

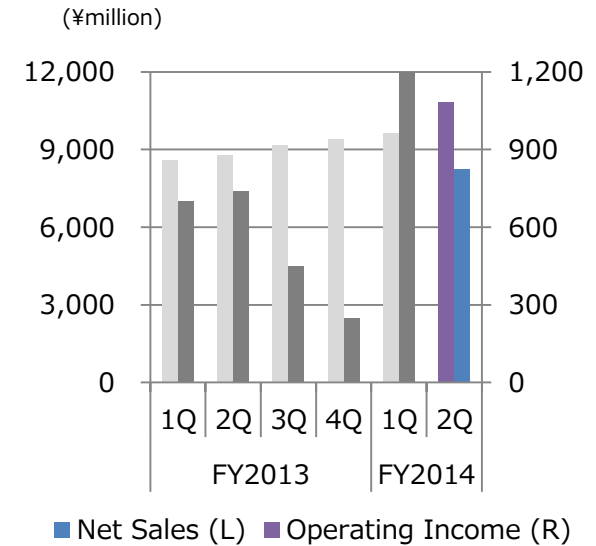
# Financial Results for 2Q FY2014

DWANGO Co., Ltd.

May 14, 2014

(¥million)

	FY2013 2Q	FY2014 2Q	YoY(¥mil)	YoY(%)
Net Sales	17,373	20,436	3,062	17.6%
COGS	9,193	10,921	1,727	18.8%
Gross Profit	8,180	9,515	1,335	16.3%
SGA	6,742	7,492	750	11.1%
Operating Income	1,438	2,023	584	40.7%
Ordinary Income	1,450	2,097	646	44.6%
Net Income	1,443	1,885	441	30.6%

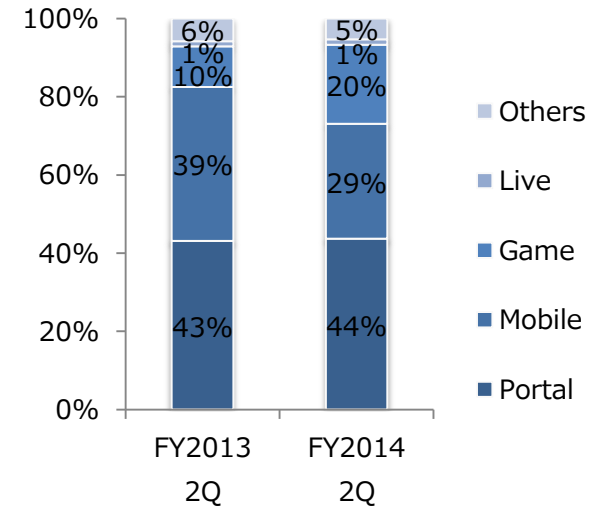


## Main reasons (YoY)

- Net Sales : increase of premium members in Portal business, and increase of IP titles sales in Game business
- COGS : increase of commission and fees and outsourcing cost in Portal business and outsourcing cost in Game business, decrease of royalties in Mobile 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 : +40.7% YoY contributed by Mobile and Game business, operating margin +0.9%pt YoY

(¥million)

	FY2013 2Q	FY2014 2Q	YoY(¥mil)	YoY(%)
Net Sales	17,373	20,436	3,062	17.6%
Portal Business	7,651	9,052	1,400	18.3%
Mobile Business	6,980	6,084	(895)	(12.8%)
Game Business	1,847	4,188	2,340	126.7%
Live Business	239	290	50	21.2%
Other Businesses	1,026	1,110	84	8.2%
Eliminations /Corporate	(372)	(290)	81	-



