

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English translation is for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 [IFRS]

May 9, 2014

Company name: DeNA Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2432

URL: <http://dena.com/intl/>

Representative: Isao Moriyasu, President & CEO

Contact: Daisuke Shibata, Executive Officer, SVP, Unit Head, Corporate Planning Unit

Phone: +81-3-6758-7200

Scheduled date of Ordinary General Meeting of Shareholders: June 21, 2014

Scheduled date of commencing dividend payments: June 23, 2014

Scheduled date of filing securities report: June 23, 2014

Availability of supplementary briefing material on financial results: Yes

Schedule of financial results briefing session: Yes (for institutional investors, analysts and the press)

(Amounts of less than one million yen are rounded.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(1) Consolidated Operating Results

(% changes from the previous period)

	Revenue		Operating profit		Profit before tax		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2014	181,313	(10.4)	53,198	(30.8)	54,920	(30.7)	32,807	(29.8)
Fiscal year ended March 31, 2013	202,467	38.2	76,840	27.5	79,215	31.3	46,735	47.8

	Profit for the year attributable to owners of the parent		Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal year ended March 31, 2014	31,661	(30.5)	38,296	(25.5)	242.56	241.98
Fiscal year ended March 31, 2013	45,581	46.4	51,400	63.6	333.34	332.35

	Ratio of profit to equity attributable to owners of the parent	Profit before tax to total assets	Operating profit to revenue
	%	%	%
Fiscal year ended March 31, 2014	24.4	28.0	29.3
Fiscal year ended March 31, 2013	42.6	45.5	38.0

(For reference) Equity in earnings (losses) of affiliates:

Fiscal year ended March 31, 2014: ¥1,062 million

Fiscal year ended March 31, 2013: ¥99 million

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	197,325	145,555	140,600	71.3	1,081.10
As of March 31, 2013	194,784	123,676	119,259	61.2	884.89

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2014	28,061	(15,331)	(15,719)	65,394
Fiscal year ended March 31, 2013	52,192	(15,831)	(25,039)	67,337

2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends on equity attributable to owners of the parent (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2013	—	0.00	—	50.00	50.00	6,698	15.0	6.5
Fiscal year ended March 31, 2014	—	0.00	—	37.00	37.00	4,792	15.3	3.8
Fiscal year ending March 31, 2015 (Forecast)	—	0.00	—	—	—		—	

(Notes) 1. The total dividends paid do not include dividends for stocks provided for the Stock Grant ESOP (Employee Stock Ownership Plan) Trust account.

2. The dividend forecast for the fiscal year ending March 31, 2015 has not been determined at this time.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(% changes from the previous corresponding period)

	Revenue		Operating profit		Profit for the period attributable to owners of the parent		Basic earnings per share	
1st quarter	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
	36,600	(29.8)	6,500	(61.7)	4,100	(57.2)	31.65	

(Note) The financial results forecast for the following quarter are disclosed in lieu of half-year and full-year financial results forecast. For details, please refer to “1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results (Outlook for Fiscal 2014)” on page 3 of the Appendix.

*** Notes**

(1) Changes in Significant Subsidiaries during the Year under Review (changes in specified subsidiaries accompanying changes in scope of consolidation): No

(2) Changes in Accounting Policies and Changes in Accounting Estimates

1) Changes in accounting policies required by IFRS: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)

1) Total number of shares issued at the end of the fiscal year (including treasury stock):

As of March 31, 2014	150,810,033 shares
As of March 31, 2013	150,810,033 shares

2) Total number of shares of treasury stock at the end of the fiscal year:

As of March 31, 2014	21,283,601 shares
As of March 31, 2013	16,847,550 shares

3) Average number of shares during the fiscal year:

Fiscal year ended March 31, 2014	130,527,052 shares
Fiscal year ended March 31, 2013	136,741,257 shares

(Note) The 648,844 shares of the Company's stock owned by the Stock Grant ESOP Trust account are included in the "Total number of shares of treasury stock at the end of the fiscal year" as of March 31, 2014, and the 733,272 shares of the Company's stock owned by the same trust account are included in the "Total number of shares of treasury stock at the end of the fiscal year" as of March 31, 2013.

(For Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(1) Non-consolidated Operating Results (% changes from the previous period)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2014	150,576	(15.3)	48,756	(37.1)	50,094	(38.0)	35,233	(27.7)
Fiscal year ended March 31, 2013	177,728	34.6	77,562	18.0	80,861	23.4	48,707	22.5

	Net income per share—basic	Net income per share—diluted
	Yen	Yen
Fiscal year ended March 31, 2014	269.93	269.28
Fiscal year ended March 31, 2013	356.20	355.15

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	175,688	141,991	80.5	1,091.84
As of March 31, 2013	175,115	121,209	68.8	899.44

(For reference) Equity: As of March 31, 2014: ¥141,422 million
As of March 31, 2013: ¥120,491 million

* Presentation regarding the Implementation Status of the Audit Process

This financial report is outside the scope of audit procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, audit procedures for the financial statements under the Financial Instruments and Exchange Act have not been completed.

* Explanation of the Proper Use of Financial Results Forecast and Other Notes

(1) Consolidated Financial Results Forecast

The forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as of the date of publication of this document. They are not intended as the Company's commitment to achieve such forecasts, and actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast, etc., please refer to "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results (Outlook for Fiscal 2014)" on page 3 of the Appendix.

(2) Dividend Forecast

As the Company's basic policy is to pay its shareholders performance-linked cash dividends, an announcement of the expected dividend amount will be promptly made when it is possible to disclose the full-year financial results forecast. Currently, the Company expects to provide a dividend forecast for the fiscal year ending March 31, 2015 at the time of the announcement of financial results for the third quarter.

(3) Method of Obtaining Supplementary Briefing Material on Financial Results

The Company is planning to hold a briefing session for institutional investors, analysts and the press on May 9, 2014. The briefing materials to be distributed at the session are scheduled to be posted on the Company's website at the appropriate time for disclosure. In addition, videos and primary Q&A of the briefing session are scheduled to be posted on the Company's website at a later date shortly thereafter.

* Definition of Terms

As used in this consolidated financial results, references to "DeNA" and the "DeNA Group" are to DeNA Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") except as the context otherwise requires or indicates. In addition, reference to fiscal 2013 is our fiscal year ended March 31, 2014.

Appendix

1. Analysis of Operating Results and Financial Position	2
(1) Analysis of Operating Results	2
(2) Analysis of Financial Position	4
(3) Basic Policy for Distribution of Profit and Dividends for Fiscal 2013 and 2014	5
(4) Risk Factors	6
2. Management Policy	14
(1) Basic Management Policy	14
(2) Targeted Management Indicators	14
(3) Medium- to Long-Term Management Strategy	14
(4) Issues to be Addressed	14
3. Consolidated Financial Statements	17
(1) Consolidated Statement of Financial Position	17
(2) Consolidated Income Statement	19
(3) Consolidated Statement of Comprehensive Income	20
(4) Consolidated Statement of Changes in Equity	21
(5) Consolidated Statement of Cash Flows	22
(6) Notes on Going Concern Assumption	23
(7) Notes to Consolidated Financial Statements	23
(8) Notes on Significant Subsequent Events	27

* Note

The consolidated financial statements are presented in Japanese yen and rounded off to the nearest million yen. As a result, the totals in yen do not necessarily agree with the sum of the individual amounts.

