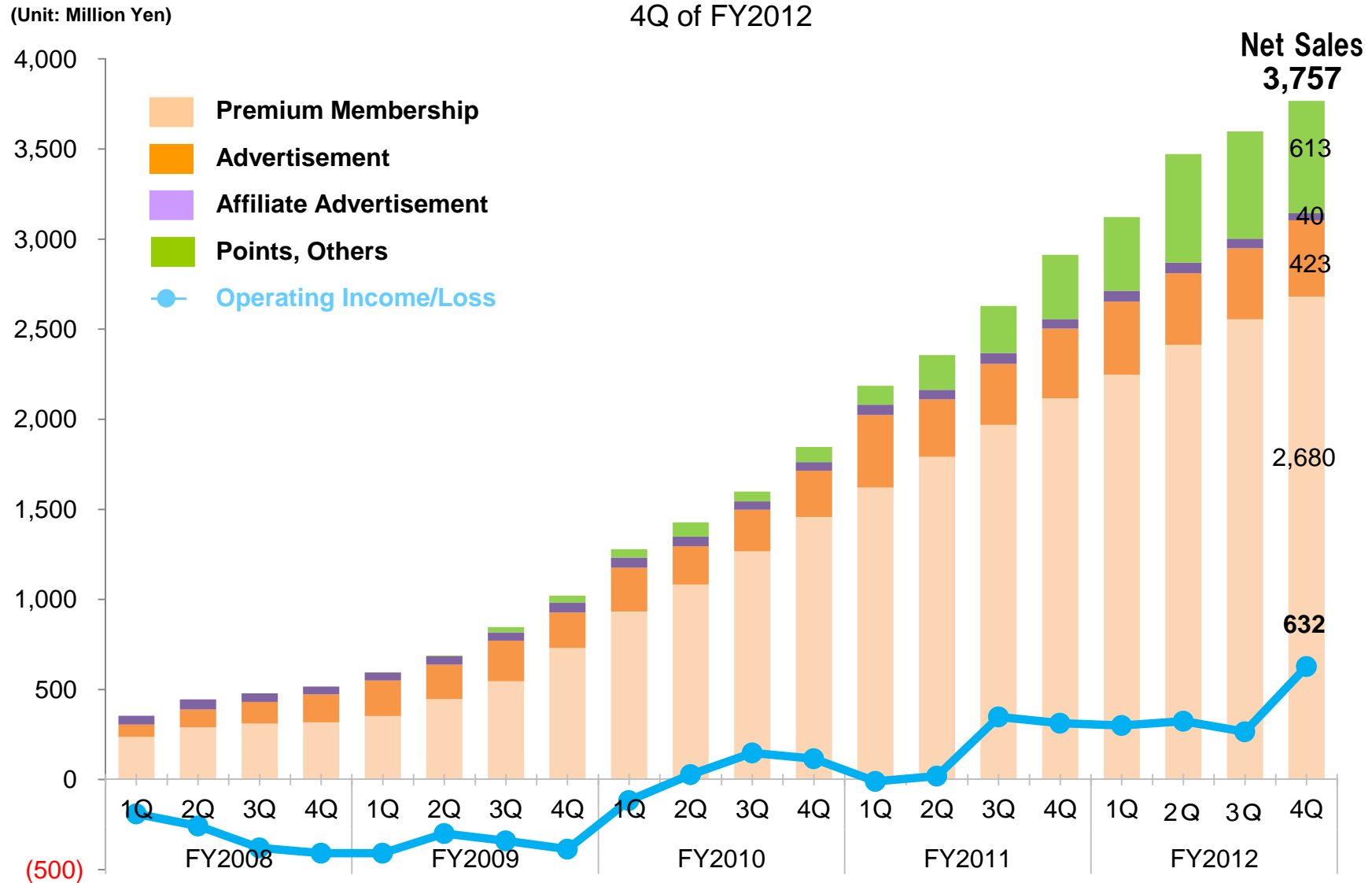
**New Version : Zero was started**

- A New Service “Bromaga” is an encouraging start

**Niconico super festival was held**

- The number of visitors was 93,000 and viewers from internet was 3.5 million

