

KADOKAWA DWANGO
Financial Results
for the Fiscal Year
Ended March 31, 2015

May 14, 2015

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
Revenue	49,715	50,851	100,566
Cost of Revenue	35,314	37,367	72,682
Gross Margin	14,400	13,483	27,884
SG&A	12,548	13,944	26,493
Operating Income	1,851	(460)	1,391
Ordinary Income	2,603	(131)	2,472
Net Income	26,078	(12,022)	14,055

■ Revenue

E-books in Books & IP Business grew. Premium members in Portal Business increased.

■ Operating Income

Books & IP, Mobile, Portal, Video & IP business ended in the black, while Information Media, Game, Live Business ended in the red.

■ Net Income

22.3 billion yen of negative goodwill as extraordinary income, and 11.5 billion yen of extraordinary losses.

(Yen in Millions)

	Three Months Ended Dec. 31, 2014		Three Months Ended Mar. 31, 2015		Six Months Ended Mar. 31, 2015	
	Revenue	Operating Income	Revenue	Operating Income	Revenue	Operating Income
Total	49,715	1,851	50,851	(460)	100,566	1,391
Books and IP Business	19,418	1,705	18,924	1,332	38,343	3,038
Information Media Business	8,022	(437)	7,930	(726)	15,953	(1,164)
Video and IP Business	8,239	817	7,627	169	15,866	987
Portal Business	4,810	731	4,754	646	9,565	1,377
Live Business	492	(269)	699	(189)	1,191	(459)
Mobile Business	2,540	987	2,426	768	4,966	1,756
Game Business	4,021	240	3,147	(1,255)	7,169	(1,015)
Others	3,447	(163)	6,172	(162)	9,620	(326)
Eliminations/Corporate	(1,278)	(1,759)	(830)	(1,043)	(2,109)	(2,803)

Cost of Revenue, SG&A

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
Cost of Revenue	35,314	37,367	72,682
Major Accounts:			
Direct Costs	18,556	18,930	37,487
Labor Costs	5,339	5,435	10,775
Commission Paid	1,256	1,168	2,424
Royalties	727	677	1,404
Outsourcing Costs	1,735	2,146	3,881
Communication Costs	820	844	1,665
	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
SG&A	12,548	13,944	26,493
Major Accounts:			
Promotion Costs	3,021	3,382	6,403
Labor Costs	3,885	4,223	8,108
Commission Paid	1,717	1,253	2,971

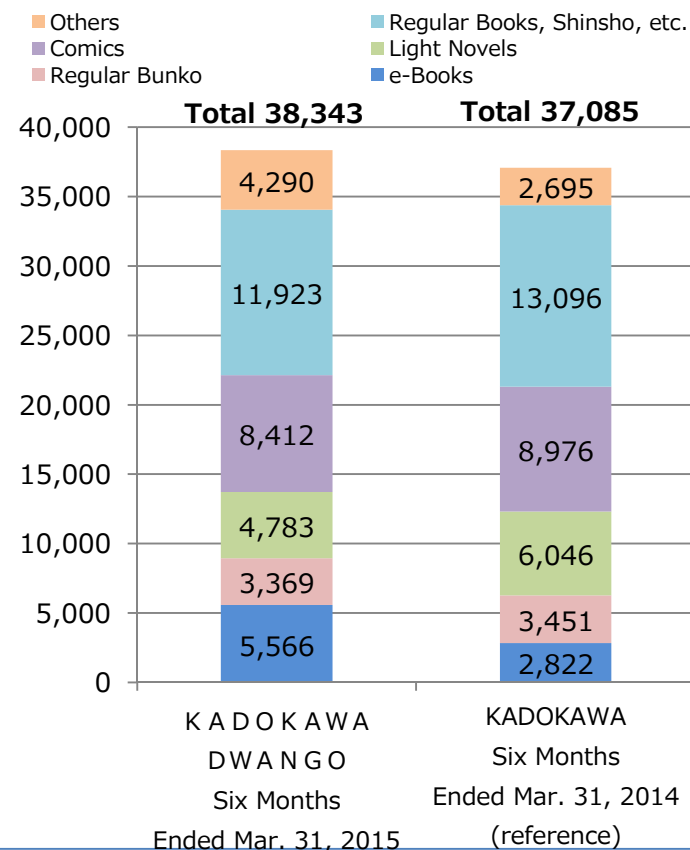
Segment Information

(Yen in Millions)