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

During the fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014, hereinafter “the year under review”), the Japanese economy continued on a mild recovery track as the effects of economic and monetary policies emerged, despite being associated with the risk that the downswing in the global economy may cause a negative impact on the Japanese economy.

The number of smartphone subscriptions in Japan at the end of March 2014 continued to grow, increased by 13.76 million year-on-year to reach 57.34 million (according to research by MM Research Institute, Ltd.). Global proliferation of smartphones continues, and worldwide smartphone shipments are projected to grow by 250 million units year-on-year to reach 1.34 billion units during 2014 (according to research by Yano Research Institute Ltd.).

Under these conditions, in order to secure the position of the world’s top social gaming platform, the DeNA Group focused on expanding the utilization of social games provided on Mobage globally.

Mobage in Japan, a revenue source, saw a decline in revenue on a year-on-year basis because the aggressive push to release new titles focusing on the application market did not manage to make up for the decline in usage of existing titles for the browser market. On the cost front, the Group worked to reduce costs, mainly selling, general and administrative expenses, through exhaustive cost management, while proactively releasing new titles globally.

As a result, revenue of the DeNA Group was ¥181,313 million, down 10.4% year-on-year, operating profit was ¥53,198 million, down 30.8% year-on-year, profit before tax was ¥54,920 million, down 30.7% year-on-year, and profit for the year attributable to owners of the parent was ¥31,661 million, down 30.5% year-on-year. As such, both revenue and profit declined year-on-year.

Business performance by segment is as follows.

From the year under review, the travel agency business, etc., formerly included in “Others,” have been classified under the “E-commerce Business.” Therefore, for the purpose of year-on-year comparisons, figures from the previous fiscal year have been restated to reflect the segment categories after the change.

1) Social Media Business

During the year under review, MobaCoin consumption for Mobage in Japan decreased 15% year-on-year to ¥194.8 billion. As a result of the introduction of new titles for the application market, the MAU (number of monthly active users) has been picking up since December 2013, reversing a continued downward trend and establishing a foothold in the market. However, this did not manage to offset the slump in usage of existing titles for the browser market. At Mobage (international), progress was made for the release of new titles with a view to providing titles in a broader range of genres for Europe and U.S. In addition, a hit was produced among first-/second-party titles for China.

Segment profit decreased year-on-year due to factors including a drop in revenue of first-/second-party titles for Mobage in Japan which have high profitability.

New services such as Manga Box, a digital manga magazine, and Showroom, a virtual live concert space, were launched mainly in the entertainment field for the purpose of building a user base and developing new revenue sources.

As a result, revenue of the Social Media Business was ¥155,871 million, down 13.2% year-on-year, and segment profit was ¥57,122 million, down 26.9% year-on-year.

2) E-commerce Business

In shopping services, the online shopping site DeNA Shopping (including au Shopping Mall) recorded gross merchandise volume of ¥46,545 million for the year under review, a year-on-year increase of 7.3%. The number of retail stores subscribing to a fee-based corporate membership stood at 4,408 stores at the end of the year under review, a decrease of 148 stores compared to the end of the previous fiscal year. The Group has been moving ahead with efforts to enhance user convenience and to strengthen its business base, while seeking alliances with leading partners. As for auction services, the mobile auction site Mobaoku (including au Mobaoku) had 960,000 paid members at the end of the year under review, representing a decrease of 40,000 members compared to the end of the previous fiscal year. Paygent Co., Ltd., a processing settlement

company, expanded settlement transactions with both its self-managed e-commerce franchises such as DeNA Shopping and member retail stores. For the travel agency business including DeNA Travel, sales showed steady growth.

Segment profit decreased year-on-year due to factors including the proactive sales promotion activities of DeNA Shopping and DeNA Travel, etc.

As a result, revenue of the E-commerce Business was ¥18,733 million, up 8.9% year-on-year, and segment profit was ¥3,799 million, down 27.2% year-on-year.

3) Others

Yokohama DeNA Baystars Baseball Club, Inc. contributed to revenue growth mainly due to a steady year-on-year increase in attendance at home games. However, costs were higher primarily due to acquiring talented players to boost the team's competitiveness and appeal.

As a result, revenue of the other businesses was ¥6,708 million, up 19.1% year-on-year, and segment loss was ¥1,925 million, compared with a segment loss of ¥1,752 million for the previous fiscal year.

(Outlook for Fiscal 2014)

The Group has positioned the fiscal year ending March 31, 2015 as the fiscal year for building its business base to continuously improve corporate value as a global Internet player. While conducting thorough cost management, the Group will proactively make the necessary investments with a view to strengthening existing businesses and creating growing businesses.

- Social Media Business

For Mobage in Japan, the Group will continue to release new first-/second-party titles and move ahead with structural changes aimed at offsetting the slump in usage of existing titles for the browser market by an increase in usage of titles for the application market. For Mobage (international), the Group will continue to promote strategies to expand usage by providing titles in a variety of genres primarily intended for its mainstay Europe and the United States. With respect to China, where future market growth is expected, the Group will engage in the development and provision of large-scale first-party titles based on leading IP.

- E-commerce Business

In the E-commerce Business, centering on DeNA Shopping, the Group will take full advantage of the alliances with its partners, and continue to reinforce the field of groceries.

As for selling, general and administrative expenses, the Group will work to appropriately carry out cost control and cut expenses.

With regard to the consolidated financial results forecast, it is difficult to project the speed of market growth in the game-related market, which is the Group's principal business, for both in Japan and internationally. In addition, revenue is substantially affected by various uncertainties, such as user preferences and the existence of popular titles. Owing to these and other factors, the Group announces the financial results forecast for the following quarter at the time of each quarterly results announcement since it is not feasible to prepare highly reliable financial forecasts for the full year and half year.

Consolidated Financial Results Forecast for the Three Months Ending June 30, 2014 (From April 1, 2014 to June 30, 2014)

Revenue:	¥36,600 million
Operating profit:	¥6,500 million
Profit for the period attributable to owners of the parent:	¥4,100 million

For Mobage in Japan, the Group expects that the titles for the application market will not offset the slump in usage of existing titles for the browser market, and therefore expects a decrease in revenue and profit on a year-on-year basis.

The forward-looking statements and forecasts above are based on information available and certain assumptions deemed reasonable as of the date of publication of this document, and contain many uncertain factors. Actual results may differ from the forecasts above due to a wide range of uncertain factors.

(2) Analysis of Financial Position

1) Financial Position

Total assets at the end of the fiscal year ended March 31, 2014 were ¥197,325 million, an increase of ¥2,541 million compared to the end of the previous fiscal year on March 31, 2013.

Current assets were ¥111,309 million, a decrease of ¥7,518 million, compared to the end of the previous fiscal year. This was due primarily to a decrease in trade and other current receivables by ¥8,143 million.

Non-current assets were ¥86,016 million, representing an increase of ¥10,059 million, compared to the end of the previous fiscal year. This was due mainly to increases in intangible assets by ¥6,370 million and in other non-current financial assets by ¥3,925 million.

Total liabilities amounted to ¥51,770 million, a decrease of ¥19,338 million compared to the end of the previous fiscal year.

