

Result Briefing for the Nine Months Ended June 2011

DWANGO Co., Ltd.

August 4, 2011

Cautionary Statement

- The forward-looking statements, including earnings forecasts included in this document, are determined by the DWANGO Group based on information available at the time of writing.
- Future figures involve a number of uncertainties and actual results may differ materially. Please refrain from relying wholly on these forecasts in making investment decisions.

Overview of Consolidated Results for the Nine Months Ended June 2011

(Unit: Million Yen)

	Previous Term 2009/10-2010/6	Term under Review 2010/10-2011/6	Change
Net Sales (Growth Rate)	23,021 19.2%	26,300 14.2%	3,279
Gross Profit (Growth Rate) (Gross Profit on Sales)	10,091 26.4% 43.8%	10,805 7.1% 41.1%	714
Operating Income (Growth Rate) (Operating Income Margin)	1,692 250.3% 7.4%	1,936 14.4% 7.4%	244
Ordinary Income (Growth Rate) (Ordinary Income Margin)	1,774 310.4% 7.7%	1,828 3.1% 7.0%	54
Net Income (Growth Rate) (Net Income Margin)	1,641 369.4% 7.1%	1,244 (24.2%) 4.7%	(397)

Overview of Consolidated Results for the Nine Months Ended June 2011
Differences Between Forecast and Results

(Unit: Million Yen)

	Forecast 2009/10-2010/6	Actual 2010/10-2011/6	Change	Full Year Forecast 2010/10-2011/9
Net Sales	27,100	26,300	(800)	35,000
Gross Profit (Gross Profit on Sales)	10,400 38.4%	10,805 41.1%	405	13,650 39.0%
Operating Income (Operating Income Margin)	1,040 3.8%	1,936 7.4%	896	1,540 4.4%
Ordinary Income (Ordinary Income Margin)	1,030 3.8%	1,828 7.0%	798	1,530 4.4%
Net Income (Net Income Margin)	910 3.4%	1,244 4.7%	334	1,330 3.8%

Changes in Quarterly Performance

(Unit: Million Yen)

	1Q 2010/10-2010/12	2Q 2011/1-2011/3	3Q 2011/4-2011/6	Total 2010/10-2011/6
Net Sales (Growth Rate)	8,589 12.6%	9,224 9.0%	8,486 22.4%	26,300 14.2%
Gross Profit (Growth Rate) (Gross Profit on Sales)	3,458 6.3% 40.3%	3,715 0.5% 40.3%	3,632 15.6% 42.8%	10,805 7.1% 41.1%
Operating Income (Growth Rate) (Operating Income Margin)	394 (11.2%) 4.6%	741 0.5% 8.0%	800 56.8% 9.4%	1,936 14.4% 7.4%
Ordinary Income (Growth Rate) (Ordinary Income Margin)	358 (18.3%) 4.2%	674 (7.4%) 7.3%	795 31.1% 9.4%	1,828 3.1% 7.0%
Net Income (Growth Rate) (Net Income Margin)	331 9.4% 3.9%	362 (35.7%) 3.9%	550 (28.9%) 6.5%	1,244 (24.2%) 4.7%

Cost of Goods Sold

(Unit: Million Yen)

		Previous Term 2009/10-2010/6 (% of total sales)		Term under Review 2010/10-2011/6 (% of total sales)		Change
Cost of Goods Sold		12,930	56.2%	15,494	58.9%	2,564
Manufacturing Costs	Personnel Costs	3,067	13.3%	3,333	12.7%	266
	Commission and Fees Paid	987	4.3%	1,132	4.3%	145
	Royalties	4,138	18.0%	3,926	14.9%	(212)
	Outsourcing Costs	3,098	13.5%	4,378	16.6%	1,280
	Communication Costs	1,363	5.9%	1,532	5.8%	169
	Other Expenses	1,317	5.7%	1,869	7.1%	552
Inventories		740	3.2%	486	1.9%	(254)
(Account Transfers)		(1,783)	(7.7%)	(1,166)	(4.4%)	617

Selling, General and Administrative Expenses

(Unit: Million Yen)