# Revenues from niconico



# Number of Members of niconico

As of September 30, 2012

## Registered Users

**29.46 million**

As of June 30, 2012: 28.08 million

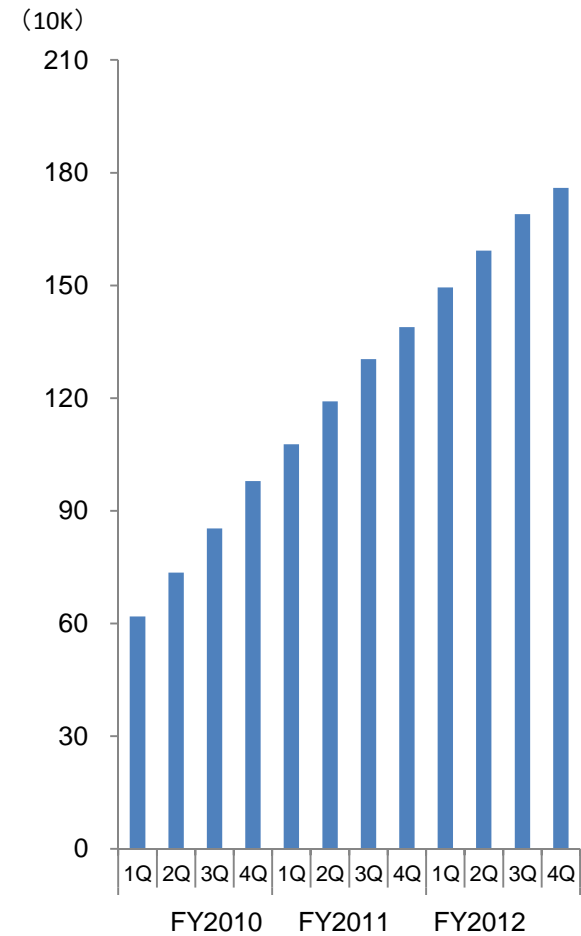
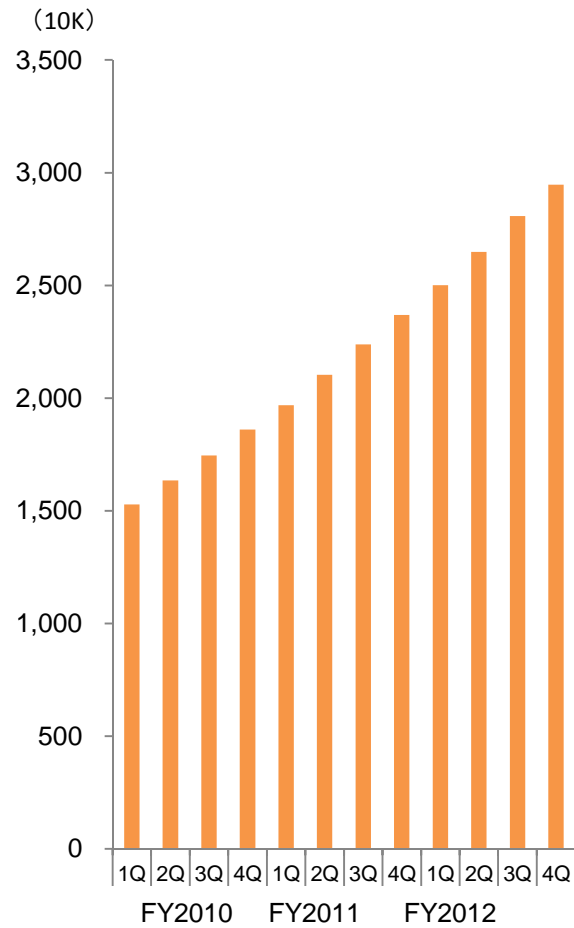
As of Sep 30, 2011: 23.69 million