	Books and IP	Information Media	Video and IP	Portal	Live	Mobile	Game	Others	Eliminations /Corporate	Total
Revenue	38,343	15,953	15,866	9,565	1,191	4,966	7,169	9,620	(2,109)	100,566
Cost of Revenue	25,023	13,341	12,445	5,499	1,347	1,824	6,667	7,877	(1,345)	72,682
percentage	65.3%	83.6%	78.4%	57.5%	113.0%	36.7%	93.0%	81.9%	-	72.3%
Gross Margin	13,319	2,611	3,420	4,065	(155)	3,141	501	1,742	(763)	27,884
percentage	34.7%	16.4%	21.6%	42.5%	-	63.3%	7.0%	18.1%	-	27.7%
SG&A	10,280	3,776	2,433	2,687	303	1,385	1,517	2,069	2,039	26,493
percentage	26.8%	23.7%	15.3%	28.1%	25.5%	27.9%	21.2%	21.5%	-	26.3%
Operating Income	3,038	(1,164)	987	1,377	(459)	1,756	(1,015)	(326)	(2,803)	1,391
percentage	7.9%	-	6.2%	14.4%	-	35.4%	-	-	-	1.4%

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
Revenue	19,418	18,924	38,343
Cost of Revenue	12,907	12,116	25,023
Gross Margin	6,511	6,808	13,319
SG&A	4,805	5,475	10,280
Operating Income	1,705	1,332	3,038