	Previous Term 2009/10-2010/6		Term under Review 2010/10-2011/6		Change
	(% of total sales)		(% of total sales)		
Selling, General and Administrative Expenses	8,398	36.5%	8,869	33.7%	471
Advertisement Expenses	3,072	13.3%	3,444	13.1%	372
Personnel Costs	1,510	6.6%	1,485	5.6%	(25)
Commission and Fees Paid	2,248	9.8%	2,543	9.7%	295
Research and Development Expenses	659	2.9%	282	1.1%	(377)
Others	909	3.9%	1,114	4.2%	205

Segment Overview for the Nine Months Ended June 2011

(Unit: Million Yen)

	Mobile Business	Game Business	Portal Business	Others	Eliminations/ Corporate	Total
Net Sales	12,803	5,304	7,169	1,571	(549)	26,300
COGS	5,433	3,826	4,726	1,665	(156)	15,494
Gross Profit	7,370	1,478	2,442	(93)	(392)	10,805
SG&A	3,879	1,391	1,204	339	2,053	8,869
Income before allocated	3,490	86	1,238	(433)	(2,446)	1,936
Allocated Cost	791		881		(1,672)	
Operating Income	2,699	86	357	(433)	(773)	1,936

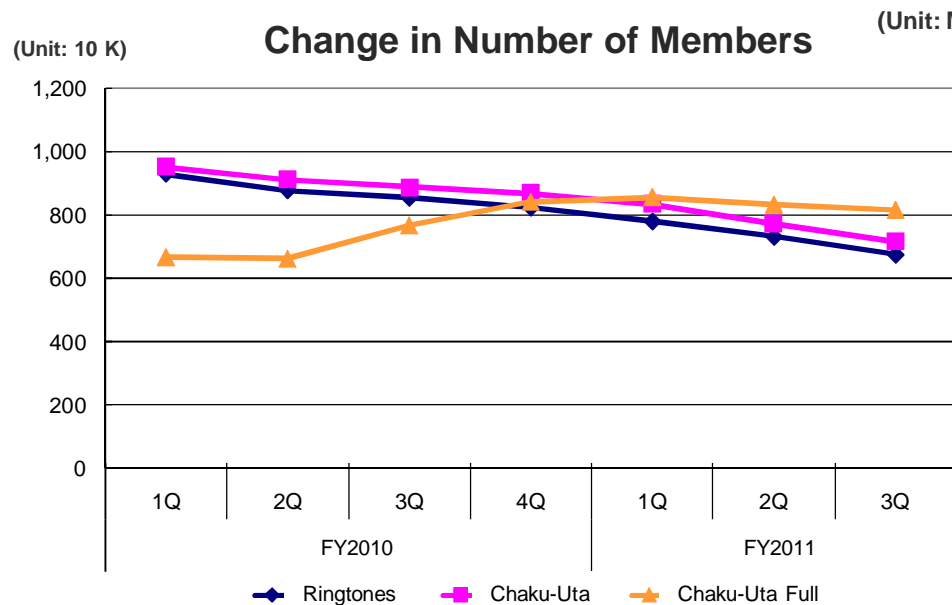
Business Forecast for Fiscal Year Ending September 2011 (Segment Overview)

(Unit: Million Yen)

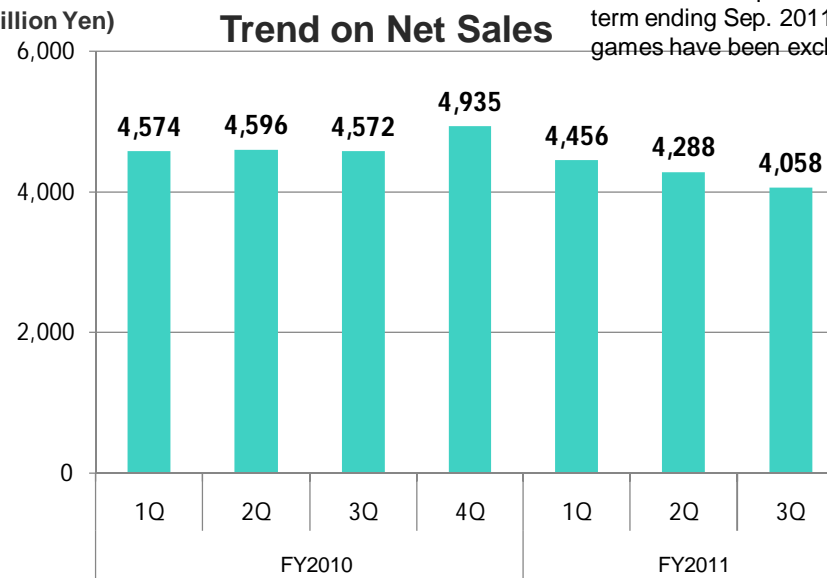
	Mobile Business	Game Business	Portal Business	Others	Eliminations/ Corporate	Total
Net Sales	17,200	7,080	9,720	1,900	(900)	35,000
COGS	8,060	4,880	6,740	1,200	470	21,350
Gross Profit	9,140	2,200	2,980	700	(1,370)	13,650
SG&A	5,360	1,930	1,730	1,110	1,980	12,110
Income before allocated	3,780	270	1,250	(410)	(3,350)	1,540
Allocated Cost	1,040		1,150		(2,190)	
Operating Income	2,740	270	100	(410)	(1,160)	1,540

