

KADOKAWA DWANGO

Financial Results for the First Quarter Ended June 30, 2016

August 4, 2016

Results for three months ended June 30,2016	2
Summary (by Segment)	3
Summary of three months ended June 30,2016	4
Web Services	5
Publication	7
Video and Game	9
Summary of Consolidated Quarterly Statements of Income	10
Summary of Cost of Revenue / SG&A	11
Summary of Consolidated Balance Sheet and Cash Flow Statement	12

Unit: Million yen

	Forecasts for fiscal year ending March 31, 2017 (April 2016 – March 2017)	Three Months Ended June 30, 2016	Progress rate
Revenue	200,000	49,014	24.5%
Operating Income	3,100	2,732	88.1%
Ordinary Income	3,300	2,037	61.7%
Profit Attributable to Owners of Parent	1,750	1,059	60.5%

Summary (by Segment)

Unit: Million yen

	Forecasts for fiscal year ending March 31, 2017 (April 2016 – March 2017)		Three Months Ended June 30, 2016 (April 2016 – June 2016)		Progress rate	
	Revenue	Operating Income	Revenue	Operating Income	Revenue	Operating Income
Total	200,000	3,100	49,014	2,732	24.5%	88.1%
Web Services	32,000	2,700	7,917	448	24.7%	16.6%
Publication	107,000	4,400	25,952	2,157	24.3%	49.0%
Video and Game	44,000	2,500	10,229	1,052	23.2%	42.1%
Others	20,000	(1,300)	5,667	(39)	28.3%	—
Eliminations/ Corporate	(3,000)	(5,200)	(752)	(887)	—	—

1. Strong profits from publication, video, and game.
 - ↳ Strong sales of books, e-books, and e-magazines continued. The return rate also improved.
 - ↳ Sales of packaged videos exceeded the original profit plan.
2. Web Services saw a decline in sales and profit.
 - ↳ Partly due to the expanded deficit in niconico Chokaigi 2016.
3. Part of the profit originally to be recorded in the 2nd quarter was shifted to the 1st quarter.
4. Investment progressed as planned and is expected to increase from the 2nd quarter.



Full-year forecast for the fiscal year ending March 31, 2017 remains unchanged.

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
Revenue	8,430	8,528	7,852	8,324	7,917
Operating expenses	7,134	6,965	6,830	7,568	7,468
Operating Income	1,295	1,563	1,021	756	448

Note: The figures for the 1st to 4th quarters of the fiscal year ended March 31, 2016 are figures before auditing, presented for reference.

	Comparison			
	Revenue		Operating Income	
	YoY	QoQ	YoY	QoQ
Portal	→	→	↘	↗
Live	↘	↘	— (deficit)	— (deficit)
Mobile	↘	↘	↘	↗

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

■ Sales

Generally as planned.

■ Operating Income

Investment was strong. Profit in the Live Business decreased due to the expanded deficit in niconico Chokaigi 2016.

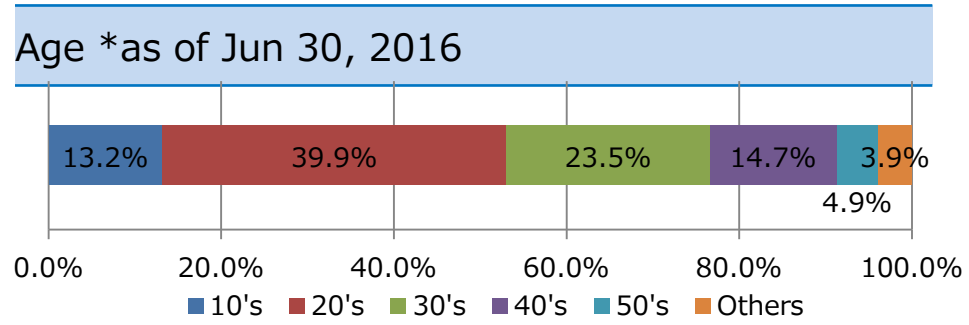
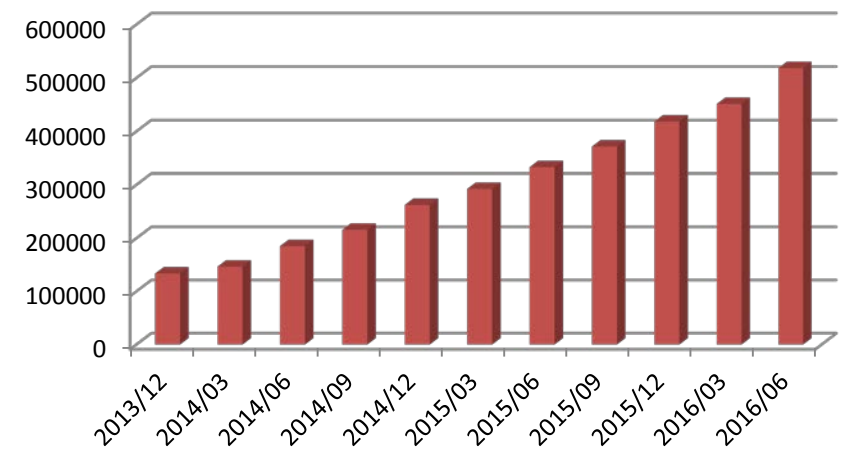
Profit in Portal Business and Mobile Business increased quarter on quarter.

