

KADOKAWA DWANGO
Financial Results
for the 2nd Quarter
Ended September 30, 2015

November 12, 2015

Summary

1. 2Q Results

Revenue grew slightly(QoQ) and Operating Income doubled(QoQ).
Profit Attributable to Owners of Parent moved into the black.

2. Guidance (Fiscal Year Ending Mar. 31, 2016)

No change

3. Portal Business

Premium members increased according to a plan.

4. Books and IP Business

E-book business which is high operating margin grows. Composition ratio of Revenue and operating income is changing.

Paper books began to revive owing to strengthening media mix strategy and new genres.

5. Live Business

"Game Party 2016" that will be held in January 2016 and the scale will be widen. Events related to "Game Party" started.

6. Educational Business

Correspondence high school will start in April 2016.

1. 2Q Results (From Jul to Sep, 2015)

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Revenue	49,715	50,851	46,906	47,020
Operating Income	1,851	(460)	1,145	2,359
Ordinary Income	2,603	(131)	1,648	2,554
Profit Attributable to Owners of Parent	26,078	(12,022)	(220)	2,134

- Revenue grew Slightly (QoQ). Revenue of Books and IP business, Video and IP business and Portal business grew. On the other, Revenue of Game business decreased.
- Operating Income doubled(QoQ), by recovery of profit in Books and IP business and by contribution of a live event in Live business. Movie and IP, Portal and Mobile business maintained the firm growth.
- In previous quarter, increase of corporate tax due to eliminating reversal of deferred tax assets. But this quarter moved into the black.

1-1. 2Q Results (Revenue)

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Total	49,715	50,851	46,906	47,020
Books and IP Business	19,418	18,924	17,515	17,921
Information Media Business	8,022	7,930	6,491	6,766
Video and IP Business	8,239	7,627	5,794	7,104
Portal Business	4,810	4,754	4,822	5,039
Live Business	492	699	1,329	1,307
Mobile Business	2,540	2,426	2,313	2,212
Game Business	4,021	3,147	3,671	2,642
Others	3,447	6,172	6,058	4,799
Eliminations/Corporate	(1,278)	(830)	(1,090)	(774)

In spite of decreasing of regular books, revenue of Books and IP business increased slightly, because of increasing e-books and recovering light novel.

In Movie and IP business, movie distribution and Packaged products went sideways. On the other, rights income like copyright in overseas expanded. In Game business, there were no hit package game titles as were in previous quarter.

1-2. 2Q Results (Operating Income)

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Total	1,851	(460)	1,145	2,359
Books and IP Business	1,705	1,332	287	1,647
Information Media Business	(437)	(726)	(615)	(453)
Video and IP Business	817	169	259	382
Portal Business	731	646	610	638
Live Business	(269)	(189)	(271)	51
Mobile Business	987	768	956	873
Game Business	240	(1,255)	535	272
Others	(163)	(162)	136	26
Eliminations/Corporate	(1,759)	(1,043)	(755)	(1,080)

In previous quarter, Profit level of Books and IP business declined, because of allowance for doubtful accounts. In this quarter, increasing of e-books and hit titles recovered profit.

In Information media business, decrease of magazines and slackness of patchwork plans affected profitability.

In Live business, live event, "animero-summer live" contributed. Movie and IP, Portal and Mobile business maintained the firm growth.

2. Guidance

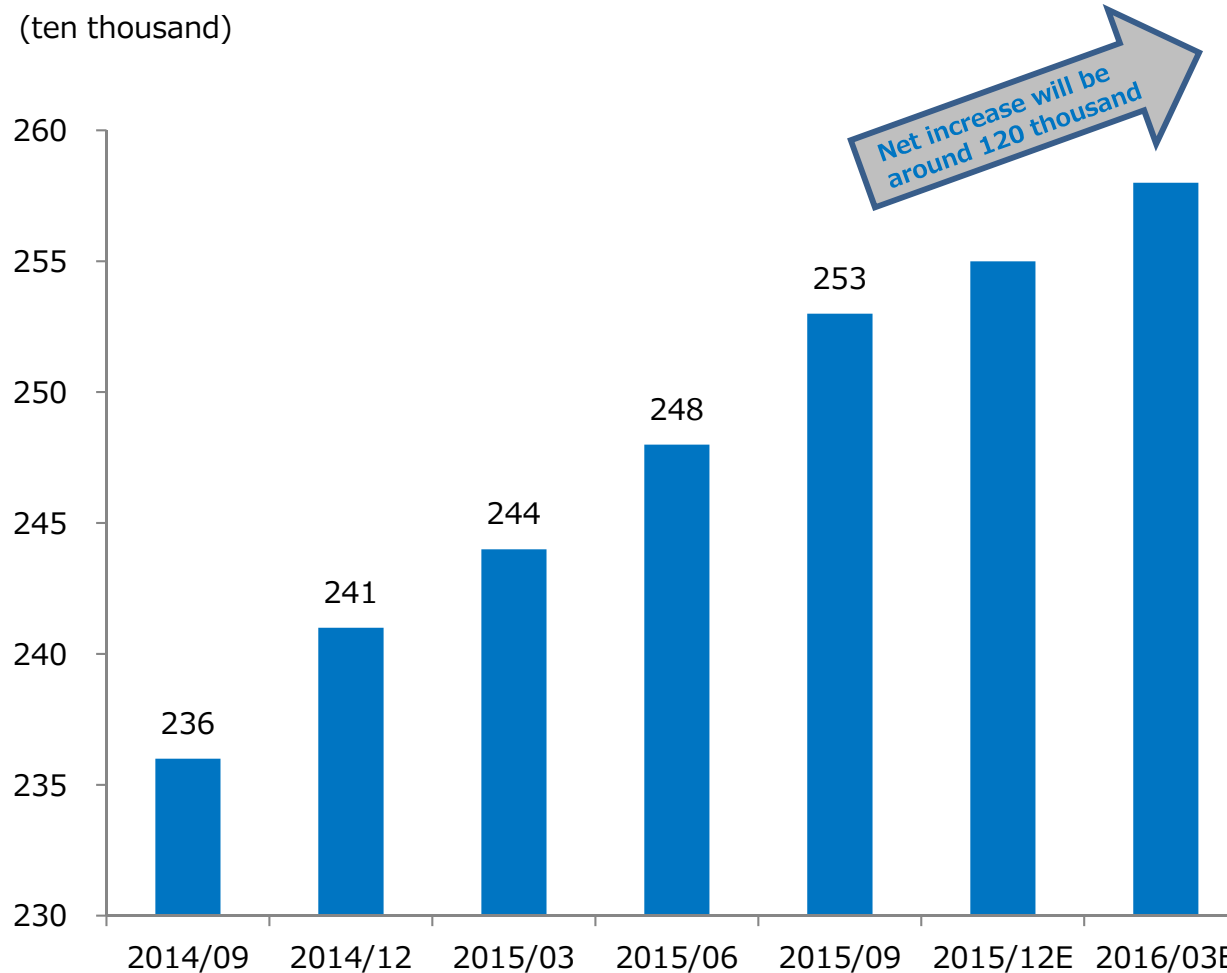
(Yen in Millions)

	Fiscal Year Ended Mar. 31, 2015 (Form Oct 2014 to Mar 2015)	The First Half of Fiscal Year Ending Mar. 31, 2016 (Form Apr 2015 to Sep 2015)	Fiscal Year Ending Mar. 31, 2016 (Form Apr 2015 to Mar 2016)
Revenue	100,566	93,926	200,500
Operating Income	1,391	3,505	7,000
Ordinary Income	2,472	4,203	6,800
Profit Attributable to Owners of Parent	14,055	1,914	4,000

From April 2015 to September 2015, the company made smooth progress. The company doesn't change forecast to Consolidated Financial Results for the Fiscal Year Ending March 31, 2016.