Mobile Business

	3Q Result	Comparison to Forecast
Net Sales	12.80 billion	0.20 billion
Cost of Goods Sold	5.43 billion	0.59 billion
SG&A	3.87 billion	0.16 billion
Income before Allocated	3.49 billion	0.55 billion
Allocated Cost	0.79 billion	
Operating Income	2.69 billion	0.55 billion



(Unit: Million Yen)



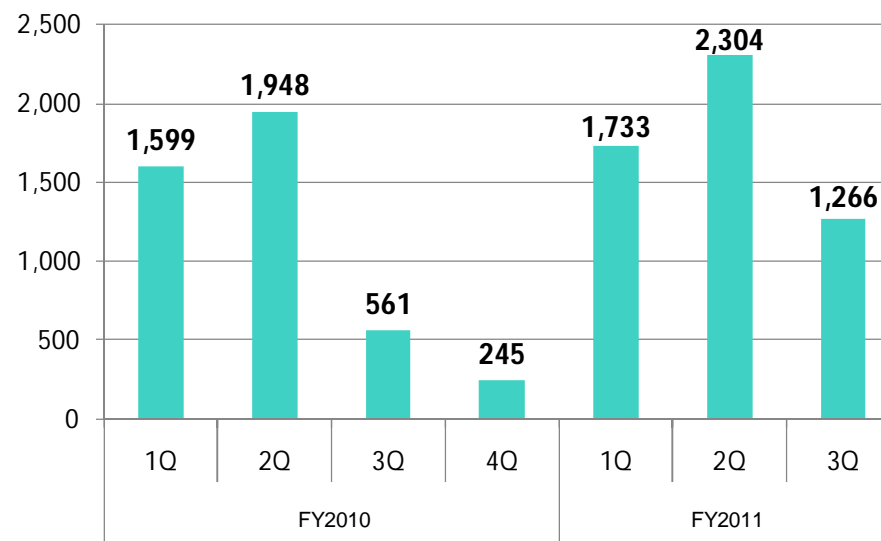
*From the first quarter of the term ending Sep. 2011, mobile games have been excluded.

Game Business

	3Q Result	Comparison to Forecast
Net Sales	5.30 billion	1.00 billion
Cost of Goods Sold	3.82 billion	0.54 billion
SG&A	1.39 billion	0.25 billion
Income before Allocated	80 million	0.21 billion
Allocated Cost	-	-
Operating Income	80 million	0.21 billion

(Unit: Million Yen)

Trend on Net Sales



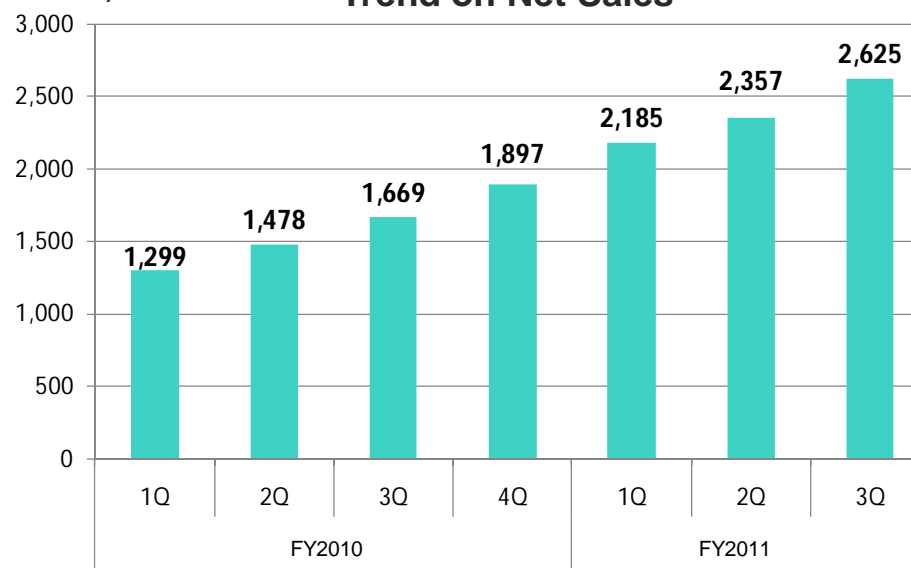
*From the first quarter of the term ending Sep. 2011, mobile games have been included.