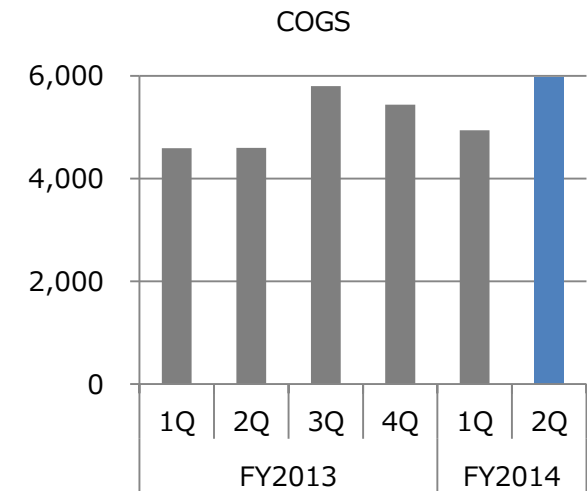
## Main reasons (YoY)

- 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

(¥million)

	FY2013 2Q	FY2014 2Q	YoY(¥mil)	YoY(%)
COGS	9,193	10,921	1,728	18.8%
Major Accounts				
Labor Cost	2,859	2,742	(117)	(4.1%)
Commission and Fees Paid	836	1,502	667	79.7%
Royalties	1,967	1,565	(402)	(20.4%)
Outsourcing Cost	1,572	2,916	1,344	85.5%
Communication Cost	1,376	1,360	(16)	(1.1%)

(¥million)



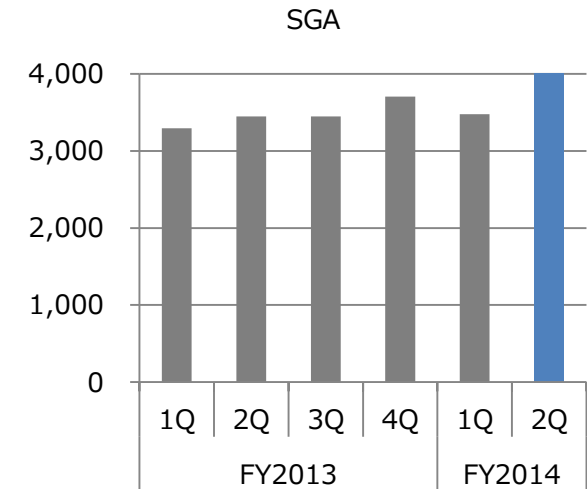
## Main reasons (YoY)

- Commission & Fees Paid : contents acquisition cost in Portal business, and royalties in Game business, +79.7% YoY
- Royalties : decrease of music download in Mobile business, -20.4% YoY
- Outsourcing Cost : increase of outsourcing cost associated to IP titles in Game business, +85.5% YoY

(¥million)

	FY2013 2Q	FY2014 2Q	YoY(¥mil)	YoY(%)
SGA	6,742	7,492	750	11.1%
Major Accounts				
Promotion Cost	2,900	2,931	31	1.1%
Labor Cost	1,181	1,557	376	31.8%
Commission and Fees Paid	1,601	1,878	276	17.3%

(¥million)



### Main reasons (YoY)

- Promotion Cost : decrease in Mobile business, but increase in Portal and Game business, +1.1% YoY
- Commission and Fees Paid : premium members increase in Portal business, +17.3% YoY