Current liabilities were ¥50,732 million, a decrease of ¥19,150 million, compared to the end of the previous fiscal year. This was due primarily to decreases in income tax payables by ¥19,120 million and in trade and other current payables by ¥3,828 million.

Non-current liabilities stood at ¥1,038 million, representing a decrease of ¥188 million, compared to the end of the previous fiscal year. This was due mainly to a decrease of ¥184 million in other non-current liabilities.

Total equity was ¥145,555 million, representing an increase of ¥21,879 million compared to the end of the previous fiscal year.

This was primarily attributable to an increase of ¥25,144 million in retained earnings, which offset an increase of ¥9,566 million in treasury stock.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 219.4% and 71.3%, respectively, as of the end of the fiscal year ended March 31, 2014.

2) Cash Flows

Cash and cash equivalents (collectively, “cash”) at the end of the fiscal year ended March 31, 2014 decreased by ¥1,943 million to ¥65,394 million, compared to the end of the previous fiscal year. Cash flows in each area of activity and their respective contributing factors are as follows.

(Operating activities)

Net cash provided by operating activities for the fiscal year ended March 31, 2014 was ¥28,061 million, compared to a cash inflow of ¥52,192 million in the previous fiscal year. The principal cash inflow factors were ¥54,920 million in profit before tax, which offset the effect of ¥38,235 million in income taxes paid.

(Investing activities)

Net cash used in investing activities for the fiscal year ended March 31, 2014 was ¥15,331 million, compared to a cash outflow of ¥15,831 million in the previous fiscal year. The principal cash outflow factors were ¥13,907 million in acquisition of intangible assets and ¥1,309 million in purchases of investment securities, which offset the effect of ¥948 million in proceeds from sales and redemption of investment securities.

(Financing activities)

Net cash used in financing activities for the fiscal year ended March 31, 2014 was ¥15,719 million, compared to a cash outflow of ¥25,039 million in the previous fiscal year. The principal cash outflow factors were ¥10,000 million in acquisition of treasury stock and ¥6,687 million in cash dividends paid.

(3) Basic Policy for Distribution of Profit and Dividends for Fiscal 2013 and 2014

The Company regards continuing enhancement in its corporate value and returning a portion of profit for the year to shareholders as important management priorities. The Company's basic policy for allocating profit for the year to shareholders through the payment of dividends is to link such allocations to its performance, and based on this policy the Company aims to achieve a consolidated payout ratio of 20% over the medium- to long-term in consideration of performance each fiscal year. As one approach to capital management policy is to respond flexibly to changes in the Company's stock price and conditions in the operating environment and return a portion of profit for the year to shareholders, the Company appropriately considers purchases of its own shares from the market. As for the year under review, the Company acquired 4,579,000 shares of treasury stock (acquisition cost of ¥10 billion, 3.4% of the total number of shares issued before the acquisition, excluding treasury stock).

In the year under review, Mobage in Japan, a revenue source, saw a decline in revenue and profit on a year-on-year basis, because despite aggressively pushing ahead with the release of new titles focusing on the application market, this effort did not offset the slump in usage of existing titles in the browser market. Based on such circumstances, the Company is scheduled to pay a regular cash dividend for its common stock of ¥37 per share (versus a cash dividend of ¥50 per share for the previous fiscal year) for the year under review. The consolidated payout ratio will be 15.3% (versus 15.0% for the previous fiscal year).

Regarding retained earnings, the Company's objective is to make effective investments in the establishment of a business portfolio that realizes medium- to long-term growth primarily by maximizing its corporate value.

Although the Company has not disclosed a forecast for its cash dividend in fiscal 2014 because a full-year financial results forecast has not yet been disclosed, as is stated in "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results (Outlook for Fiscal 2014)" on page 3, an announcement of the expected dividend amount will be promptly made when it is possible to disclose the full-year financial results forecast. Currently, the Company expects to provide a forecast at the time of the announcement of financial results for the third quarter of the fiscal year ending March 31, 2015.

The basic policy regarding the payment of dividends from surplus is to pay a year-end dividend once a year.

(4) Risk Factors

This section reviews the principal matters among the various items related to the business and accounting situation that may constitute risks for the DeNA Group and are believed likely to have a material effect on the decisions of investors. The policy of the Group, after these matters are recognized as risks that may occur, is to work to prevent their occurrence and develop countermeasures against such risks. However, the Company believes that the judgments of investors regarding the Company's stock must be made after the careful consideration of these matters and other factors that are not covered here.

Unless otherwise indicated, matters related to future developments that are mentioned in this section are judgments of the Group that were made as of the date of the issuance of this document. Since these matters have inherent uncertainties, the actual results and outcomes may differ from these judgments.

(1) Business Environment Risk

1) Growth Prospects for the Internet Industry in Japan

The Group is capitalizing on its strengths in Internet services for mobile users, with the penetration of high-function smart devices (collective term for smartphones and tablet devices) in the market place, by establishing an environment capable of providing highly diversified contents to users. The social game market, which is currently the Group's principal business, is forecasted to grow from ¥609.9 billion in fiscal 2013 to ¥832.8 billion in fiscal 2018 (according to forecasts prepared by Nomura Research Institute, Ltd.), and is expected to continue to grow steadily.

In addition, accompanying the conversion to electronic commerce in the service industry and the penetration of online supermarkets, the BtoC EC (business to consumer electronic commerce) market has kept its high annual growth rate of over 10% from approximately ¥11,500 billion in fiscal 2013 and is expected to reach approximately ¥20,800 billion in fiscal 2018 (according to forecasts prepared by Nomura Research Institute, Ltd.).

However, since the aforementioned markets are both still in the process of growing, sudden changes in market share owing to new entrants into the industry and structural changes in market in association with the emergence of new business models may have an adverse impact on the Group's business and performance. The advertising business, in general, is strongly influenced by changes in demand for and expenditures on advertising that occur with ups and downs in the economy and due to seasonal factors. Furthermore, even if the market continues to expand, the Group may not necessarily grow favorably at the same pace.

2) Competition

The Group strives to increase its competitiveness by creating websites, etc. that aim for optimum usability, offer distinctive services and an extensive range of products and take initiatives to ensure secure transactions and improved customer support. However, intensifying competition from companies or new market entrants offering similar services for mobile devices and PC may have an adverse impact on the Group's business and performance.

3) Responding to New Technologies

The Group is developing its business based on Internet-related technologies. However, this is an industry characterized by rapid change; new technologies are being developed, and new services based on these technologies are being introduced constantly in this field.

In addition, the Group's activities have a high ratio of services for mobile devices, but high-function information devices, as typified by smartphones, is coming into wider use, and new services for these high-function devices are being introduced constantly. As a result, in the event that the Group lags behind new technologies due in part to its inability to retain engineers or develop personnel, its competitiveness may decline.

In addition, in the event that large expenditures are necessary for responding to new technologies, this may have an adverse impact on the Group's business and performance.

(2) Individual Business Risk

1) Social Media Business

Changes in user tastes and preferences for content, as typified by social games, may be rapid and extreme. In the event that, for some reason, the Group cannot accurately identify user needs and provide content that satisfies them, the appeal of the Group's services to users may decline.

In addition, it is necessary to not only improve existing content but also expand its lineup by introducing new titles on a continuing basis, but in the event that these do not proceed according to plan, an adverse impact on the Group's business and performance may result.