Portal Business

	3Q Result	Comparison to Forecast
Net Sales	7.16 billion	0.17 billion
Cost of Goods Sold	4.72 billion	0.27 billion
SG&A	1.20 billion	80 million
Income before Allocated	1.23 billion	0.52 billion
Allocated Cost	0.88 billion	-
Operating Income	0.35 billion	0.52 billion

(Unit: Million Yen)

Trend on Net Sales

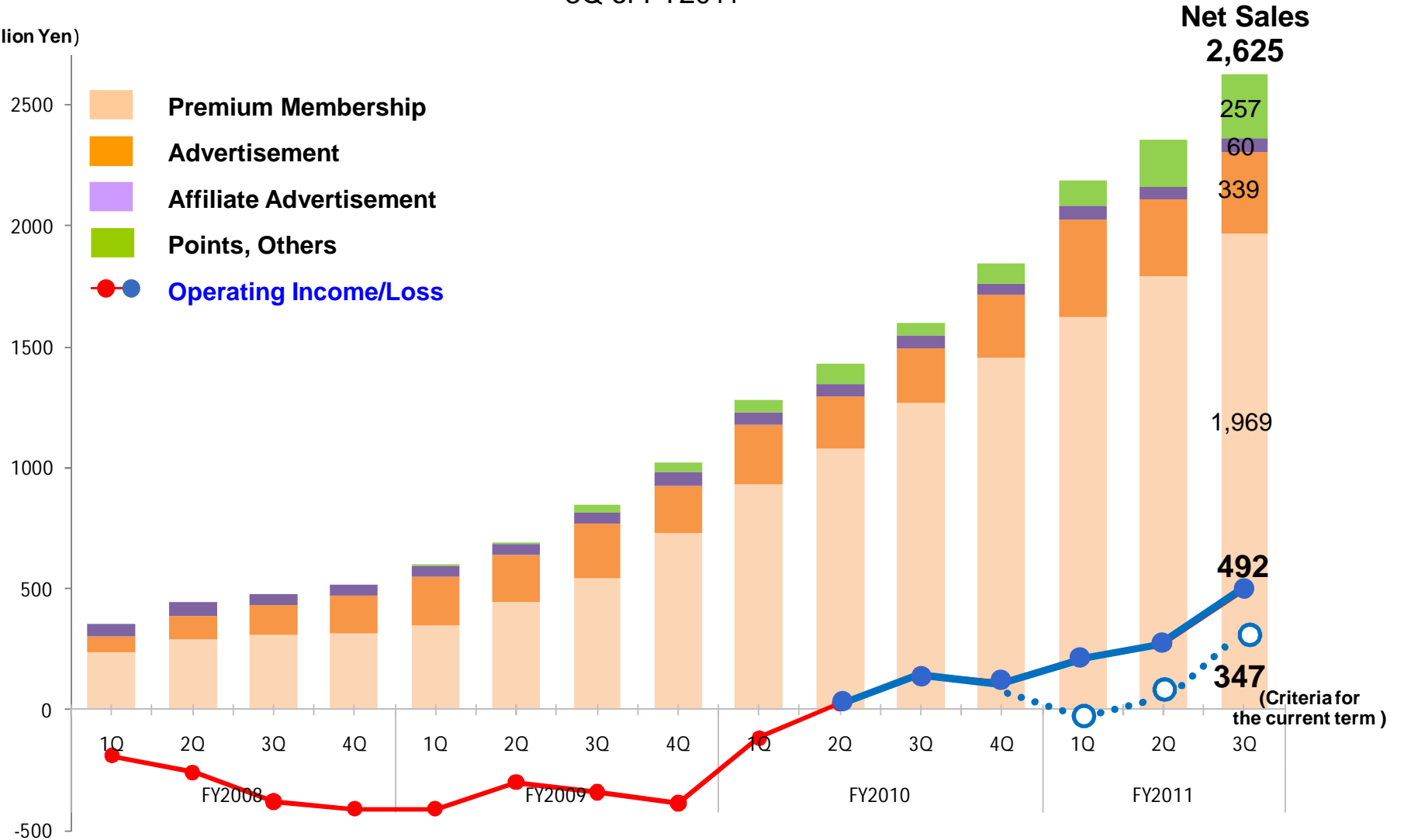




Revenues from NICO NICO DOUGA

3Q of FY2011

(Unit: Million Yen)



Number of Members of NICO NICO DOUGA