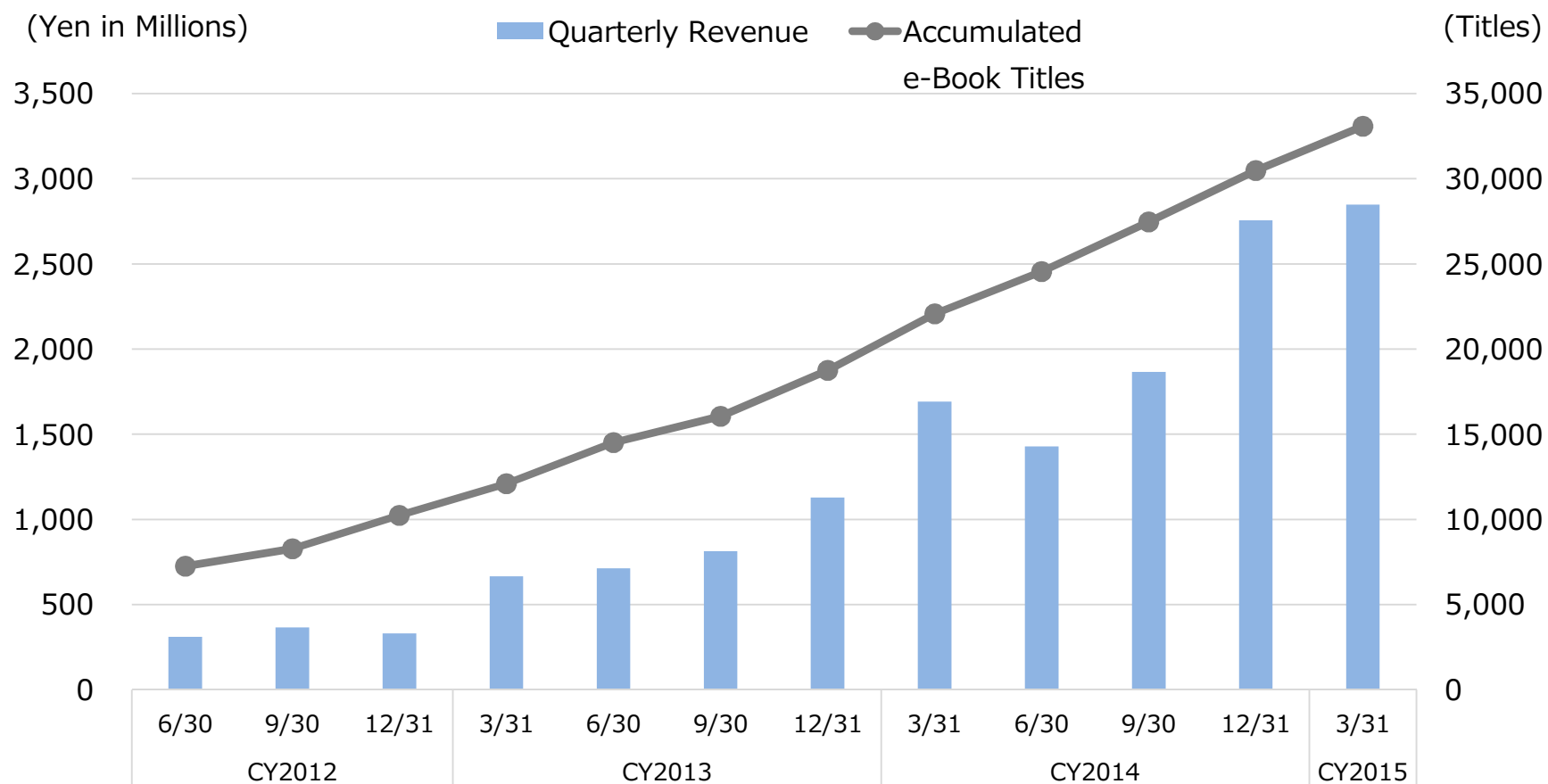


■ Revenue

E-books showed strong performance. Big hits of comics and regular bunko contributed.

■ Operating Income

Actions for improvement of return rate and for cost control started Oct 2014 succeeded. Growth of e-books contributed to profit.

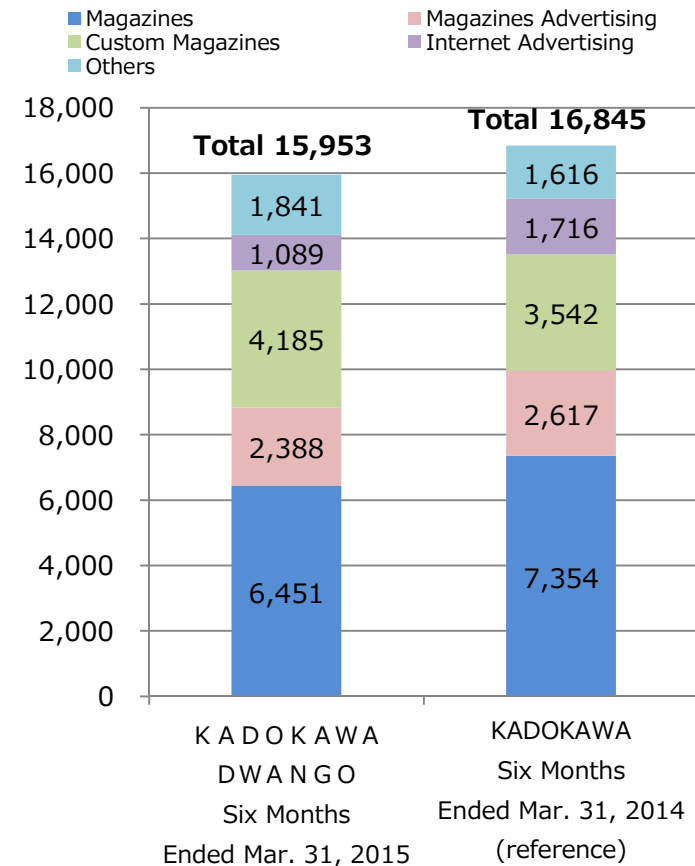


	CY2012			CY2013			CY2014			CY2015		
	6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31
Quarterly Revenue	310	365	330	665	713	813	1,129	1,692	1,429	1,865	2,755	2,848
Accumulated e-Book Titles	7,259	8,280	10,233	12,089	14,516	16,055	18,751	22,074	24,543	27,467	30,481	33,083