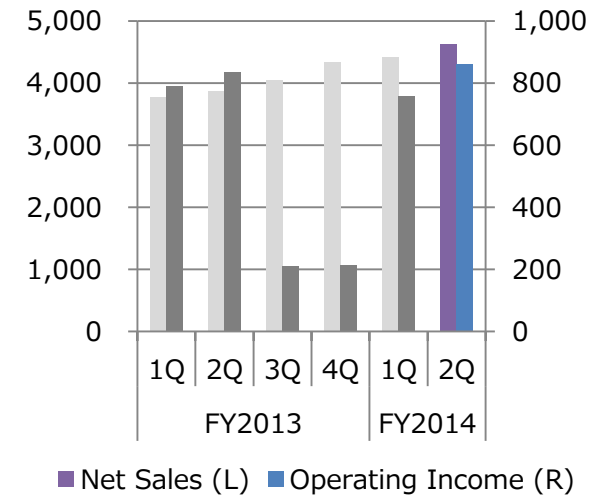
# Segment revenue and profit

	Portal Business	Mobile Business	Game Business	Live Business	Other Businesses	Eliminations /Corporate	Total
Net Sales	9,052	6,084	4,188	290	1,110	(290)	20,436
YoY(%)	18.3%	(12.8%)	126.7%	21.2%	8.2%	-	17.6%
COGS	4,876	2,197	2,562	477	883	(76)	10,921
YoY(%)	18.6%	(18.7%)	139.7%	30.2%	(11.9%)	-	18.8%
Gross Profit	4,175	3,887	1,625	(186)	227	(213)	9,515
YoY(%)	18.0%	(9.1%)	108.9%	-	870.7%	-	16.3%
SGA	1,897	2,881	774	163	305	1,469	7,492
YoY(%)	47.5%	(22.6%)	48.8%	305.8%	77.9%	46.8%	11.1%
Income before Allocated Cost	2,278	1,005	850	(349)	(78)	(1,683)	2,023
YoY(%)	1.2%	80.7%	230.5%	-	-	-	40.7%
Allocated Cost	661	186	-	34	-	882	-
YoY(%)	6.0%	(1.0%)	-	156.3%	-	-	-
Operating Income	1,617	819	850	(384)	(78)	(801)	2,023
YoY(%)	(0.7%)	122.2%	230.5%	-	-	-	40.7%

(¥million)

	FY2013 2Q	FY2014 2Q	YoY(¥mil)	YoY(%)
Net Sales	7,651	9,052	1,400	18.3%
COGS	4,112	4,876	763	18.6%
Gross Profit	3,538	4,175	637	18.0%
SGA	1,286	1,897	610	47.5%
Income before Allocated Cost	2,252	2,278	26	1.2%
Allocated Cost	623	661	37	6.0%
Operating Income	1,628	1,617	(10)	(0.7%)

(¥million)

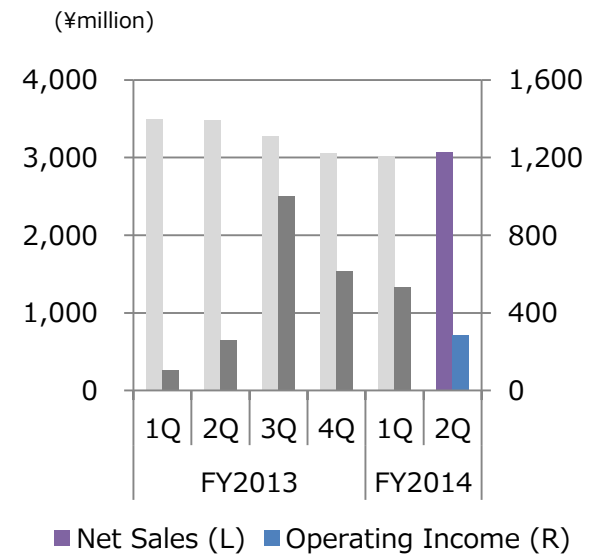


Main reasons (YoY)

- Net Sales : increase of premium members, +18.3% YoY
- Operating Income : increase of contents acquisition cost, increase of live programs related cost and promotion cost, and decrease of transferred software capitalization associated to regulation change, -0.7% YoY
- Premium Members : 2.23M as of Mar 31, 2014, +336K YoY

(¥million)

	FY2013 2Q	FY2014 2Q	YoY(¥mil)	YoY(%)
Net Sales	6,980	6,084	(895)	(12.8%)
COGS	2,702	2,197	(504)	(18.7%)
Gross Profit	4,278	3,887	(390)	(9.1%)
SGA	3,721	2,881	(839)	(22.6%)
Income before Allocated Cost	556	1,005	449	80.7%
Allocated Cost	187	186	(1)	(1.0%)
Operating Income	368	819	450	122.2%