In the event that the content provided by the Group or a third-party developer, or external partners including outsource companies cause serious problems, the legal responsibility of the Group may become an issue regardless of the content of contract rules and regulation and terms/conditions. Even where this is not the case, such incidents may damage the Group's brand image, and an adverse impact on the Group's business and performance may result.

2) E-commerce Business

In the EC sites run by the Group, the business, in principle, is only to offer a venue for transactions and the EC site itself does not act as a buyer or seller. However, as the provider of a sales venue, the EC site performs a surveillance function on the items offered for sale to ensure that these do not violate laws, are not fake brands, are not fraudulent, and do not involve other forms of illegal behavior. In addition, the EC site terms and conditions in agreements include phrases that clearly absolve the Group of any responsibility regarding the items shown and any matter or transactions following the closing of the bidding and completion of the shopping transaction. Moreover, based on the Act on Specified Commercial Transactions, which restricts advertising by mail-order retailers, the Group sets its own standards for advertisements it will carry related to such sales and exercises self-restraint in this area. In addition, the Group's contracts with mail-order retailers state clearly that the responsibility for advertising content lies with the mail-order retailer.

Nevertheless, in the event that serious problems arise between site members and other users on EC sites run by the Group, regardless of the content of contract rules and regulation and terms/conditions, the legal responsibility of the Group may become an issue. Even where this is not the case, such incidents may damage the Group's brand image, and an adverse impact on the Group's business and performance may result.

3) Internet Advertising

The Group operates a number of Internet media, principally for mobile devices, as typified by Mobage. Looking ahead, the unit prices of advertising services may decline as a result of trends in the Internet advertising industry as a whole and competition with services of other companies. Similarly, such circumstances may also result in increases in selling fees paid to advertising agencies and the cost of winning new business from advertisers. As a result, an adverse impact on the Group's business and performance may result.

When other advertisers and the media use the advertising services offered by the Group and serious problems arise because of legal violations, etc., regardless of the content of contracts and terms/conditions, the legal responsibility of the Group may become an issue.

4) Processing Settlement Business

In some cases, payment gateway services provided by Group company Paygent involve payment to participating businesses that make use of the services before receiving compensation from buyers. As a result, during the time between the payment to participating businesses and collection of this amount from buyers, Paygent must raise the necessary funds. In the event that the usage of this service spreads more rapidly than anticipated, it may be impossible to raise the necessary funds at an appropriate cost, and an adverse impact on the Group's business and performance may result.

Paygent has the responsibility for supervising the participating businesses that make use of this service and works to obtain credit information from such businesses in advance. However, when problems for which the business using the service is responsible arise, which were difficult to predict in advance, an adverse impact on the Group's business and performance may result. Moreover, the Group takes measures to maintain the complete confidentiality of sensitive information to provide safe and secure payment services for users. Paygent was the first company in Japan's payment service industry to obtain full compliance certification under "PCI DSS Version 1.2," an international standard for the protection of credit card information. Paygent has also been certified under "ISO/IEC 27001:2005 (JIS Q 27001:2006)" (commonly referred to as ISMS), the system for qualifying for information security management. Although, as these qualifications suggest, Paygent strives to meet international standards for security management, if problems arise that were not anticipated under these standards, an adverse impact on the Group's business and performance may result.

In the event that implementation of new legislation to control the processing settlement business in the future exercises restraint on the Group's business, it may have an adverse impact on the Group's business and performance.

5) Travel Agency and Insurance Agency Businesses

The Group engages in the travel agency and insurance agency businesses. In the event that unforeseen economic trends, such as natural disasters as earthquakes, weather conditions, other circumstances in Japan or internationally as well as changes in consumer tastes or the intensification of competition, occur, this may have an adverse impact on the business and performance of these agency activities.

In addition, the Group operates these businesses in compliance with the relevant public restrictions and observes the stipulations of Japan's Travel Agency Act and other regulations. However, in the event of unforeseen circumstances, if the Group should violate these regulations and is subject to government administrative action, such as the cancellation of its travel agency license, or, if these regulations are tightened going forward or new regulations are put into effect and the Group is subject to some kinds of constraints in the development of its business activities in these fields and incurs additional costs, an adverse impact on the Group's business and performance may result.

In the case of the insurance agency business, the Group must comply with the Insurance Business Act as well as the Act on Sales, etc. of Financial Instruments, and other regulations. Looking ahead, in the event that these laws are changed, an adverse impact on the Group's business and performance may result.

6) New Businesses

To expand the scale of its business activities and diversify sources of earnings, the Group will continue to take aggressive initiatives to provide new services and enter new businesses. As a result, the Group may have to make investments in systems and incur additional expenditures on advertising and other items, which may result in lower profitability. In addition, in launching new services and new businesses, the risks inherent in these new activities become risk factors for the Group. Also, in unexpected situations and other circumstances, the development of new services and new businesses may not proceed as originally planned and the Group may not be able to recover its investments. An adverse impact on the Group's business and performance may result.

7) Venture Investments

The Group invests in venture businesses and limited partnerships (funds) with the aims of providing support from early stage for companies with a high growth potential. The unlisted companies where the Group invests may lack sufficient development and other capabilities to adapt to changes in the market, and there are many uncertainties regarding their future growth. These companies may not be able to realize their expected potential and may experience deterioration in performance, thus making it impossible to recover venture fund investments, and an adverse impact on the Group's business and performance may result.

8) International Business

The Group is aggressively investing its corporate resources in the development and strengthening of its international business activities. Nevertheless, in developing business operations globally, the Group will face many potential risks, including those related to the legal regulations, systems, political/economic/social conditions, differences in culture/religions/ preferences of local users/business customs of other countries, as well as foreign currency risk. In the event that the conduct of business becomes difficult because the Group is unable to deal with these risks, recovering the Group's investments may become difficult, and an adverse impact on the Group's business and performance may result. If the development of the Group's international business activities does not proceed according to its plans, the need may arise to recognize impairment losses on goodwill, and an adverse impact on the Group's business and performance may result.

In addition, since the financial statements of its international subsidiaries are prepared in local currencies, these are converted to Japanese yen when the Group's consolidated financial statements are prepared. Changes in foreign currency conversion rates in Japanese yen caused by market fluctuations may have an adverse impact on the Group's performance and financial position.

In the event that the Group's transactions in foreign currencies increase and the prevailing market foreign currency conversion rate diverges from the rate assumed by the Group, an adverse impact on the Group's business and performance may result.

9) Providing Services to the General Public

The Group provides services to a large number of individual users who make use of the websites, etc. it operates, such as Mobage. Accounts that are receivable from these users are generated when they use the Group's fee-based services. The majority of these accounts receivable are for small amounts. Through the use of the collection agency services of mobile phone carriers and other processing settlement agencies, the incidence of uncollected receivables is minimal, but as the range of users expands and the balance of uncollected receivables increases rapidly, the costs of collecting these receivables and the uncollected balance will rise. An adverse impact on the Group's business and performance may result.

In businesses where the user base comprises a large number of individual users, such as Mobage, there is a possibility that issues may arise related to communication between users because of inappropriate behavior. These may include matters related to ownership rights of others, intellectual property, personal honor, privacy, and other issues that arise from violations of the rights of others, laws and regulations.