*Quarterly revenue is of KADOKAWA until Sep 2014, of KADOKAWA DWANGO after Oct 2014.

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
Revenue	8,022	7,930	15,953
Cost of Revenue	6,678	6,662	13,341
Gross Margin	1,343	1,268	2,611
SG&A	1,781	1,995	3,776
Operating Income	(437)	(726)	(1,164)



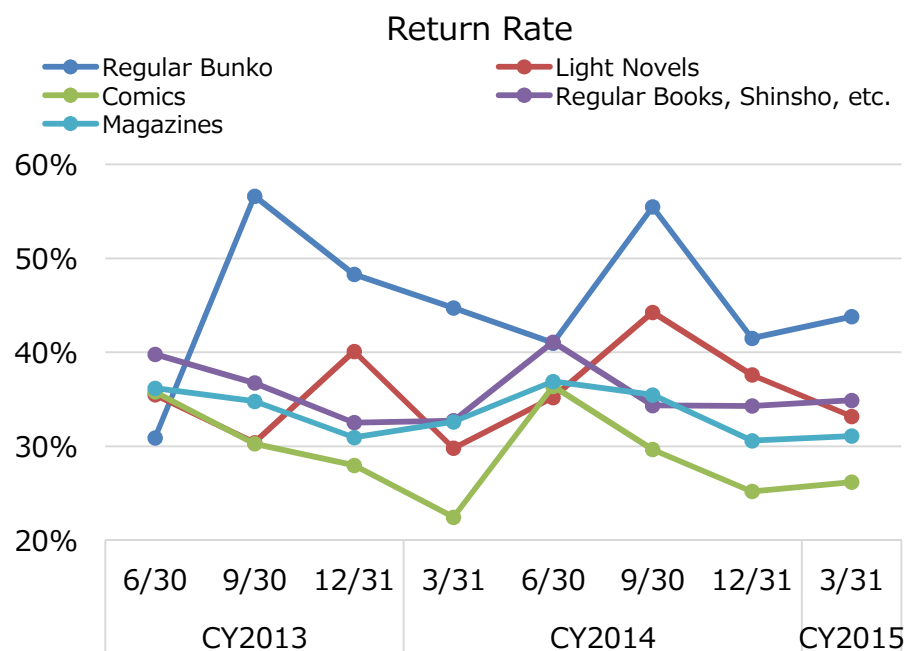
■ Revenue

Custom magazines increased, but magazines and advertising decreased.

■ Operating Income

Though return rate of magazines improved YoY, operating income ended in the red due to loss of new business and fixed costs.

Books and Magazines Return Rate



	KADOKAWA DWANGO	Industry Benchmark
Return Rate of Books		
FY2012	33.5%	37.5%
FY2013	34.7%	37.6%
FY2014	35.8%	37.5%
Return Rate of Magazines		
FY2012	34.8%	37.9%
FY2013	33.6%	39.6%
FY2014	33.6%	40.2%