## Main reasons (YoY)

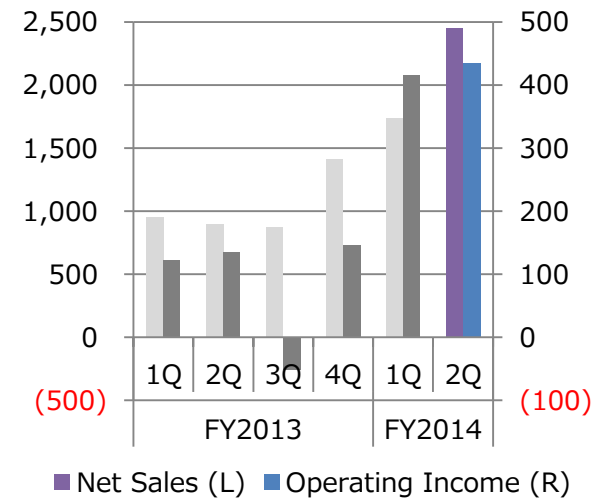
- Net Sales : downward trend of FP members, -12.8% YoY
- Operating Income : decrease of royalties and promotion cost, +122.2% YoY



(¥million)

	FY2013 2Q	FY2014 2Q	YoY(¥mil)	YoY(%)
Net Sales	1,847	4,188	2,340	126.7%
COGS	1,069	2,562	1,493	139.7%
Gross Profit	778	1,625	847	108.9%
SGA	520	774	254	48.8%
Income before Allocated Cost	257	850	593	230.5%
Allocated Cost	-	-	-	-
Operating Income	257	850	593	230.5%

(¥million)



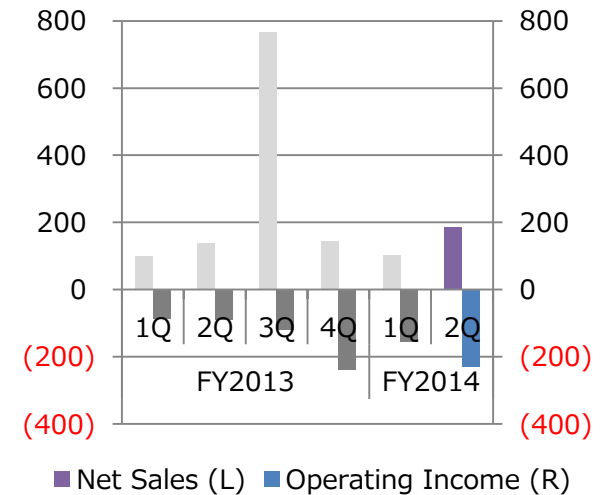
## Main reasons (YoY)

- Net Sales : IP title "Shingeki-no-Kyojin", "Dangan-Ronpa 1&2 Reload", "SaintsRow4", "Terraria PS Vita ver.", "Infinite Stratos", +126.7% YoY
- Operating Income : net sales growth outweighed increase of outsourcing cost and promotion cost associated to IP titles, +230.5% YoY

(¥million)

	FY2013 2Q	FY2014 2Q	YoY(¥mil)	YoY(%)
Net Sales	239	290	50	21.2%
COGS	366	477	110	30.2%
Gross Profit	(126)	(186)	(59)	-
SGA	40	163	123	305.8%
Income before Allocated Cost	(166)	(349)	(182)	-
Allocated Cost	13	34	21	156.3%
Operating Income	(180)	(384)	(204)	-

(¥million)