The Group is continuously taking initiatives to maintain and strengthen its surveillance systems, but it may be difficult to fully supervise the behavior of users on the Group's sites, etc. In the event that inappropriate behavior of users leads to trouble, regardless of the content of user contract rules and regulation and terms/conditions, the legal responsibility of the Group may become an issue. In addition, even when issues of legal responsibility do not arise, the adverse effects on the Group's brand image may have an adverse impact on the Group's business and performance.

(3) Operating Agreements, M&A, and Related Risks

1) Business Alliances and Capital Investments

The Group is working to expand its business activities through business alliances, capital investments, the formation of joint ventures, and other activities that involve relationships with other companies. By combining the operational know-how of the Group with that of alliance and joint venture partners, the Group aims to realize major synergies. However, in the event that these relationships do not achieve the initially conceived positive benefits or these relationships are dissolved, an adverse impact on the Group's business and performance may result.

2) Expansion through M&A (Corporate Acquisitions, Etc.)

As an effective means of accelerating business expansion, the Group has adopted a policy of making use of M&A. When concluding M&A deals, the Group conducts detailed screenings, including the examination of the financial position of M&A candidate companies, their contractual relationships, and other matters, and

makes decisions after carefully considering the risks involved. However, in the event that problems arise, such as the emergence of contingent liabilities after acquisitions have been made and the discovery of unrecognized liabilities that were not found prior to the acquisition, or in the event that the development of the acquired business does not proceed as planned, the Group may have to recognize impairment losses on goodwill. These and other contingencies may have an adverse impact on the Group's business and performance.

Also, as a result of corporate acquisitions, etc. that result in the addition of business activities that are new to the Group, the risks inherent in these new activities become risk factors for the Group.

(4) Telecommunications Network and Computer Systems Risk

The businesses of the Group are totally reliant on telecommunications networks that link computer systems such as mobile devices and PCs. In the event that these networks are disconnected as a result of natural disasters and accidents (including those caused by human factors either inside or outside the Group), a very serious effect on the Group's business and performance may result.

Also, in the event that computer systems break down because of unpredictable developments, such as a sudden increase in the number of users accessing the Group's sites, etc., an electric power outage, or other problems, an adverse impact on the Group's business and performance may result.

The Group takes precautionary security measures to avert improper external access of its computer systems, but, in the event of damage to these systems as a result of computer viruses and hacker attacks, an adverse impact on the Group's business and performance may result.

(5) Management Systems Risk

1) Human Resources

In recent years, the Group has rapidly expanded its business domain, focusing on social media. Nevertheless, to further expand and diversify its business activities going forward, the Group believes it will be necessary to enhance human resources in each of its departments. However, in the event that the training of personnel does not keep pace with the expansion of the scale of business, and qualified human resources cannot be externally recruited as planned, it may not be possible to assign proper personnel. This results in a decline in competitiveness and constraints the expansion of the business, and an adverse impact on the Group's business and performance may result.

2) Internal Control Systems

With the understanding that effectively functioning corporate governance is indispensable for sustaining growth in corporate value, the Group is aware of the need for the proper functioning of operations, reliability in financial reporting, and full compliance with laws and regulations based on a sound sense of corporate ethics.

The Company is working to enhance its internal control systems, and its initiatives have included the establishment of the internal auditing division, which reports directly to the President and is responsible for internal auditing, internal control reporting systems under the Financial Instruments and Exchange Act of Japan, and support for its corporate auditors.

Nevertheless, in the event that the creation of adequate internal control systems cannot keep pace with the rapid expansion in the Group's business operations, conducting operations properly may become difficult, and an adverse impact on the Group's business and performance may result.

3) Measures for Recovery from Disasters

The Group's principal business locations are situated in the Tokyo metropolitan area. In the event that various circumstances make it difficult for the Group to continue operations, including the occurrence of natural disasters, such as earthquakes and typhoons, as well as epidemics of new influenza strains or other diseases, an adverse impact on the Group's business and performance may result.

(6) Compliance Risk

1) Maintaining Site Integrity

The Group's Mobage, auction, and other services are provided to a large number of individual users, and it is assumed that users using these services will communicate with one another on their own initiative.

To nurture healthy user communities, the Group's usage contracts clearly forbid the improper use of its sites that might lead to social issues. For example, on Mobage, various uses, such as behavior with the intent of matchmaking or activities that violate the rights of other people, are forbidden. Also, on auction sites, such behavior that might lead to the violation of other people's rights is not allowed. The Group also monitors communication between users on a continuing basis. Users that violate the site agreements are asked to remedy their behavior, and measures may be taken to cancel their memberships.

In addition, the Company has formed a "Community Integrity Committee" that is chaired by the President, and systems have been put into place to take immediate measures to ensure site integrity and maintain the stable development of site communities. Moreover, to promote appropriate service usage, the Group has made it substantially clearer what manners are to be observed and those points where users should exercise caution. Other related measures the Group has taken include limiting the use of communication functions by younger people, strengthening monitoring systems, and increasing the number of site patrol personnel. The Group is continuing to strengthen its supervisory functions, including both systems and personnel, to maintain site integrity.

Please note that the Mobage sites, etc. have qualified under the Accreditation Standards for Supervision of the Operation of Community Sites, indicating that its operating standards meet or exceed specific criteria as judged objectively by the Content Evaluation and Monitoring Association (EMA).

However, it is difficult to fully supervise the conduct of users within the sites, etc. In the event that improper user behavior causes trouble, regardless of the content of user contract rules and regulation and terms/conditions, the legal responsibility of the Group may become an issue. Even where this is not the case, such incidents may damage the Group's brand image, and an adverse impact on the Group's business and performance may result.

Going forward, as the scale of its businesses grows, the Group has adopted a policy of taking measures needed to maintain and enhance the integrity of its sites, etc. In the event that the Group's response to system requirements and the strengthening of monitoring activities is delayed and this results in occurrence of expenses that exceeds the Group's estimates, an adverse impact on the Group's business and performance may result.

2) Improvements in the Social Game User Environment

In collaboration with the Japan Social Game Association (JASGA), in which other leading gaming platform companies, game providers, experts and scholars, etc. participate, the Group implements various initiatives to promote reasonable game play and create a safe social gaming environment for all users and intends to take appropriate measures to achieve this. The Group's business and performance may be adversely affected by unforeseen costs or delays in enacting system and structural changes associated with such goals, and/or new regulatory schemes that place significant restrictions on existing services.

3) Legal Restrictions

Services offered by the Group are subject to legal restrictions including the Consumer Contract Act, the Act against Unjustifiable Premiums and Misleading Representations, the Act on the Protection of Personal Information, the Act on the Prohibition of Unauthorized Computer Access, the Act on Specified Commercial Transactions, and the Act on Regulation of Transmission of Specified Electronic Mail. Besides these regulations, as electronic communication companies, companies engaging in electronic communication business within the Group are subject to the provisions of the Telecommunications Business Act.

Services offering social networking service functions including Mobage assume healthy communication among users. It is the Group's understanding that such communication does not involve "dating and personal introduction services" as covered by the Act on Regulation on Soliciting Children by Using

Opposite Sex Introduction Service on the Internet. In addition, under the Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use, mobile phone carriers are legally required to offer a filtering service. As indicated above, the Group is continuing to step up its activities to maintain the integrity of its sites, etc. To the maximum extent possible, the Group makes it possible for users to gain access to content even when filtering functions are operative.