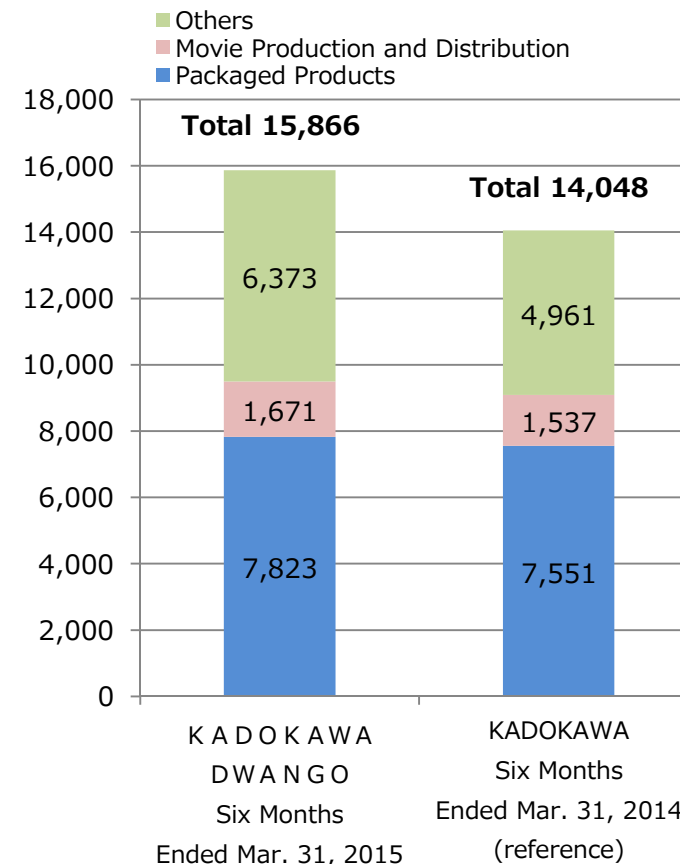
*The industry benchmark figures are from A Month Report of Publications and Annual Report on the Publication Market from the All Japan Magazine and Book Publisher's and Editor's Association and the Research Institute for Publications.

(Yen in Millions)

		CY2013				CY2014				CY2015
		6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31	
Regular Bunko	Revenue	2,986	1,355	1,800	1,651	1,926	1,128	1,956	1,412	
	Return Rate	30.9%	56.6%	48.3%	44.7%	41.0%	55.5%	41.5%	43.8%	
Light Novels	Revenue	2,980	3,337	2,639	3,406	2,992	2,029	2,386	2,397	
	Return Rate	35.5%	30.4%	40.1%	29.8%	35.2%	44.3%	37.6%	33.2%	
Comics	Revenue	3,518	3,948	4,106	4,870	3,010	3,828	4,418	3,994	
	Return Rate	35.8%	30.3%	28.0%	22.5%	36.4%	29.7%	25.2%	26.2%	
Regular Books, Shinsho, etc.	Revenue	5,280	5,380	6,685	6,411	5,071	5,732	6,121	5,801	
	Return Rate	39.8%	36.8%	32.5%	32.7%	41.1%	34.3%	34.3%	34.9%	
Magazines	Revenue	3,408	3,439	3,974	3,380	3,051	3,054	3,411	3,039	
	Return Rate	36.2%	34.8%	30.9%	32.6%	36.9%	35.5%	30.6%	31.1%	

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
Revenue	8,239	7,627	15,866
Cost of Revenue	6,248	6,197	12,445
Gross Margin	1,991	1,429	3,420
SG&A	1,174	1,259	2,433
Operating Income	817	169	987