niconico Users Data *as of Jun. 30, 2016	
Premium Members	2.56million
Issued IDs	57.55million
Gender	♂66% ♀34%

niconico channel *as of Jun. 30, 2016	
Number of channels	7,190
Number of channels with monthly fee	997
Dues-paying members (thousand people)	510

niconico Usage Data *average of Apr-Jun, 2016	
MAU (million)	8.66
(average of Jan-Mar, 2016)	8.79
Sojourn time per visitor per day *(minute)	103.1
(average of Jan-Mar, 2016)	109.7

ニコニコチャンネル niconico CHANNEL Changes in the number of dues-paying members



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
Revenue	23,731	24,700	28,499	28,268	25,952
Operating expenses	24,008	23,462	25,598	25,847	23,794
Operating Income	(277)	1,238	2,900	2,420	2,157

Note: The figures for the 1st to 4th quarters of the fiscal year ended March 31, 2016 are figures before auditing, presented for reference.

	Comparison			
	Revenue		Operating Income	
	YoY	QoQ	YoY	QoQ
Books			(turn to profit)	
E-book·E-magazine				
Magazines			(deficit)	(deficit)

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

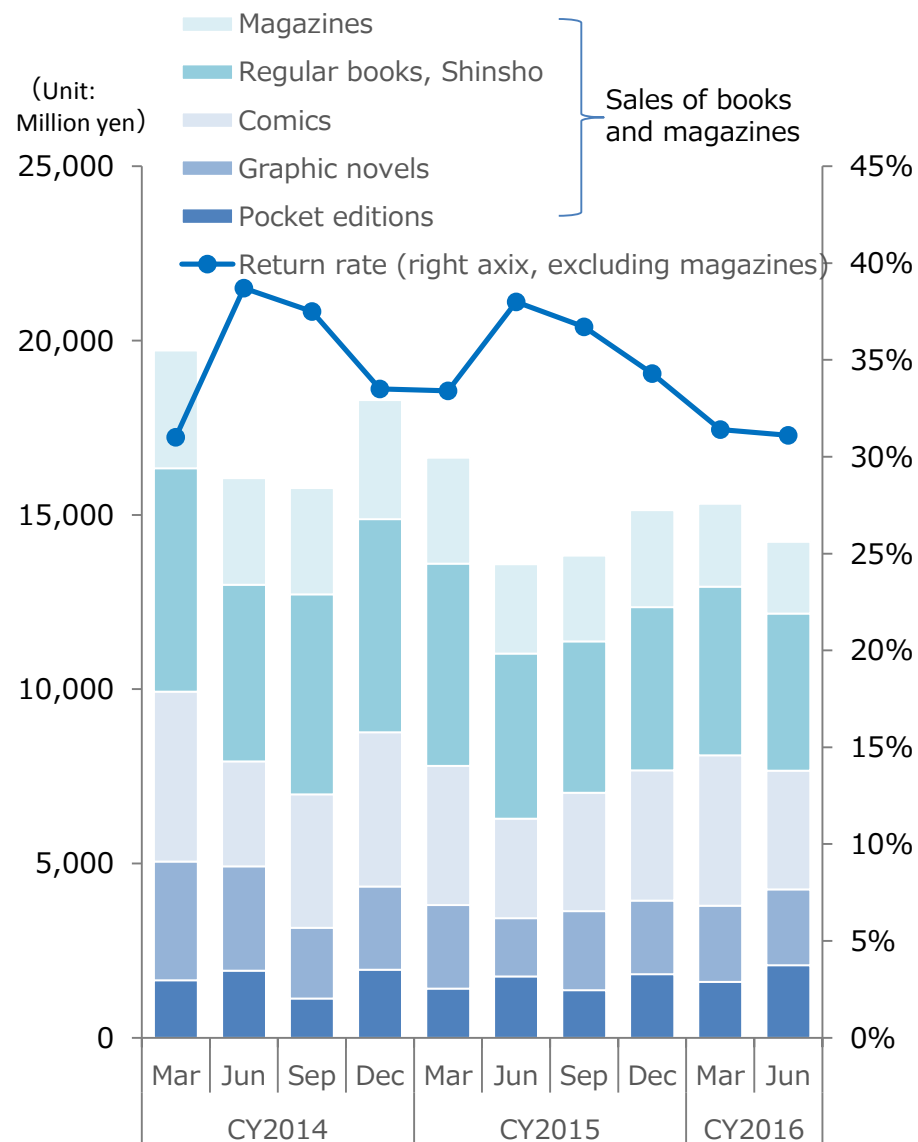
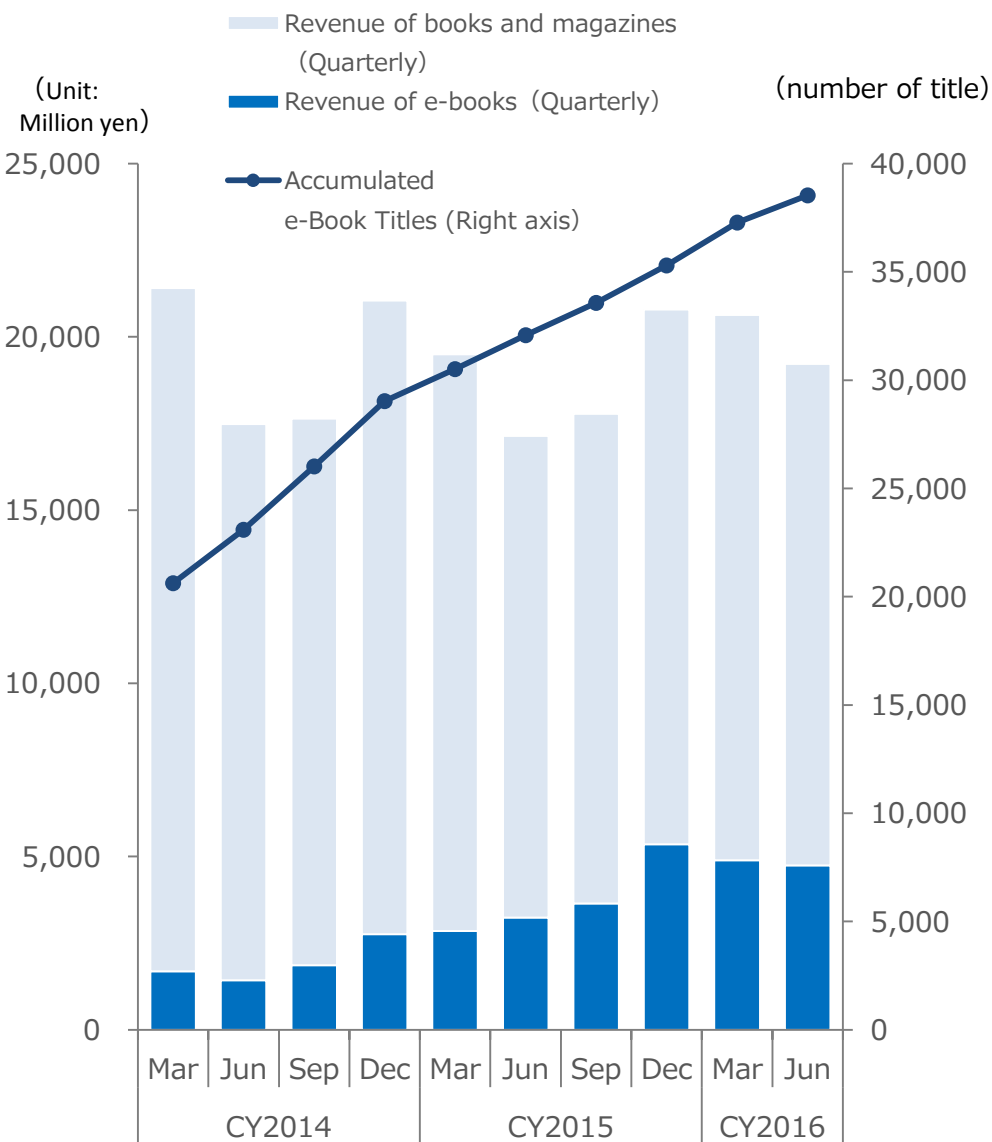
■ Sales