## Premium Members

**1.75 million**

As of June 30, 2012: 1.69 million

As of Sep 30, 2011: 1.39 million



# Usage and Attributes of NICO NICO DOUGA Users

Average of Forth quarter period ended September 2012  
 (Figures in parentheses indicate results for 3th quarter period ended September 2012)

## NICO NICO DOUGA

## NICO NICO LIVE

### Average PVs per day

**111.16** million PV (102.63) | **10.13** million PV (7.86)

### Average visitors per month

**817** million people (8.10) | **2.86** million people (2.80)

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

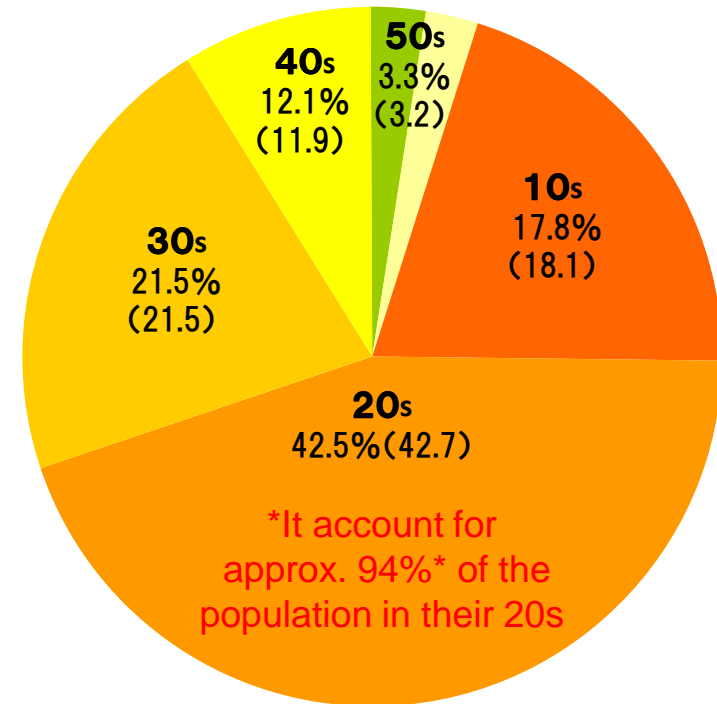
**100.7** minutes (95.8) | **65.0** minutes (61.7)

## by gender

♂ **67%**   ♀ **33%**

As of September 30, 2012

## by age



\*This amounts to 12.51 million users for a population of about 13.32 million people (as of Oct, 2012), as posted by the Ministry of Internal Affairs and Communications.

# Sample of Programs on NICO NICO LIVE

From July to the present



## niconico's Next Approach

**Develop niconico for smartphone aggressively**

- Enhance basic functions and create new services

**Expands “niconico seiga” contents**

- Tying up with 124 publishing companies, Start to distribute fee-based contents. The number of comic books at niconico is the largest in Japanese electronic book market.

**Strengthen a function of niconico as a platform**

- Evolve new services revolving around niconico channel

## niconico's Next Approach

**“niconico seiga (electronic book)”**  
**3,200 books is available whose number is the largest in Japanese electronic book market**

Tying up with 124 publishers include major publishers as Shueisha, Kodansha, Shogakukan and Kadokawa Group etc, start to distribute fee-based contents at 24<sup>th</sup> October. There are variety of electronic books from comics to light novels and photography books.



TOP page

Subsidiaries

dwango mobile

**Mobil**

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

**CELL**

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

Portal Business Others

**ニワンゴ**

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

Portal Business Others

**QTERAS**

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

Portal Business

**SKYSCRAPER**

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

Portal Business Others

**多玩國股份有限公司(Taiwan)**

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

Others

**mobile contents**

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

Others

**dme**  
Dwango Music entertainment, Inc.

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

Others

**MAGES.**

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

Others

**Games Arena**

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

Game Business

**SPIKE CHUNSOFT Co., Ltd.**

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

Game Business

**T&E SOFT**

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

Game Business



For more information:

Investor Relations Section  
Corporate Planning Division  
DWANGO Co., Ltd.

E-mail: [ir@dwango.co.jp](mailto:ir@dwango.co.jp)