In addition to the foregoing, the Group's MobaCoins, which are the dedicated in-game virtual currency for Mobage and other forms of payment, are subject to the Payment Services Act of Japan. The Group complies with this act in its operations.

In some cases, the DeNA Group outsources its systems development, content preparation and other aspects of its operations. Certain transactions of this kind are subject to the provisions of the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act). The DeNA Group provides regular training for its employees regarding the Subcontract Act.

Moreover, depending on factors such as the business scale and market conditions of services offered by the DeNA Group, with regard to the implementation of the DeNA Group's policies and the content of its agreements (regulations) that form the basis for these transactions, it is necessary to consider the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-Monopoly Act). In addition, the Group's expansion of its international business will be exposed to laws and regulations of other countries and regions, including legal restrictions in respect to commercial transactions, advertising, premiums, personal information, privacy, protection of minors, prohibition of monopolization, intellectual property, consumer protection, virtual currencies, as well as government approval and licenses required for conducting businesses and investments.

The Group is responding in good faith to legal regulations including those of Japan and other countries and regions previously mentioned, but in the event that, under unforeseen circumstances, should the Group be denied the validity of contracts and other agreements, be subject to government administrative action due to its alleged violation of those regulations, or, if these regulations are tightened or amended going forward or new regulations are put into effect and the Group is subject to some kinds of constraints in the development of its business activities, this may have an adverse impact on the Group's business and performance.

Regarding legal regulations, please also refer to the sections numbered (2) 2), 4) and 5), and (6) 2) and 4).

4) Protection of Personal Information

Some of the Group's companies in Japan gather and make use of member, credit card and other information in providing their services. For this reason, under the Act on the Protection of Personal Information, these companies have certain duties to perform as handlers of personal information. The Group has formed a Personal Information Management Committee, which is chaired by the President, and, under the committee's leadership, rules and guidelines for the management of personal information have been prepared as well as strict workflows for the processing of personal information.

In its outlets, DeNA Shopping is providing support for strengthening personal information management systems, including setting time limits on the period during which personal information related to transactions can be downloaded onto PCs and introducing credit card settlement systems that do not require the acquisition of card-related information.

Nevertheless, in the event that serious problems arise, such as the leakage of personal information, claims for damages and a loss of trust in the Group may result. These circumstances may have an adverse impact on the Group's business and performance.

5) Litigation Involving Third Parties

By promoting compliance with laws and regulations, the Group works to restrain legal violations by management and employees. However, regardless of whether there are violations by the Group, or management and employees, unforeseen trouble arising with users, transaction partners, employees and third parties, and lawsuits and litigations may occur. In addition, as noted in the following item, the Group recognizes that there are risks of lawsuits associated with intellectual property, including patents.

Depending on the nature of these lawsuits and their outcomes, an adverse impact on the Group's business and performance may result. In addition, incurring substantial legal expenses and damage to the Group's brand image may have an adverse impact on the Group's business and performance.

(7) Intellectual Property Risk

The Group has registered the trademarks for the sites, etc. it operates and the services it provides as necessary. In addition, the Group has acquired patent rights, as necessary and for those applicable, for its originally developed systems and business models that are eligible for this protection.

However, depending on the content of intellectual property rights owned by third parties, the Group may be subject to lawsuits, and an adverse impact on the Group's business and performance may result.

2. Management Policy

(1) Basic Management Policy

The DeNA Group began its activities with the start-up of an online auction service. This was followed by the creation of a series of pioneering new growth engines suited to the times, namely: online shopping, mobile auctions, mobile advertising, mobile social networking, and then game platform businesses.

The Group's slogan "Delight and Impact the World" expresses the target to "take the voices of customers above all else and bring delight to people around the world."

The Group will continue to aim to provide users throughout the world with fresh, convenient, and enjoyable content. By accepting the challenges of entering new business domains and not going on the defensive, we want to grow to become a truly global enterprise that originated from Japan.

The Group will work to enhance corporate value and increase shareholders' interest by developing its business operations driven by this basic management policy.

(2) Targeted Management Indicators

Recognizing that its most important management challenge is to continuously enhance the Group's corporate value, the Group emphasizes management indicators such as operating profit. In addition, the indicators of most importance for operations include the number of registered customers, the number of users, and ARPU* for item billings for each service content.

* ARPU means average revenue per user, or, in other words, the usage per active user in monetary terms.

(3) Medium- to Long-Term Management Strategy

In recent years, the appearance of high-function devices such as smartphones and the evolution of software technology have led to the continuous launch of new Internet services for mobile devices. Also, with the global penetration of smartphones, the Group recognizes that the mobile Internet business domain will expand globally in the future as well.

Focusing on the potential of mobile Internet before others, the Group has grown by successively launching businesses that grasp the needs of the times. Going forward, in addition to further expanding existing businesses, the Group will continuously launch new services that provide new values to users and engage in diversifying the means of profit-making and creating synergy with existing businesses, while establishing a business portfolio that continues growing in the medium to long term as an important management strategy.

In the game business domain for mobile devices, a core business of the Social Media Business, further market expansion is expected both in Japan and internationally. The Group will utilize the know-how it acquired through the development and operation of platforms and social games to create new trendsetting titles. By doing so, the Group will broaden the user base worldwide and enhance its earnings power. In addition, the Group will focus on creating core businesses equal to the game business.

In the E-commerce Business, the Group will enhance user convenience and strengthen its business base through alliance with leading partners while engaging in optimizing the synergistic effect between the services to be provided.

The Group will seek to be the world's top mobile Internet company by continuing to offer services that bring delight and the impact, as well as provide new value to mobile users around the world.

(4) Issues to be Addressed

The Group is working on various companywide management measures to realize its vision of being the world's top mobile Internet company. In order to achieve the vision as well as the Group's management strategy described in "(3) Medium- to Long-Term Management Strategy" above, the Group positions the fiscal year ending March 31, 2015 as a year to establish a business foundation which continues to enhance corporate value as a global internet player. Accordingly, the Group will address the following issues.

1) Creating Hit Titles and Strengthening Earnings Power in the Game Business

In the game business domain for mobile devices, as it becomes more common to enjoy games on smartphones, it has become necessary to continuously create hit titles in the application market and to build a structure that can compensate for the decline in earnings power in the browser market.

Based on the know-how it has accumulated through game planning and operation, etc., the Group believes that such a business climate is an opportunity to exert the strengths of the Group. In the application market, the Group will continue to strengthen its efforts to continuously provide hit titles by enhancing its lineup of high-quality content. Meanwhile, in the browser market, the Group will work on measures to maintain and reactivate utilization by users.

2) Initiatives for Contributing to Earnings of International Business

The Group has undertaken aggressive business expansion internationally in anticipation of growth in the game business domain for mobile devices abroad. Looking ahead, the Group will continue to position its international business as one of the priority areas in its business strategy. In order to expand that business and enhance its earnings power, the Group will engage in efforts to diversify the genre of games offered and to provide content optimally suited to each region, while conducting appropriate expense management.

3) Initiatives to Develop New Business with a View to Diversifying the Earnings Base

Since its foundation, the Group has been creating various businesses by grasping the trend of the fast-changing Internet market, and has been improving its corporate value while changing its core businesses. Going forward, in order to realize sustained growth of the Group in the medium to long term, we will set up businesses in a prompt and efficient way in the mobile Internet business domain and other domains where the Group's strengths can be exerted, while capitalizing on the knowledge and know-how acquired through our businesses thus far, and work to diversify the earnings base and strengthen the management base so as to respond flexibly to market changes.