As of June 30, 2011

Registered Users

22.38 million

As of March 31, 2011:
21.03 million

Premium Members

1.30 million

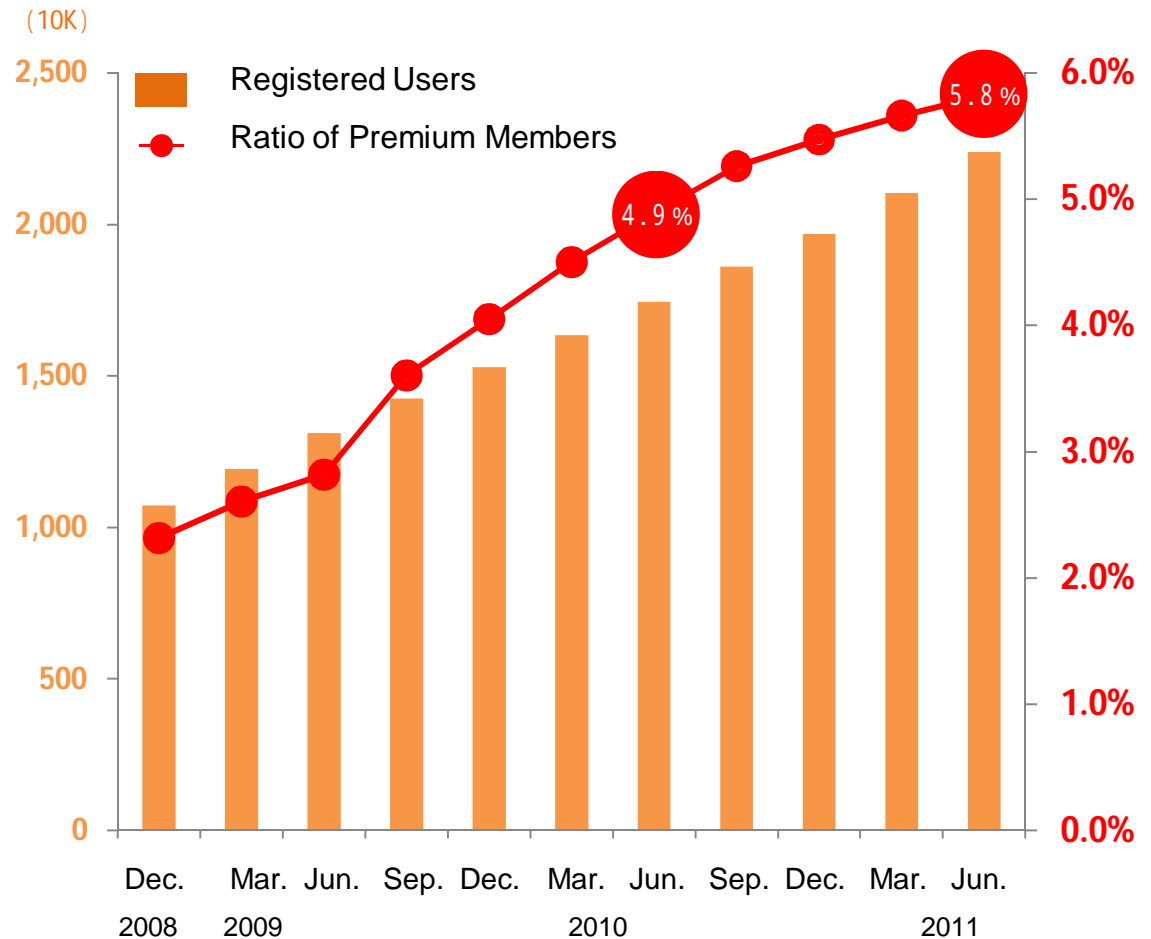
As of March 31, 2011:
1.19 million

Mobile Members

6.60 million

As of March 31, 2011:
6.23 million

The Ratio of Premium Members



Usage and Attributes of NICO NICO DOUGA Users

Average of third quarter period ended June 2011

(Figures in parentheses indicate results for second quarter period ended March 2011)