Graphic novels, comics, children's books, etc. showed strong sales, and the return rate also improved. Overseas copyright revenue contributed.

■ Operating Income

The deficit in magazines decreased, and profits from e-book and e-magazine sales rose substantially.

Publication (reference)



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

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
Revenue	9,418	9,716	10,675	14,472	10,229
Operating expenses	8,623	9,061	10,553	12,430	9,176
Operating Income	795	655	121	2,042	1,052

Note: The figures for the 1st to 4th quarters of the fiscal year ended March 31, 2016 are figures before auditing, presented for reference.

	Comparison			
	Revenue		Operating Income	
	YoY	QoQ	YoY	QoQ
Video				
Game				

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

■ Sales

Sales of packaged videos exceeded the original target, and the download sales of a hit game title proved strong.

■ Operating Income

In addition to sales exceeding the target, part of the profit from copyrights was shifted to the 1st quarter.

Summary of Consolidated Quarterly Statements of Income

Unit: Million yen

	For the Fiscal Year Ended Mar. 31, 2016	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
Revenue	200,945	46,906	47,020	52,112	54,906	49,014
Cost of Revenue	141,144	33,107	32,892	36,728	38,416	34,178
Gross Margin	59,801	13,799	14,127	15,383	16,490	14,836
SG&A	50,676	12,653	11,768	12,598	13,656	12,103
Operating Income	9,124	1,145	2,359	2,785	2,834	2,732
Ordinary Income	10,189	1,648	2,554	3,410	2,576	2,037
Profit Attributable to Owners of Parent	6,845	(220)	2,134	3,410	1,521	1,059

Summary of Cost of Revenue / SG&A

Unit: Million yen

	For the Fiscal Year Ended Mar. 31, 2016	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
Cost of Revenue	141,144	33,107	32,892	36,728	38,416	34,178
Major Accounts:						
Direct Costs	67,593	15,881	16,770	17,315	17,626	15,709
Labor Costs	21,278	5,232	5,273	5,239	5,532	5,578
Commission Paid	5,092	1,352	1,250	1,298	1,192	1,368
Royalties	2,423	681	565	599	576	408
Outsourcing Costs	10,645	2,525	2,370	2,536	3,211	2,656
Communication Costs	3,261	820	804	815	821	851
	For the Fiscal Year Ended Mar. 31, 2016	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
SG&A	50,676	12,653	11,768	12,598	13,656	12,103
Major Accounts:						
Promotion Costs	12,830	2,146	3,590	3,488	3,605	2,658
Labor Costs	17,112	4,202	4,116	4,255	4,538	4,446
Commission Paid	5,923	1,281	1,560	1,266	1,815	1,150

Summary of Consolidated Balance Sheet and Cash Flow Statement

Unit: Million yen

	As of March 31, 2016	Percentage	As of June 31, 2016	Percentage
Current Assets	131,827	65.4%	132,166	65.6%
Non-Current Assets	69,781	34.6%	69,448	34.4%
Tangible Assets	34,587	17.2%	35,037	17.4%
Intangible Assets	6,534	3.2%	6,620	3.3%
Investment and Other Assets	28,659	14.2%	27,791	13.8%
Total Assets	201,609	100.0%	201,615	100.0%
Current Liabilities	61,459	30.5%	52,326	26.0%
Non-Current Liabilities	35,623	17.7%	45,119	22.4%
Shareholders' Equity	102,659	50.9%	102,401	50.8%
Total Equity	104,526	51.8%	104,168	51.7%
Total Liabilities and Equity	201,609	100.0%	201,615	100.0%

	Three months ended June 30,2016
Cash Flows from Operating Activities	692
Cash Flows from Investing Activities	687
Cash Flows from Financing Activities	8,785
Cash and Cash Equivalents at End of Period	61,844

- 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.