4) Supporting New Technologies

As the global penetration continues of high-function mobile devices, as typified by smartphones, and new services are offered one after another, the Group believes it is important to provide prompt support for new devices and new technologies in order to more advantageously advance business deployment. The Group will commit to recruiting and developing engineers in order to accurately grasping these new trends and actively responding to these trends.

5) Initiatives for Strengthening Website Security and Integrity and Maintaining an Adequate User Environment

In its social networking service functions, Internet auctions, and shopping, the Group, as the provider of a community and a venue for transactions, believes it is necessary to maintain and strengthen website security and integrity so that users can have peace of mind. The Group is working to strengthen functions in terms of both systems and personnel to maintain and improve website integrity.

The Group also believes it is important to maintain and improve the user environment to ensure even safer and more secure enjoyment of the games and other contents provided by the Group, and it will work in concert with entities including the Japan Social Game Association (JASGA) to consider and execute the measures required for maintaining an adequate user environment.

6) Improving Brand Awareness and Corporate Brand Value

In order to expand the usage of each service provided by the Group and to realize continuous improvement of its corporate value, the Group believes it is also important to improve the brand awareness of each service and the corporate brand value of the entire Group on top of the service itself being favored by users. The Group's policy is to continue to work actively on brand strategy including advertising and public relations activities in the future, while giving careful consideration to cost performance so as to progress favorably with acquiring the excellent human resources required for supporting the business and business alliances with other companies, etc.

7) Strengthening Organizational Capabilities and Corporate Governance, etc. in Response to the Expansion of Business Operations

The Group's policy is to continue promoting further expansion of business domains both in Japan and internationally. In line with this policy, the Group will strive to strengthen organizational capabilities through the construction of a personnel system and promotion of employee empowerment that will motivate employees, and by increasing the hiring of experts in specialized fields.

In addition, the Group will pursue various measures to strengthen corporate governance in order to ensure the fairness and transparency of management, while strengthening the internal control system, further improving corporate ethics across the Group through the thorough enforcement of the Ethics Charter and the Group Code of Conduct, and enhancing and strengthening the compliance structure.

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

	(Millions of yen)	
	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and cash equivalents	67,337	65,394
Trade and other current receivables	45,946	37,803
Other current financial assets	1,123	1,025
Other current assets	4,421	7,086
Total current assets	118,827	111,309
Non-current assets		
Property and equipment	4,135	3,311
Goodwill	39,437	42,730
Intangible assets	8,719	15,089
Investments accounted for using the equity method	8,044	9,197
Other non-current financial assets	8,702	12,627
Deferred tax assets	6,887	2,996
Other non-current assets	34	67
Total non-current assets	75,957	86,016
Total assets	194,784	197,325

	(Millions of yen)	
	As of March 31, 2013	As of March 31, 2014
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	30,034	26,206
Income tax payables	21,645	2,525
Other current financial liabilities	8,743	11,981
Other current liabilities	9,461	10,021
Total current liabilities	69,882	50,732
Non-current liabilities		
Non-current provisions	949	951
Other non-current financial liabilities	15	9
Other non-current liabilities	262	78
Total non-current liabilities	1,226	1,038
Total liabilities	71,108	51,770
Equity		
Common stock	10,397	10,397
Capital surplus	10,361	10,965
Retained earnings	127,927	153,072
Treasury stock	(34,724)	(44,290)
Other components of equity	5,298	10,456
Total equity attributable to owners of the parent	119,259	140,600
Non-controlling interests	4,416	4,955
Total equity	123,676	145,555
Total liabilities and equity	194,784	197,325

(2) Consolidated Income Statement

	(Millions of yen)	
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Revenue	202,467	181,313
Cost of sales	(56,604)	(59,777)
Gross profit	145,863	121,535
Selling, general and administrative expenses	(69,075)	(67,901)
Other income	603	560
Other expenses	(551)	(997)
Operating profit	76,840	53,198
Finance income	2,549	716
Finance costs	(273)	(55)
Share of profit (loss) of associates accounted for using the equity method	99	1,062
Profit before tax	79,215	54,920
Income tax expense	(32,481)	(22,113)
Profit for the year	46,735	32,807
Attributable to:		
Owners of the parent	45,581	31,661
Non-controlling interests	1,153	1,146
Profit for the year	46,735	32,807
		(Yen)
Earnings per share attributable to owners of the parent:		
Basic earnings per share	333.34	242.56
Diluted earnings per share	332.35	241.98

(3) Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Profit for the year	46,735	32,807
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax		
Gains (losses) from investments in equity instruments, net of tax	(143)	2,097
Other	—	(4)
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	(143)	2,093
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax		
Other	4,762	3,370
Total other comprehensive income that may be reclassified to profit or loss, net of tax	46	27
Other comprehensive income, net of tax	4,808	3,397
Total comprehensive income for the year	4,666	5,489
	51,400	38,296
Attributable to:		
Owners of the parent	50,245	37,150
Non-controlling interests	1,155	1,147
Total comprehensive income for the year	51,400	38,296

(4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2012	10,397	11,189	87,941	(15,626)	776	94,677	3,369	98,045
Profit for the year	-	-	45,581	-	-	45,581	1,153	46,735
Other comprehensive income	-	-	-	-	4,664	4,664	2	4,666
Total comprehensive income for the year	-	-	45,581	-	4,664	50,245	1,155	51,400
Dividends recognized as distributions to owners	-	-	(5,150)	-	-	(5,150)	(150)	(5,300)
Increase (decrease) through treasury stock transactions	-	(506)	-	(19,098)	(334)	(19,938)	-	(19,938)
Increase (decrease) through share-based payment transactions	-	68	-	-	(203)	(136)	-	(136)
Acquisition, disposal and other changes of non-controlling interests	-	(389)	-	-	-	(389)	42	(347)
Increase (decrease) through transfers and other changes	-	-	(445)	-	395	(49)	-	(49)
As of March 31, 2013	10,397	10,361	127,927	(34,724)	5,298	119,259	4,416	123,676

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2013	10,397	10,361	127,927	(34,724)	5,298	119,259	4,416	123,676
Profit for the year	-	-	31,661	-	-	31,661	1,146	32,807
Other comprehensive income	-	-	-	-	5,489	5,489	1	5,489
Total comprehensive income for the year	-	-	31,661	-	5,489	37,150	1,147	38,296
Dividends recognized as distributions to owners	-	-	(6,698)	-	-	(6,698)	(150)	(6,848)
Increase (decrease) through treasury stock transactions	-	(264)	-	(9,566)	(139)	(9,970)	-	(9,970)
Increase (decrease) through share-based payment transactions	-	410	-	-	(10)	400	-	400
Acquisition, disposal and other changes of non-controlling interests	-	458	-	-	-	458	(458)	-
Increase (decrease) through transfers and other changes	-	-	181	-	(181)	-	-	-
As of March 31, 2014	10,397	10,965	153,072	(44,290)	10,456	140,600	4,955	145,555