3. Portal Business

The Number of Premium member is increasing at a good rate.



Premium members stood at 2.53 millions as of September 30, 2015.
Net increase from June is 52 thousand.

4. Books and IP Business

Revenue of e-books covers decline of paper books, and revenue ratio of e-books is expanding.

(Yen in Millions)

Revenue trends of paper books and e-books



← One year before integration of management
(From Oct 2013 to Sep 2014)

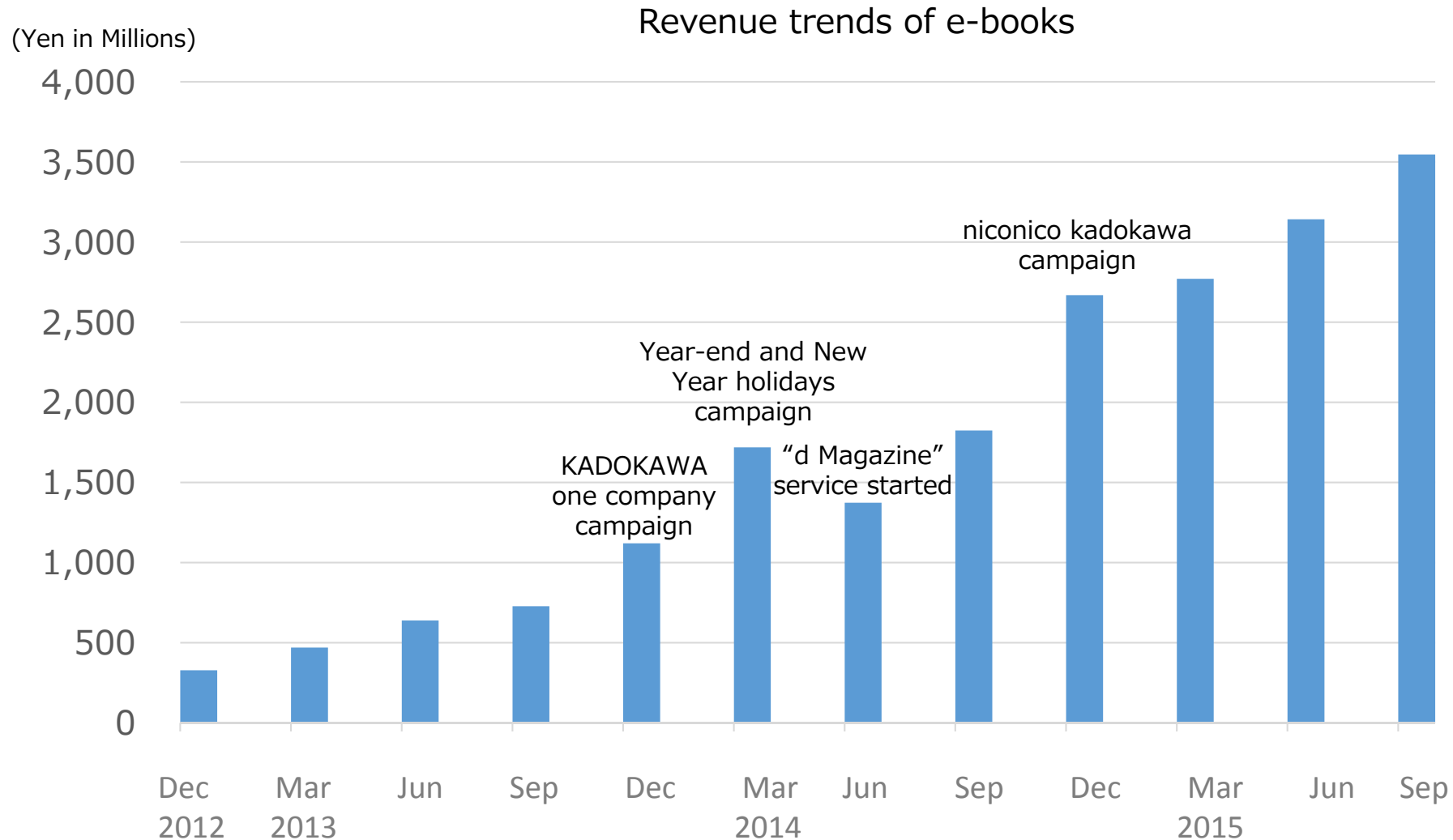
Revenue 63.4 billion
e-books ratio 9.6%

→ One year after integration of management
(From Oct 2014 to Sep 2015)

Revenue 63.9 billion
e-books ratio 19.5%

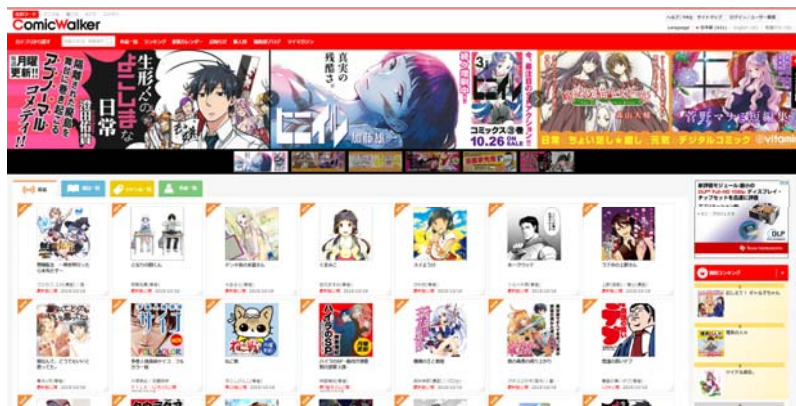
4. Books and IP Business

Revenue of e-books grew when campaigns were held. "d Magazine" service contribute revenue.



4. Books and IP Business

Situation of Web comic Service “Comic Walker”



March 2014 (When service started)

	Works	Episodes
Japanese	152	325
English	20	27
Chinese	22	31
Total	214	383

September 2015

	Works	Episodes
Japanese	439	6,305
English	46	273
Chinese	61	742
Total	546	7,320

The number of works and episodes has been expanding since “Comic Walker” service started.

4. Books and IP Business

To strengthen and expand “Shinbungei” as a new genre following Light novel.