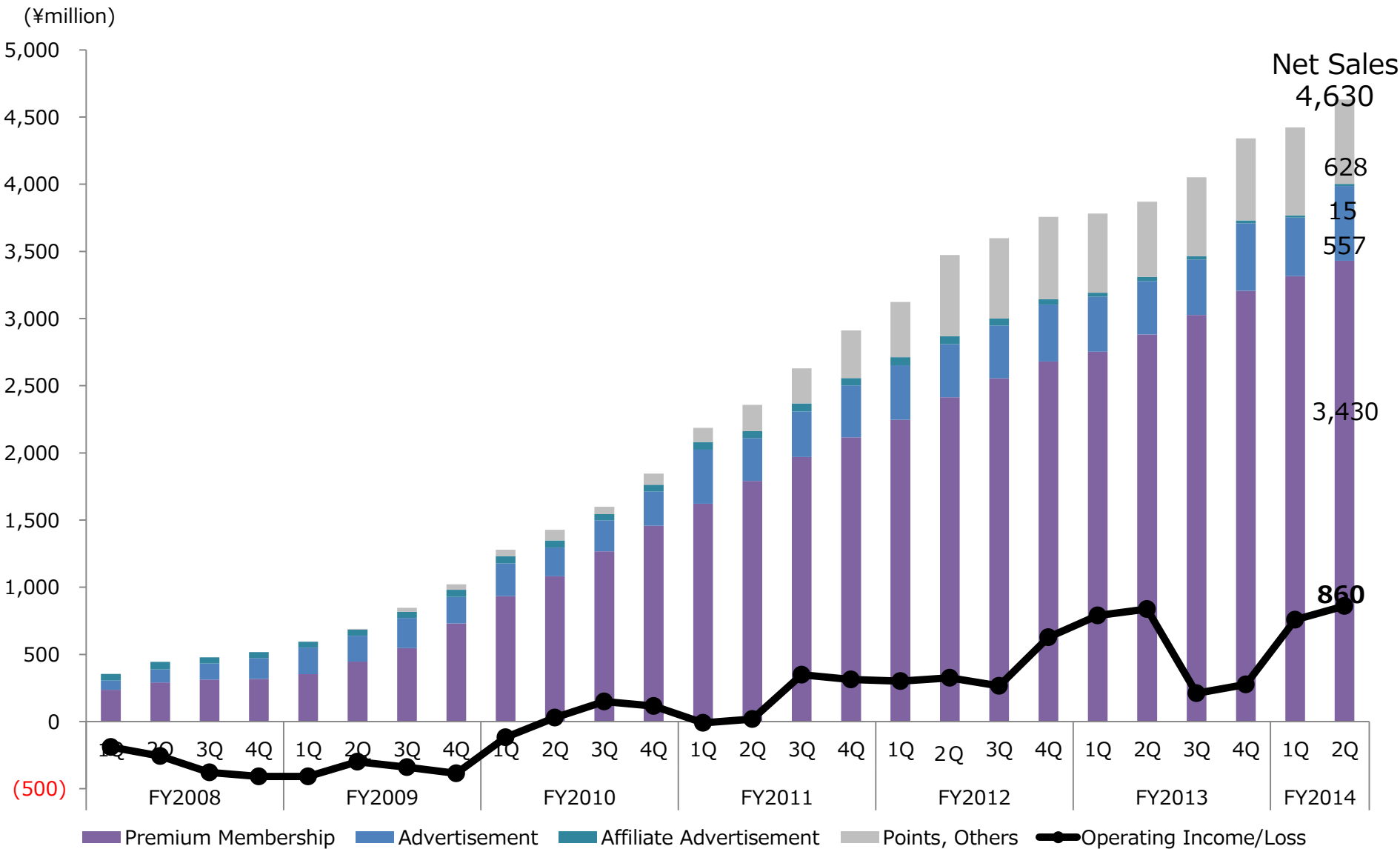
### Main reasons (YoY)

- Net Sales : added live events operated by MAGES., +21.2% YoY
- Operating Loss : closing expense of niconico headquarters preparing for relocation in Oct 2014