NICO NICO DOUGA

NICO NICO LIVE

Average PVs per day

85.76 million PVs (84.51) | **7.22** million PVs (6.59)

Average visitors per month

7.45 million (7.08) | **2.06** million (1.88)

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

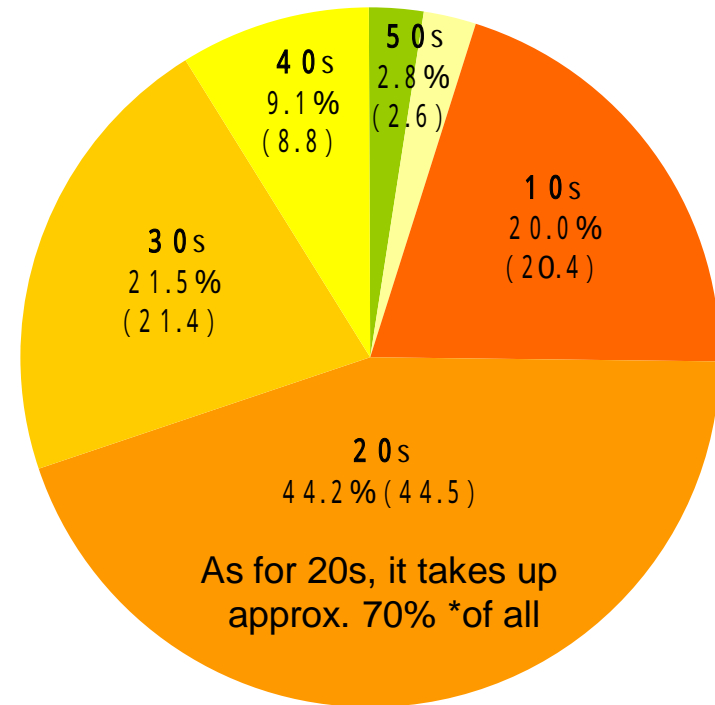
105.3 minutes (111.6) | **66.6** minutes (68.8)

by gender

68% | 32%

As of June 30, 2011

by age



*This amounts to 9.89 million users for a population of about 14.08 million people (as of April 1, 2011), as posted by the Ministry of Internal Affairs and Communications.