- “Shinbungei” is a generic name of the novel published as books or e-books , which is generated from the UGC announced on the internet. So-called internet novels, Vocaloid novels and Novelization of free game are included in “ Shinbungei”.
- New label “KADOKAWA BOOKS” launched on October 2015 and we will aim to manage the talented people from internet.
- TV animation “Overload” was started from July, 2015. The cumulative number of book copies stretched to 7.7 times before TV broadcast. It showed a high effect of the media mix.



- We will open a new novel posting website in which anyone can write a story in free style and read it in cooperation with Hatena Co., Ltd.

As is the case in Light novel, we build a strong position in new growth area “Shinbungei”.

5. Live Business (“Game Party Japan 2016”)

“Game Party Japan 2016” expand the scale. The number of viewer watching elimination round make good progress.

	2015	2016 (Plan)
Days	Two days (31,Jan to 1 st , Feb)	Two days (30,Jan to 31, Jan)
Place	Makuhari Messe 4-7 hall	Makuhari Messe 1-6 hall
Visitors (Real)	35,786 people	65,000 people
Visitors (Internet)	5,746,338 people	-

Days	Program name of live broadcast elimination rounds for “Japan Game Party 2016”	Viewer (people)
13, Sep	Elimination round for “Japan Game Party 2016” in Kyushu	43,747
	Elimination round for “Splatoon Koshien” “ in Kyushu	236,134
19, Sep	Elimination round for “Japan Game Party 2016” in Kantou and “PUZZLE & DRAGONS”	491,822
26, Sep	Elimination round for “Japan Game Party 2016” in Hokkaido	66,310
	Elimination round for “Splatoon Koshien” “ in Hokkaido	144,478
11, Oct	Elimination round for “Japan Game Party 2016” in Tokai	54,805
	Elimination round for “Splatoon Koshien” “ in Tokai	205,113
3, Nov	Elimination round for “Japan Game Party 2016” in Kinki	64,542
	Elimination round for “Splatoon Koshien” “ in Kinki	148,118
15, Nov	Elimination round for “Japan Game Party 2016” in Tohoku	TBA
	Elimination round for “Splatoon Koshien” “ in Tohoku	TBA
22, Nov	Elimination round for “Japan Game Party 2016” in Chugoku	TBA
	Elimination round for “Splatoon Koshien” “ in Chugoku	TBA
13, Dec	Elimination round for “Japan Game Party 2016” in Shikoku	TBA
	Elimination round for “Splatoon Koshien” “ in Shikoku	TBA

6. Educational Business

High school correspondence course named “N High School” will open in April 2016

<Summary>

Educational corporation : 2015 KADOKAWA DWANGO educational corporation

High school name : N High School

Opening day : April 2016 ※waiting for a license

Place : 224 Ikei Yonashiro Uruma city Okinawa prefecture

Course : Credit or Internet course

Department : Comprehensive

Graduation eligibility : Comprehensive high school

※Graduation eligibility is same as full-time high school

<Feature>

- Attending lesson and handing reports, you have more times studying your favorite subjects.

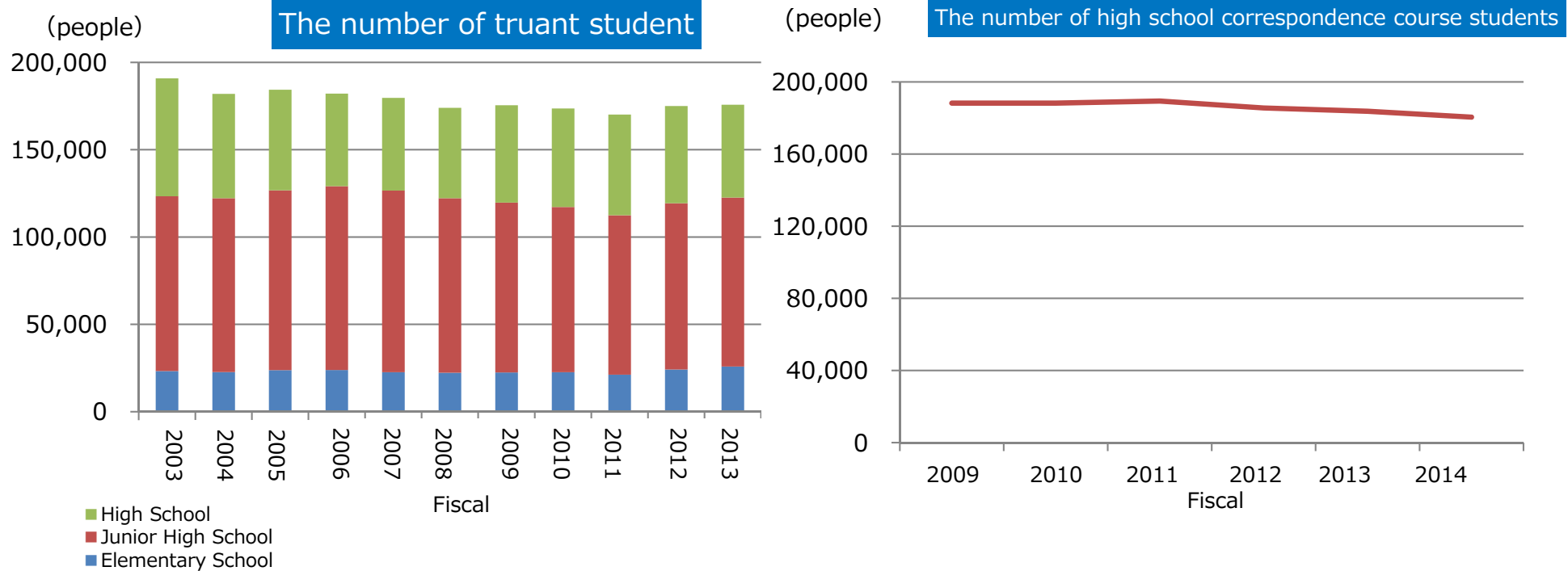
- Extra lesson whose instructors are professional utilizing resources of KADOKAWA and DWANGO group.

- Career experience cooperated with local governmental units.

- Connecting friends through real events.

6. Educational Business

Scales of high school correspondence course



(place of origin) Ministry of Education, Culture, Sports, Science and Technology

The number of truant student remain high.

The number of high school correspondence course student is 0.18 million.