(5) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Operating activities		
Profit before tax	79,215	54,920
Depreciation and amortization	6,000	8,163
Interest and dividend income	(34)	(28)
Interest expenses	37	12
Decrease (increase) in trade and other current receivables	(6,788)	8,528
Increase (decrease) in trade and other current payables	3,578	(4,100)
Other, net	(42)	(1,214)
Subtotal	81,966	66,281
Dividends received	11	11
Interest paid	(35)	(12)
Interest received	32	17
Income tax paid	(29,782)	(38,235)
Net cash flows from (used in) operating activities	52,192	28,061
Investing activities		
Proceeds from sales and redemption of investment securities	2,626	948
Purchases of investment securities	(7,821)	(1,309)
Acquisition of property and equipment	(2,933)	(779)
Acquisition of intangible assets	(7,698)	(13,907)
Other, net	(6)	(284)
Net cash flows from (used in) investing activities	(15,831)	(15,331)
Financing activities		
Proceeds from borrowings	10,300	1,800
Repayments of borrowings	(10,100)	(700)
Cash dividends paid	(5,142)	(6,687)
Payments for acquisition of non-controlling interests	(347)	—
Cash dividends paid to non-controlling interests	(150)	(150)
Acquisition of treasury stock	(20,000)	(10,000)
Other, net	400	18
Net cash flows from (used in) financing activities	(25,039)	(15,719)
Net increase (decrease) in cash and cash equivalents	11,322	(2,990)
Cash and cash equivalents at beginning of year	54,890	67,337
Effect of exchange rate changes on cash and cash equivalents	1,125	1,047
Cash and cash equivalents at end of year	67,337	65,394

(6) Notes on Going Concern Assumption

Not applicable.

(7) Notes to Consolidated Financial Statements

1. Reporting entity

DeNA Co., Ltd. (the “Company”) is a company incorporated in Japan. The Company and its subsidiaries (collectively, the “Group”) primarily engage in the business of providing Internet services related to social media and e-commerce for mobile and PC users.

2. Basis of preparation

1) Compliance with IFRS

Consolidated financial statements of the Group have been prepared in accordance with IFRS issued by the International Accounting Standards Board. Since the Company qualifies as a “specified company” as provided in Article 1-2 of “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), it adopts the provision of Article 93 of the said ordinance.

2) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value, etc.

3) Presentation currency and unit

The consolidated financial statements are presented in Japanese yen and rounded off to the nearest million yen.

4) Significant accounting policies

Except for the accounting policies subjected to changes during the fiscal year ended March 31, 2014, significant accounting policies adopted by the Group in the consolidated financial statements remain the same as those adopted in the consolidated financial statements for the fiscal year ended March 31, 2013.

Major accounting standards adopted by the Group from the fiscal year ended March 31, 2014 are as follows.

IFRS		Description of new standards/amendments
IAS 1	Presentation of Financial Statements	Amendments to presentation of components of other comprehensive income
IFRS 10	Consolidated Financial Statements	Clarification of the definition of control and requirement to use of control as a single basis of consolidation irrespective of the nature of the investee
IFRS 13	Fair Value Measurement	Guidance on fair value measurement, when such measurement is required by another IFRS

These standards have been adopted in accordance with their respective transitional provisions, and the adoption of the above standards has no significant impact on the fiscal year ended March 31, 2014.

3. Segment information

1) Outline of reportable segments

The Group provides principally Internet services for mobile and PC users. The Group organizes business units by service at its headquarters, and each of these units formulates comprehensive business strategies for the services it provides, and undertakes related business activities.

Therefore, the Group is composed of operating segments classified by the types of services provided, based on the business units. The reportable segments of the Group are classified as the “Social Media Business” and the “E-commerce Business.”

The types of services provided by each segment are shown in the table below:

Reportable segment	Type of service
Social Media Business	Social media-related services (provided in Japan and internationally) Principal services: Mobage, etc.
E-commerce Business	E-commerce-related services (provided in Japan) Principal services: DeNA Shopping, Mobaoku, and processing settlement services, etc.

Starting from April 1, 2013, the Group has made a reclassification in management concerning the allocation of resources and the assessment of performances relating to the travel agency business, etc. In association with this change, the travel agency business, etc., which had formerly been included in “Others,” have been classified under the “E-commerce Business” in the segment information from the fiscal year ended March 31, 2014. Accordingly, the information for the fiscal year ended March 31, 2013 has been restated.

2) Revenue, profit or loss, and other items by reportable segment

The accounting policies of the reportable segments are the same as the accounting policies applied by the Group to the consolidated financial statements for the fiscal year ended March 31, 2013.

Intersegment revenue is calculated based on external market prices.

Revenue, profit or loss, and other items of the Group's reportable segments are as follows:

For the fiscal year ended March 31, 2013

(From April 1, 2012 to March 31, 2013)

	(Millions of yen)				
	Social Media Business	E-commerce Business	Others*2	Adjustments*3	Total
Revenue					
Revenue from external customers	179,627	17,208	5,632	—	202,467
Intersegment revenue	128	2,257	258	(2,644)	—
Total	179,755	19,466	5,890	(2,644)	202,467
Segment profit (loss)*1	78,106	5,218	(1,752)	(4,784)	76,788
Other income (expenses), net					52
Operating profit					76,840
Finance income (costs), net					2,276
Share of profit (loss) of associates accounted for using the equity method					99
Profit before tax					79,215
Other items					
Depreciation and amortization	4,520	998	482	—	6,000

(Notes) 1. Segment profit (loss) is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

2. "Others" refers to operating segments that do not fall into any of the reportable segments, including the operations of a professional baseball team.

3. Adjustments in segment profit (loss) represent corporate expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.

For the fiscal year ended March 31, 2014
(From April 1, 2013 to March 31, 2014)

	(Millions of yen)				
	Social Media Business	E-commerce Business	Others*2	Adjustments*3	Total
Revenue					
Revenue from external customers	155,871	18,733	6,708	—	181,313
Intersegment revenue	65	2,041	218	(2,325)	—
Total	155,936	20,774	6,927	(2,325)	181,313
Segment profit (loss)*1	57,122	3,799	(1,925)	(5,362)	53,634
Other income (expenses), net					(437)
Operating profit					53,198
Finance income (costs), net					660
Share of profit (loss) of associates accounted for using the equity method					1,062
Profit before tax					54,920
Other items					
Depreciation and amortization	6,213	1,491	458	—	8,163

- (Notes) 1. Segment profit (loss) is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
2. “Others” refers to operating segments that do not fall into any of the reportable segments, including the operations of a professional baseball team.
3. Adjustments in segment profit (loss) represent corporate expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.

4. Earnings per share

The basis for calculating earnings per share attributable to owners of the parent for the fiscal year ended March 31, 2013 and 2014 are as follows:

	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Profit for the year attributable to owners of the parent (Millions of yen)	45,581	31,661
Weighted average number of common shares outstanding during the fiscal year—basic (Shares)	136,741,257	130,527,052
Effect of dilutive potential common shares: Stock options, etc. (Shares)	405,265	312,819
Weighted average number of common shares outstanding during the fiscal year—diluted (Shares)	137,146,522	130,839,871
Earnings per share attributable to owners of the parent (Yen)		
Basic earnings per share	333.34	242.56
Diluted earnings per share	332.35	241.98

(8) Notes on Significant Subsequent Events

Not applicable.