■ Revenue

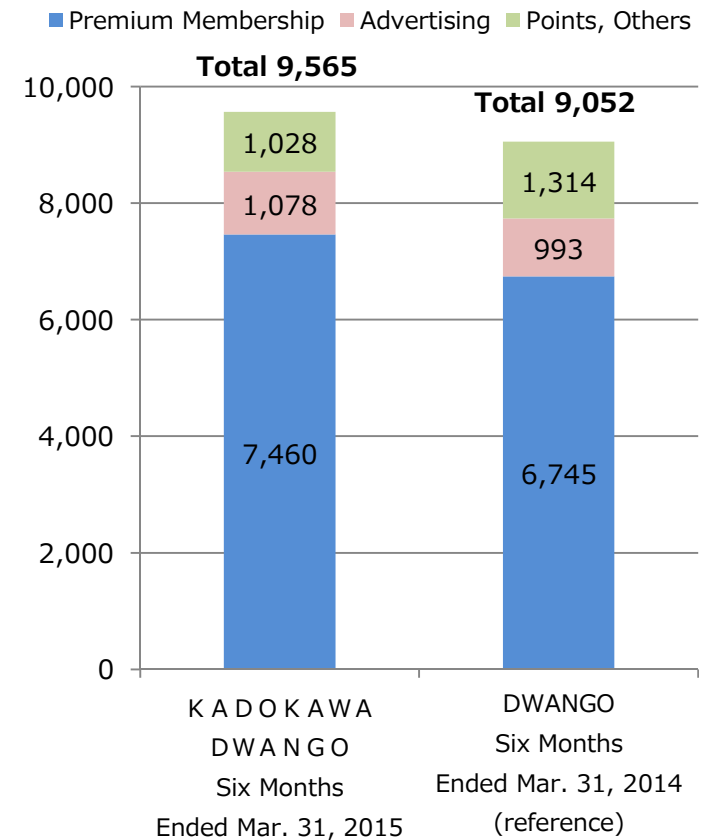
DVD “Yo-kai Watch”, and movie “Fury” contributed. In others, video distribution within the country and sales of animation copyright outside the country grew.

■ Operating Income

Increase of DVD and Blu-ray sales contributed.

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
Revenue	4,810	4,754	9,565
Cost of Revenue	2,738	2,761	5,499
Gross Margin	2,072	1,992	4,065
SG&A	1,341	1,346	2,687
Operating Income	731	646	1,377



■ Revenue

Premium members stood at 2.44 millions as of Mar 31, 2015 (+210 thousand YoY).

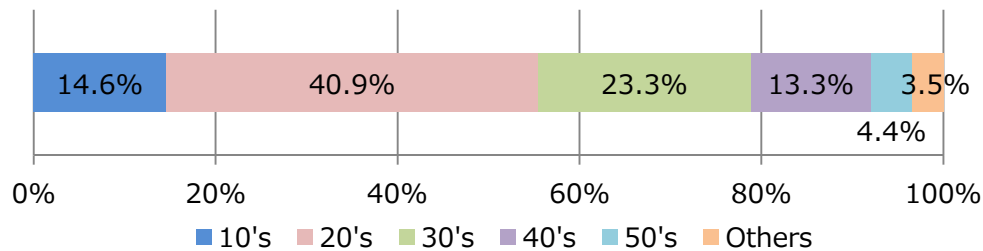
■ Operating Income

Labor costs increased due to increase of engineers.

niconico Users Data *as of Mar 31, 2015	
Premium Members	2.44 million
Registered Members	47.06 million
Gender	♂66% ♀34%

niconico Usage Data *average of Jan-Mar, 2015	
MAU (million)	8.43
(average of Oct-Dec, 2014)	(8.47)
Sojourn time per visitor per day (minute)	115.4
(average of Oct-Dec, 2014)	(113.3)