Support Documentation

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Revenue	49,715	50,851	46,906	47,020
Cost of Revenue	35,314	37,367	33,107	32,892
Gross Margin	14,400	13,483	13,799	14,127
SG&A	12,548	13,944	12,653	11,768
Operating Income	1,851	(460)	1,145	2,359
Ordinary Income	2,603	(131)	1,648	2,554
Profit Attributable to Owners of Parent	26,078	(12,022)	(220)	2,134

(Yen in Millions)

	Three Months Ended Dec. 31, 2014		Three Months Ended Mar. 31, 2015		Three Months Ended Jun. 30, 2015		Three Months Ended Sep. 30, 2015	
	Revenue	Operating Income	Revenue	Operating Income	Revenue	Operating Income	Revenue	Operating Income
Total	49,715	1,851	50,851	(460)	46,906	1,145	47,020	2,359
Books and IP Business	19,418	1,705	18,924	1,332	17,515	287	17,921	1,647
Information Media Business	8,022	(437)	7,930	(726)	6,491	(615)	6,766	(453)
Video and IP Business	8,239	817	7,627	169	5,794	259	7,104	382
Portal Business	4,810	731	4,754	646	4,822	610	5,039	638
Live Business	492	(269)	699	(189)	1,329	(271)	1,307	51
Mobile Business	2,540	987	2,426	768	2,313	956	2,212	873
Game Business	4,021	240	3,147	(1,255)	3,671	535	2,642	272
Others	3,447	(163)	6,172	(162)	6,058	136	4,799	26
Eliminations /Corporate	(1,278)	(1,759)	(830)	(1,043)	(1,090)	(755)	(774)	(1,080)

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Cost of Revenue	35,314	37,367	33,107	32,892
Major Accounts:				
Direct Costs	18,556	18,930	15,881	16,770
Labor Costs	5,339	5,435	5,232	5,273
Commission Paid	1,256	1,168	1,352	1,250
Royalties	727	677	681	565
Outsourcing Costs	1,735	2,146	2,525	2,370
Communication Costs	820	844	820	804
	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
SG&A	12,548	13,944	12,653	11,768
Major Accounts:				
Promotion Costs	3,021	3,382	2,804	2,931
Labor Costs	3,885	4,223	4,202	4,116
Commission Paid	1,717	1,253	1,281	1,560

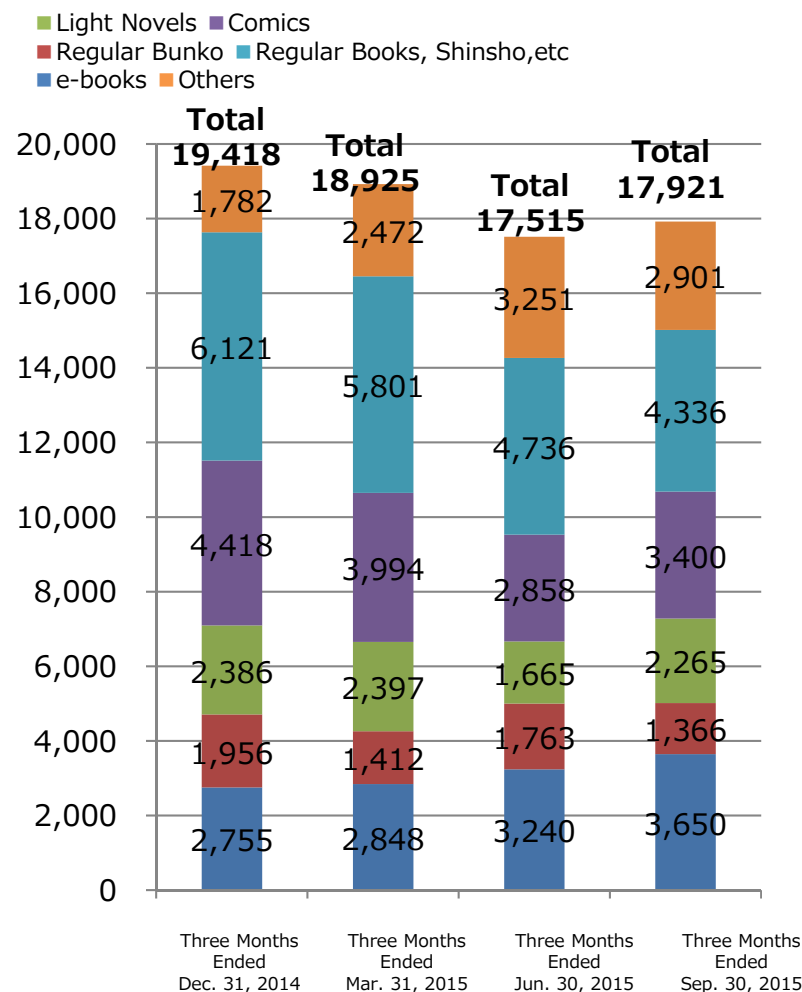
Three Months Ended Sep. 30, 2015

(Yen in Millions)

	Books and IP	Information Media	Video and IP	Portal	Live	Mobile	Game	Others	Eliminations /Corporate	Total
Revenue	17,921	6,766	7,104	5,039	1,307	2,212	2,642	4,799	(774)	47,020
Cost of Revenue	12,361	5,689	5,468	2,906	1,075	796	1,731	3,361	(498)	32,892
percentage	69.0%	84.1%	77.0%	57.7%	82.3%	36.0%	65.5%	70.0%	-	70.0%
Gross Margin	5,560	1,077	1,635	2,132	232	1,415	910	1,438	(275)	14,127
percentage	31.0%	15.9%	23.0%	42.3%	17.7%	64.0%	34.5%	30.0%	-	30.0%
SG&A	3,912	1,530	1,252	1,494	180	542	638	1,411	805	11,768
percentage	21.8%	22.6%	17.6%	29.7%	13.8%	24.5%	24.2%	29.4%	-	25.0%
Operating Income	1,647	(453)	382	638	51	873	272	26	(1,080)	2,359
percentage	9.2%	-	5.4%	12.7%	4.0%	39.5%	10.3%	0.6%	-	5.0%

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Revenue	19,418	18,924	17,515	17,921
Cost of Revenue	12,907	12,116	12,000	12,361
Gross Margin	6,511	6,808	5,515	5,560
SG&A	4,805	5,475	5,227	3,912
Operating Income	1,705	1,332	287	1,647