(¥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 March 31, 2014

growth of members

registered members

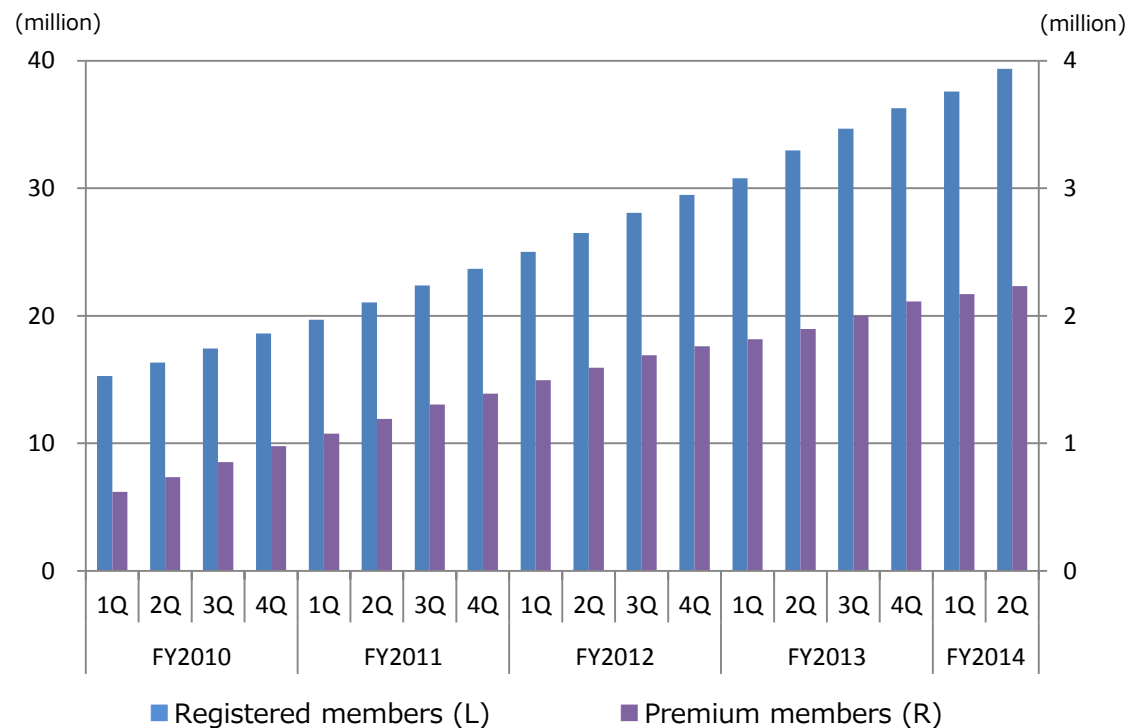
39.36 million

As of Dec 31, 2013 : 37.58 mil

premium members

2.23 million

As of Dec 31, 2013 : 2.17 mil



Average of Jan-Mar, 2014  
(average of Oct-Dec, 2013)

## niconico total

■ average PV per day

135.16 million (119.98)

## niconico live

■ average visitors per month

8.11 million (8.03)

■ average sojourn time per visitor per day

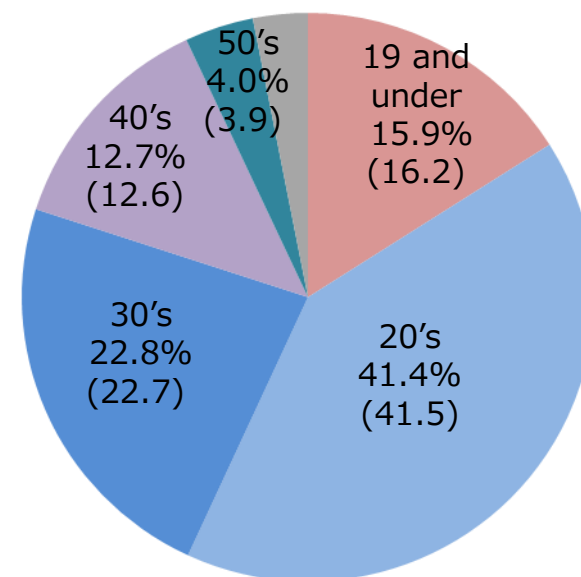
117.4 minutes (109.4)

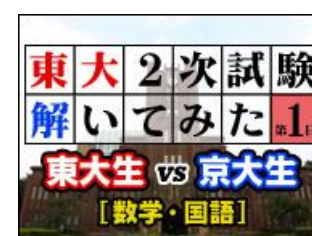
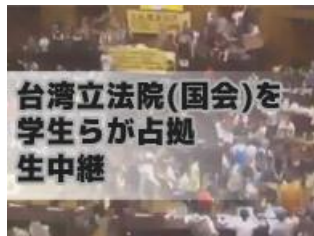
## gender

♂ 67% ♀ 33%

As of March 31, 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.