Age *as of Mar 31, 2015

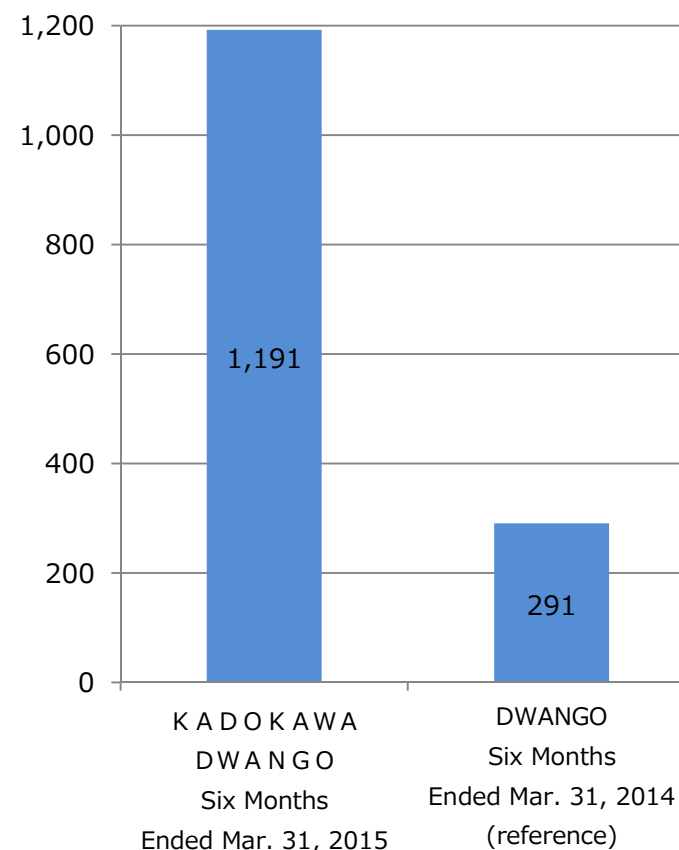


niconico live programs



(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
Revenue	492	699	1,191
Cost of Revenue	633	714	1,347
Gross Margin	(140)	(15)	(155)
SG&A	129	174	303
Operating Income	(269)	(189)	(459)



■ **Revenue**

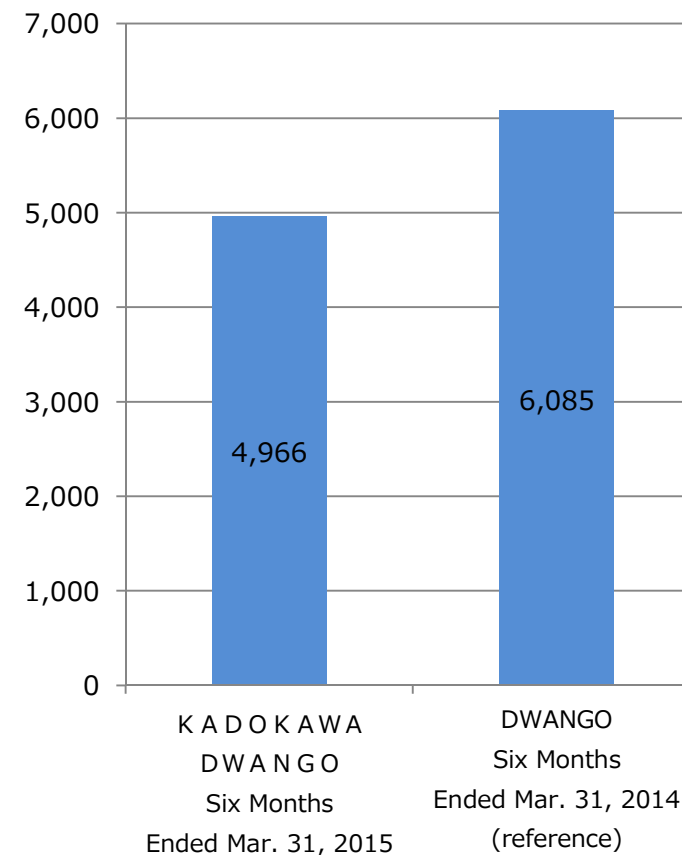
“GAME PARTY JAPAN 2015” and “niconico KUNIKAIGI” took place for the first time. Wholly renewed “niconico Honsha” opened.

■ **Operating Income**

Costs increased associated with renewed “niconico Honsha”, “niconico KUNIKAIGI”, and “GAME PARTY JAPAN 2015”.