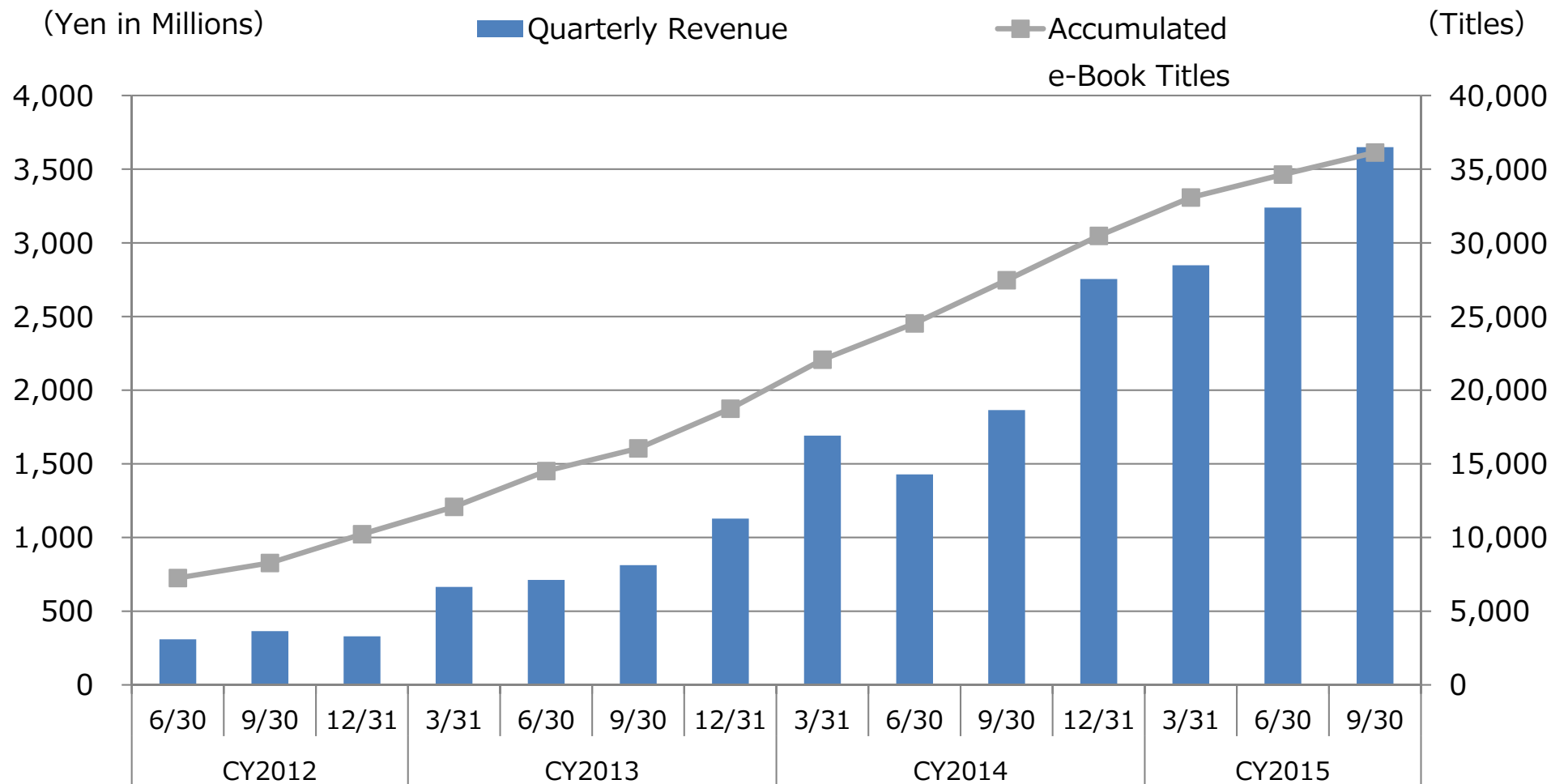


■ Revenue

In spite of decreasing regular books, revenue of Books and IP business increased slightly, because of increasing e-books and recovering light novel.

■ Operating Income

In previous quarter, Profit level of Books and IP business declined, because of allowance for doubtful accounts. In this quarter, increasing of e-books and hit titles recovered profit.

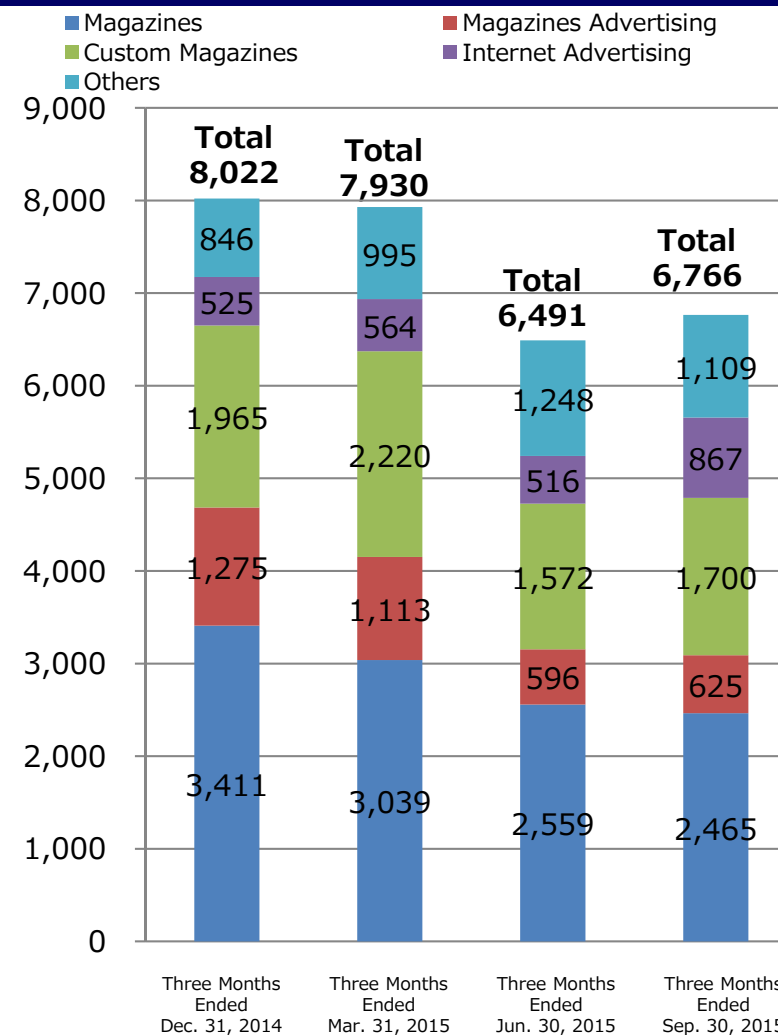


	CY2012			CY2013			CY2014			CY2015				
	6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31	6/30	9/30
Quarterly Revenue	310	365	330	665	713	813	1,129	1,692	1,429	1,865	2,755	2,848	3,240	3,650
Accumulated e-Book Titles	7,259	8,280	10,233	12,089	14,516	16,055	18,751	22,074	24,543	27,467	30,481	33,083	34,642	36,141

*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	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Revenue	8,022	7,930	6,491	6,766
Cost of Revenue	6,678	6,662	5,488	5,689
Gross Margin	1,343	1,268	1,003	1,077
SG&A	1,781	1,995	1,618	1,530
Operating Income	(437)	(726)	(615)	(453)