Trend on NICO NICO LIVE and Viewers

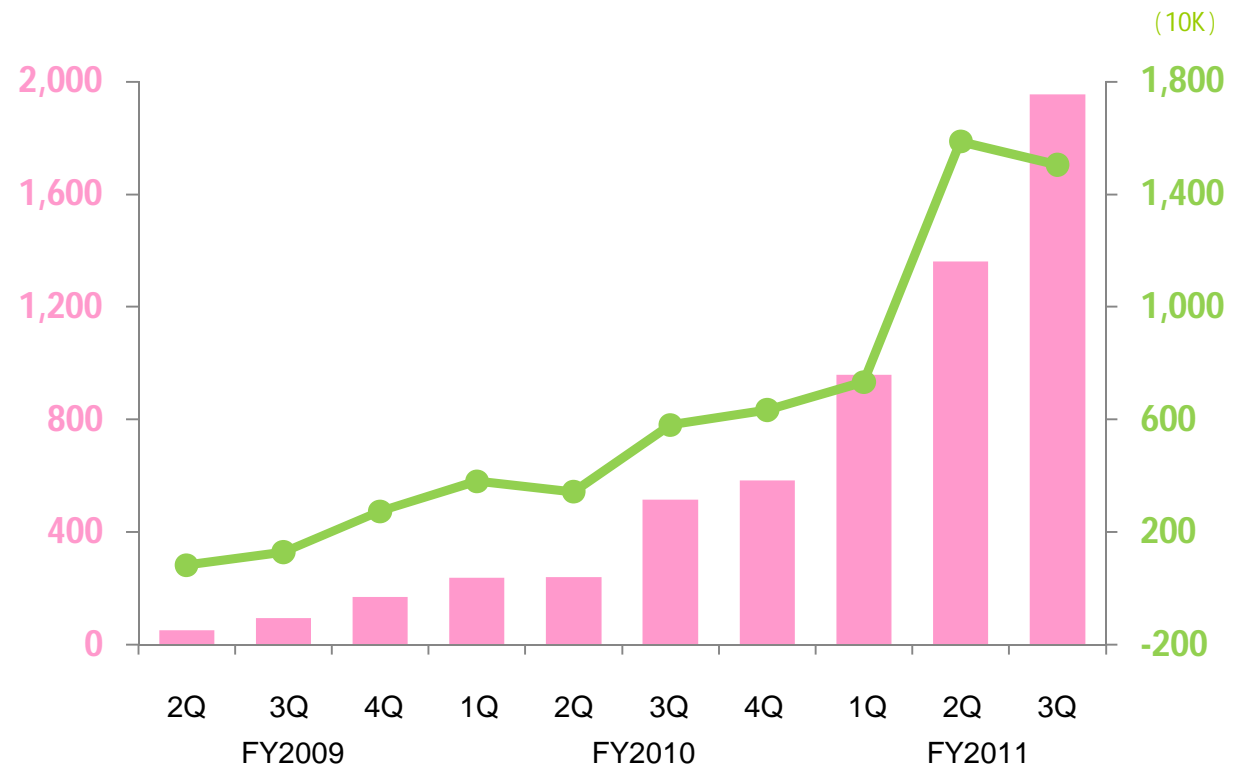
3Q Results
Apr. to Jun.

No. of official programs

1,954 programs

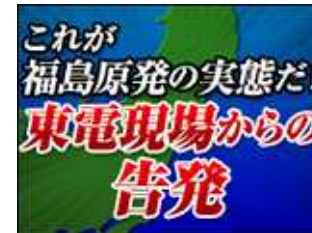
Total No. of viewers

15.05 million



Sample of Programs on NICO NICO LIVE

From April to the present



The number of viewers watching simultaneous live broadcasts of *Puella Magi Madoka Magica* in Japan and Taiwan broke through the 1 million mark.



All of the original stories of blockbuster animes *Puella Magi Madoka Magica* and *Higurashi no Naku Koronai Kai* were broadcast for free on Nico Nico Live on June 18th.

Puella Magi Madoka Magica was broadcast simultaneously with traditional Chinese character subtitles added to the original story for Taiwanese anime fans. Visitors numbered 1,042,154 and left 1,861,565 comments.

New Approaches for NICO NICO DOUGA

nicofarre

A Next-gen Performance Venue, “nicofarre” was launched on July 18th! There were 720 thousand users who watched the opening show and 1.07 million comments were posted.



Entrance Hall

Main Hall

What's Nicofarre?
With LED monitors installed on every wall and ceiling surface, it is a multi-purpose space with infinite potential, enabling performances using cutting-edge digital technology made especially for live broadcasting. Item-billing is available. Nicofarre creates unprecedented entertainment experiences for users.

Schedule

July 18th



July 21st



July 23rd, 24th



July 27th



July 30th



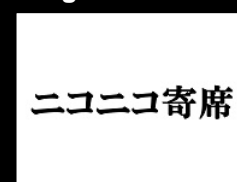
August 3rd



August 5th



August 6th



August 12th



August 15th to 18th



August 20th



Subsidiaries



Others

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

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

Others



Portal Business Others

skyscraper, inc.
Holding: 90.9%
 Advertisement sales, etc.



Portal Business Others

niwango, inc.
Holding: 75.1%
 Information distribution and movie distribution



Others

Mobile Contents
Holding: 70.1%
 Contents Production and supply



Portal Business Others

CELL
Holding: 55.0%
 Planning, Producing of Mobile Contents, Producing and Distributing Live Programs



Others

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



Game Business

GAMES ARENA Co., Ltd.
Holding: 67.2%
 Supervision



Game Business

CHUNSOFT Co., Ltd.
Holding: 100% (GAMES ARENA Co., Ltd.)
 Planning, development, and sales



Game Business

Spike Co., Ltd.
Holding: 100% (GAMES ARENA Co., Ltd.)
 Planning, development, and sales



Game Business

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

For more information:

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