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
Revenue	2,540	2,426	4,966
Cost of Revenue	926	898	1,824
Gross Margin	1,613	1,527	3,141
SG&A	626	759	1,385
Operating Income	987	768	1,756



■ Revenue

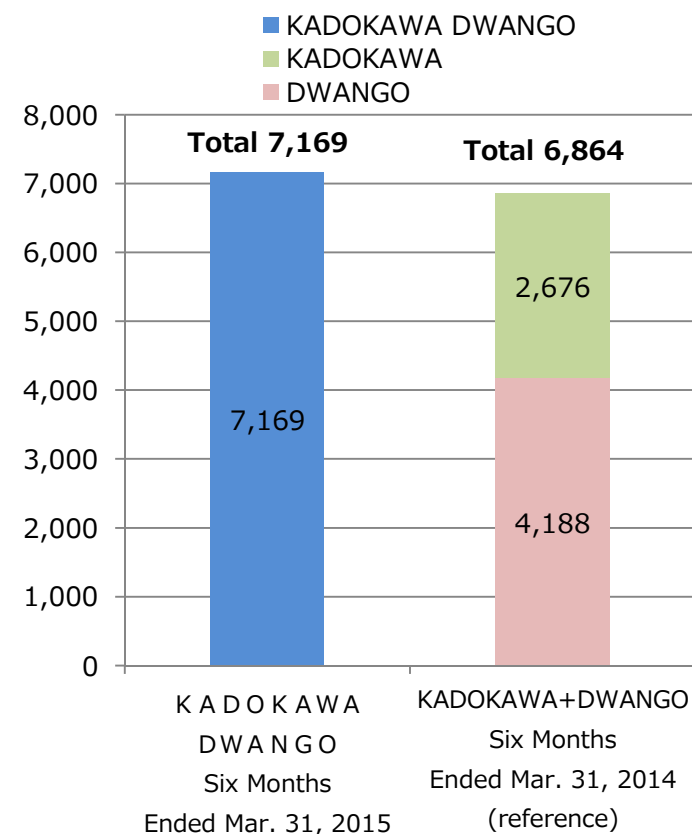
Both SP and FP members continue to decrease.

■ Operating Income

Promotion costs decreased. Royalties and collection agency fee continue to decrease.

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Six Months Ended Mar. 31, 2015
Revenue	4,021	3,147	7,169
Cost of Revenue	3,041	3,626	6,667
Gross Margin	980	(478)	501
SG&A	739	777	1,517
Operating Income	240	(1,255)	(1,015)



■ Revenue

“Derby Stallion GOLD” and “Attack on Titan” contributed, while total segment revenue decreased due to no big hit titles released after Jan 2015.

■ Operating Income

Operating income of Q2 went into red due to some unprofitable titles and discontinuation of development of some titles.

Balance Sheet, Cash Flow Statement

(Yen in Millions)

	Mar 31, 2015	Percentage
Current Assets	131,200	63.8%
Non-Current Assets	74,473	36.2%
Tangible Assets	36,350	17.7%
Intangible Assets	5,997	2.9%
Investment and Other Assets	32,124	15.6%
Total Assets	205,673	100.0%
Current Liabilities	63,316	30.8%
Non-Current Liabilities	38,108	18.5%
Shareholders' Equity	101,946	49.6%
Total Equity	104,248	50.7%
Total Liabilities and Equity	205,673	100.0%

	Mar 31, 2015
Cash Flows from Operating Activities	7,765
Cash Flows from Investing Activities	(9,049)
Cash Flows from Financing Activities	24,385
Cash and Cash Equivalents at End of Period	59,201

(Yen in Millions)

	Year Ended Mar. 31, 2016
Revenue	200,500
Operating Income	7,000
Ordinary Income	6,800
Net Income	4,000

	Segment Breakdown	
	Revenue	Operating Income
Total	200,500	7,000
Books and IP Business	70,000	4,900
Information Media Business	34,200	△1,200
Video and IP Business	28,500	1,300
Portal Business	21,000	2,100
Live Business	3,500	△1,000
Mobile Business	7,900	2,600
Game Business	18,200	2,500
Others	20,500	800
Eliminations/Corporate	△3,300	△5,000

- The forward-looking statements in this document, including earnings forecasts, are determined by KADOKAWA DWANGO CORPORATION 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.
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