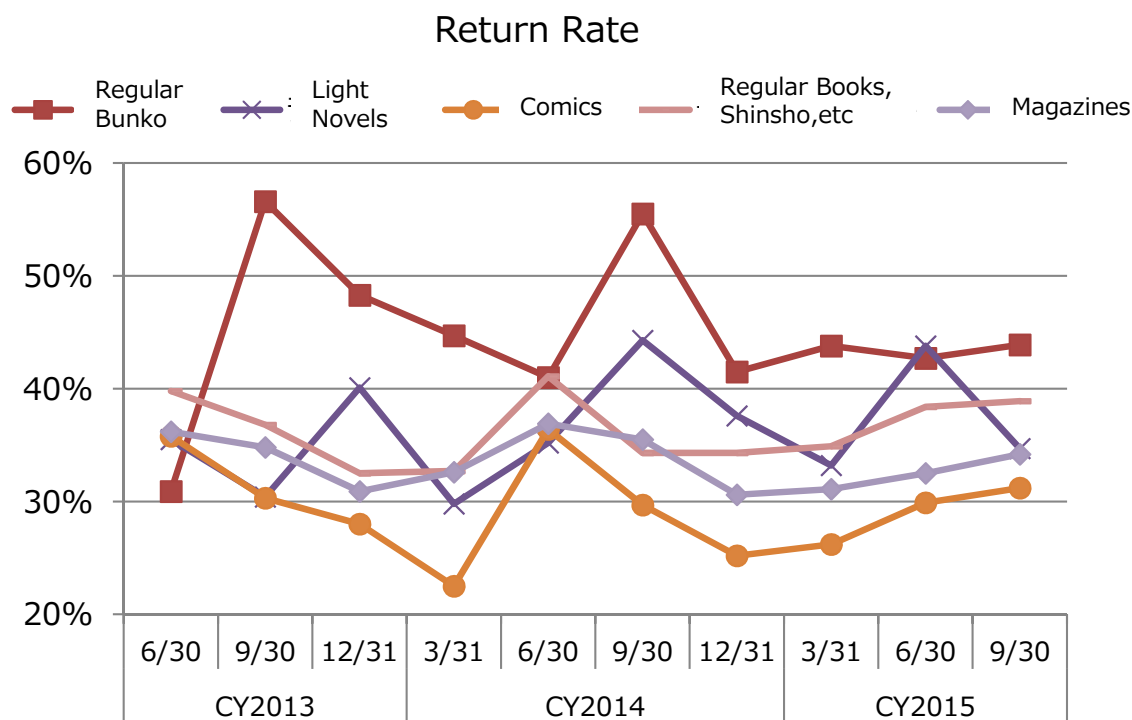


■ Revenue

Sales of magazines decreased because of digitalization of existing media. On the other, sales of Internet Advertising increased.

■ Operating Income

Decrease of magazines and slackness of patchwork plans affected profitability.



	KADOKAWA DWANGO	Industry Benchmark
Return Rate of Books		
FY2012	33.5%	37.5%
FY2013	34.7%	37.6%
FY2014	35.8%	37.5%
FY2015	37.4%	39.7%
Return Rate of Magazines		
FY2012	34.8%	37.9%
FY2013	33.6%	39.6%
FY2014	33.6%	40.2%
FY2015	33.4%	43.0%

*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. The data on FY2015 are for the period from Apr to Sep.

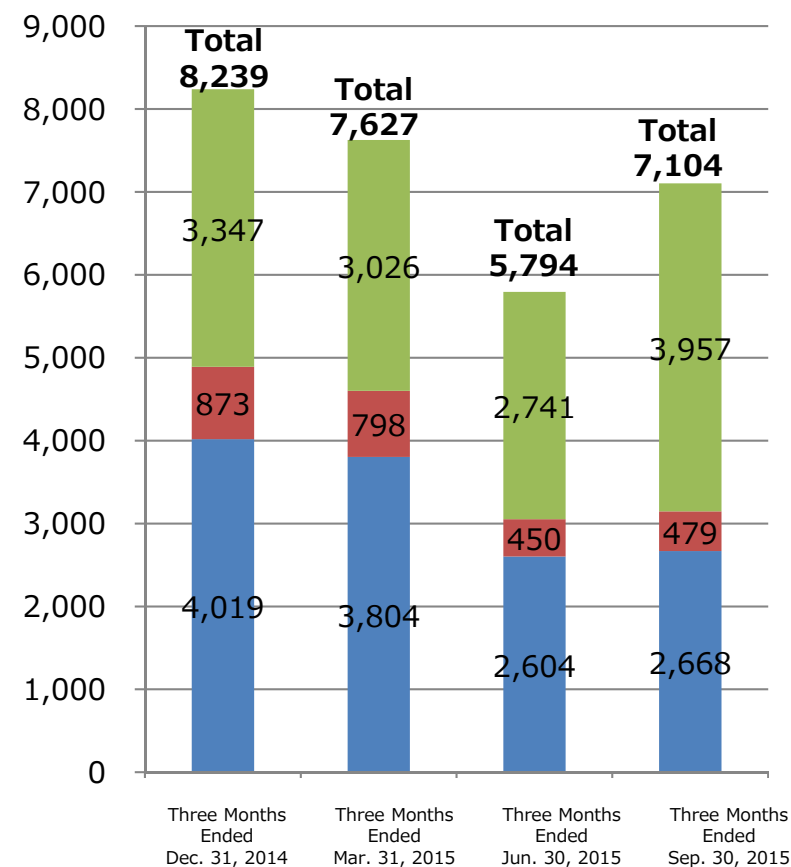
(Yen in Millions)

		CY2013				CY2014				CY2015	
		6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31	6/30	9/30
Regular Bunko	Revenue	2,986	1,355	1,800	1,651	1,926	1,128	1,956	1,412	1,763	1,366
	Return Rate	30.9%	56.6%	48.3%	44.7%	41.0%	55.5%	41.5%	43.8%	42.7%	43.9%
Light Novels	Revenue	2,980	3,337	2,639	3,406	2,992	2,029	2,386	2,397	1,665	2,265
	Return Rate	35.5%	30.4%	40.1%	29.8%	35.2%	44.3%	37.6%	33.2%	43.8%	34.7%
Comics	Revenue	3,518	3,948	4,106	4,870	3,010	3,828	4,418	3,994	2,858	3,400
	Return Rate	35.8%	30.3%	28.0%	22.5%	36.4%	29.7%	25.2%	26.2%	29.9%	31.2%
Regular Books, Shinsho, etc.	Revenue	5,280	5,380	6,685	6,411	5,071	5,732	6,121	5,801	4,736	4,336
	Return Rate	39.8%	36.8%	32.5%	32.7%	41.1%	34.3%	34.3%	34.9%	38.4%	38.9%
Magazines	Revenue	3,408	3,439	3,974	3,380	3,051	3,054	3,411	3,039	2,559	2,465
	Return Rate	36.2%	34.8%	30.9%	32.6%	36.9%	35.5%	30.6%	31.1%	32.5%	34.2%

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Revenue	8,239	7,627	5,794	7,104
Cost of Revenue	6,248	6,197	4,386	5,468
Gross Margin	1,991	1,429	1,408	1,635
SG&A	1,174	1,259	1,148	1,252
Operating Income	817	169	259	382

■ Others
■ Movie Production and Distribution
■ Packaged Products



■ Revenue

Movie distribution and Packaged products went sideways. On the other, rights income like copyright in overseas expanded.

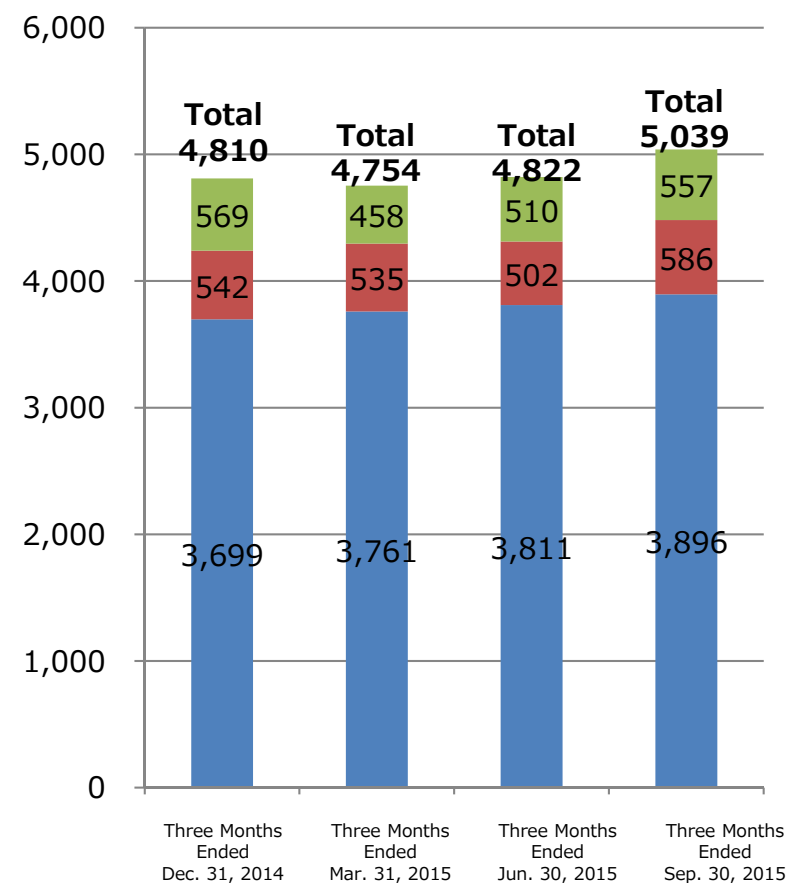
■ Operating Income

Due to increase of revenue, profit also increased. By increasing of rights income, profitability of Video and IP business grew.

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Revenue	4,810	4,754	4,822	5,039
Cost of Revenue	2,738	2,761	2,770	2,906
Gross Margin	2,072	1,992	2,052	2,132
SG&A	1,341	1,346	1,442	1,494
Operating Income	731	646	610	638

■ Points and Others
 ■ Advertising
 ■ Premium membership



■ Revenue

Premium members stood at 2.53 millions as of Sep 30, 2015. Net increase was 50 thousand(QoQ).

■ Operating Income

Production costs of live broadcast for summer vacation season increased.

niconico live programs



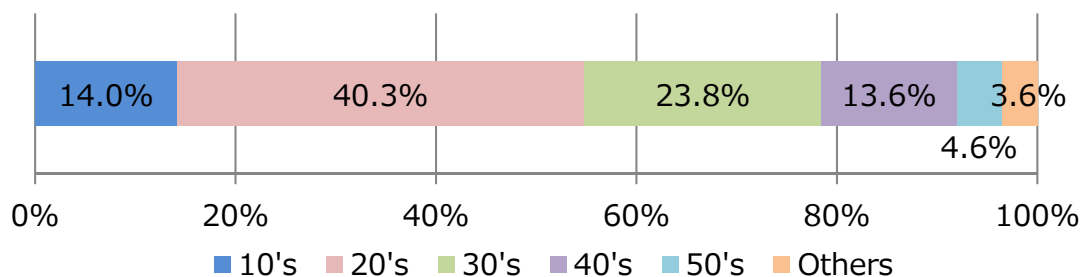
niconico Users Data *as of Sep 30, 2015

Premium Members	2.53million
Issued IDs	51.24million
Gender	♂ 66% ♀ 34%

niconico Usage Data *average of Jul-sep, 2015

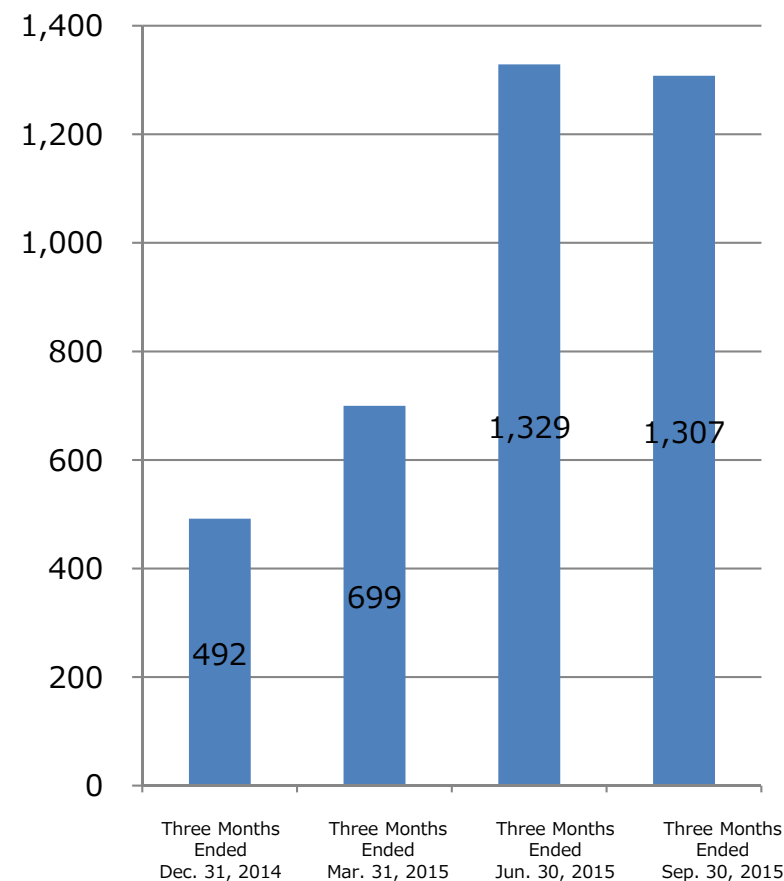
MAU (million)	895
(average of Jan-Mar, 2015)	(873)
Sojourn time per visitor per day (minute)	109.9
(average of Jan-Mar, 2015)	(109.0)

Age *as of Sep 30, 2015



(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Revenue	492	699	1,329	1,307
Cost of Revenue	633	714	1,383	1,075
Gross Margin	(140)	(15)	(54)	232
SG&A	129	174	216	180
Operating Income	(269)	(189)	(271)	51



■ Revenue

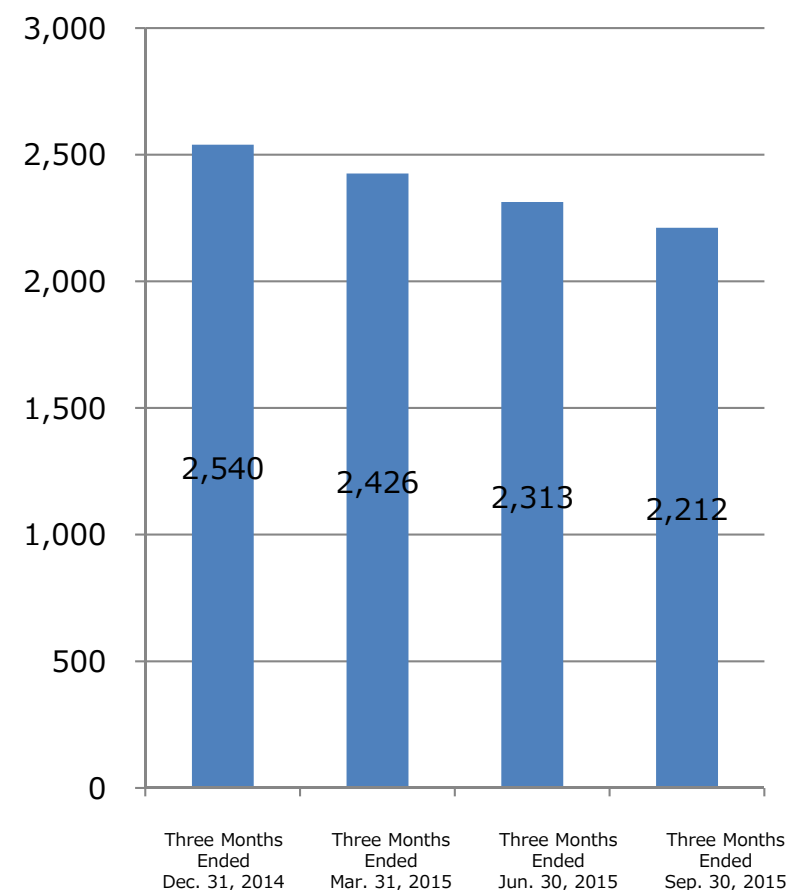
Live event “animero summer live” held. 81 thousands people arrived for 3 days.

■ Operating Income

“animero summer live” contributed revenue and income.

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Revenue	2,540	2,426	2,313	2,212
Cost of Revenue	926	898	808	796
Gross Margin	1,613	1,527	1,505	1,415
SG&A	626	759	548	542
Operating Income	987	768	956	873



■ Revenue

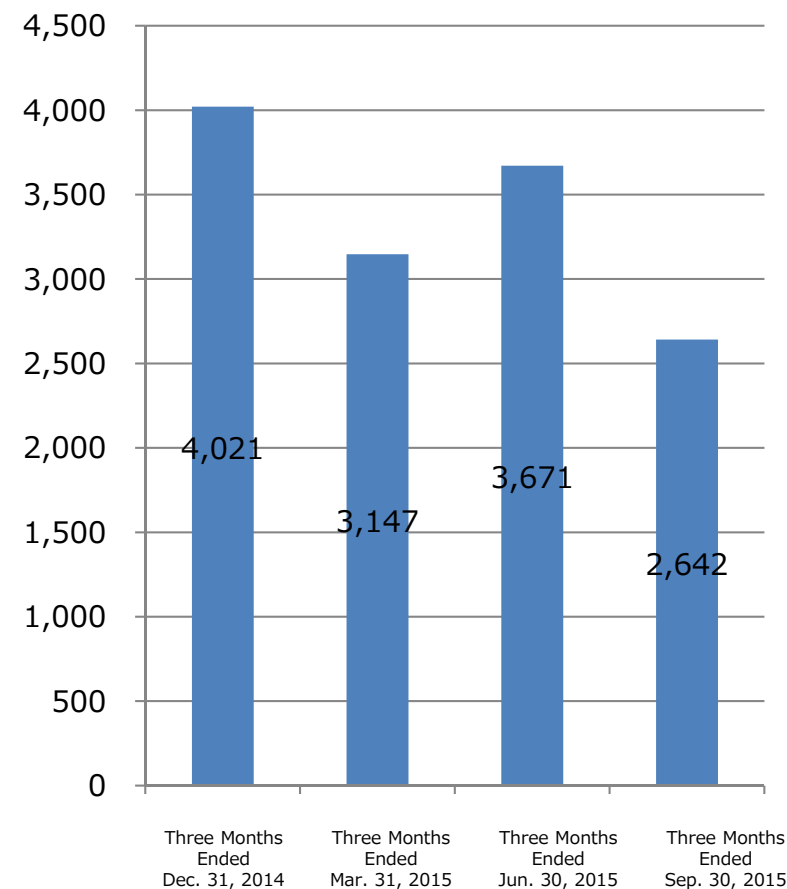
Net decrease of both SP and FP members decreased(QoQ).

■ Operating Income

Preventing promotion costs and overall well-conducted cost control, operating Income decreased slightly, because of decreasing of revenue.

(Yen in Millions)

	Three Months Ended Dec. 31, 2014	Three Months Ended Mar. 31, 2015	Three Months Ended Jun. 30, 2015	Three Months Ended Sep. 30, 2015
Revenue	4,021	3,147	3,671	2,642
Cost of Revenue	3,041	3,626	2,448	1,731
Gross Margin	980	(478)	1,223	910
SG&A	739	777	687	638
Operating Income	240	(1,255)	535	272



■ Revenue

Revenue decrease due to non big package game titles.

■ Operating Income

Though released package titles were few, Game business made a certain profit.

2. Guidance

No change

	Fiscal Year Ended Mar. 31, 2015 (Form Oct 2014 to Mar 2015)		The First Half of Fiscal Year Ending Mar. 31, 2016 (Form Apr 2015 to Sep 2015)		Fiscal Year Ending Mar. 31, 2016 (Form Apr 2015 to Mar 2016)	
	Revenue	Operating Income	Revenue	Operating Income	Revenue	Operating Income
Total	100,566	1,391	93,926	3,505	200,500	7,000
Books and IP Business	38,343	3,038	35,437	1,935	70,000	4,900
Information Media Business	15,953	(1,164)	13,257	(1,068)	34,200	(1,200)
Video and IP Business	15,866	987	12,899	642	28,500	1,300
Portal Business	9,565	1,377	9,861	1,248	21,000	2,100
Live Business	1,191	(459)	2,636	(219)	3,500	(1,000)
Mobile Business	4,966	1,756	4,526	1,829	7,900	2,600
Game Business	7,169	(1,015)	6,314	808	18,200	2,500
Others	9,620	(326)	10,858	163	20,500	800
Eliminations/Corp orate	(2,109)	(2,803)	(1,864)	(1,836)	(3,300)	(5,000)

(Yen in Millions)

	Mar 31, 2015	Percentage	Sep 30, 2015	Percentage
Current Assets	131,200	63.8%	114,779	60.3%
Non-Current Assets	74,473	36.2%	75,723	39.7%
Tangible Assets	36,350	17.7%	35,836	18.8%
Intangible Assets	5,997	2.9%	6,463	3.4%
Investment and Other Assets	32,124	15.6%	33,423	17.5%
Total Assets	205,673	100.0%	190,503	100.0%
Current Liabilities	63,316	30.8%	51,756	27.2%
Non-Current Liabilities	38,108	18.5%	37,181	19.5%
Shareholders' Equity	101,946	49.6%	98,489	51.7%
Total Equity	104,248	50.7%	101,565	53.3%
Total Liabilities and Equity	205,673	100.0%	190,503	100.0%

	Sep 30, 2015
Cash Flows from Operating Activities	(3,524)
Cash Flows from Investing Activities	(5,816)
Cash Flows from Financing Activities	(6,832)
Cash and Cash Equivalents at End of Period	43,080

- 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.