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Consolidated Financial Results for the Six Months Ended September 30, 2016 [IFRS]

November 4, 2016

Company name: DeNA Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2432

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

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Scheduled date of filing quarterly securities report: November 7, 2016

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly 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 Six Months Ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results

(% changes from the previous corresponding period)

	Revenue		Operating profit		Profit before tax		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2016	76,513	2.2	15,219	33.7	15,148	26.2	11,645	64.8
Six months ended September 30, 2015	74,866	4.2	11,379	(24.0)	12,005	(24.3)	7,067	(27.9)

	Profit for the period attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended September 30, 2016	11,229	65.7	20,381	25.6	77.41	77.29
Six months ended September 30, 2015	6,777	(26.7)	16,223	50.4	47.48	47.37

(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
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2016	272,158	214,018	206,662	75.9
As of March 31, 2016	254,861	196,328	189,208	74.2

2. Dividends

	Dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	0.00	—	20.00	20.00
Fiscal year ending March 31, 2017	—	0.00			
Fiscal year ending March 31, 2017 (Forecast)			—	—	—

(Note) The dividend forecast for the fiscal year ending March 31, 2017 has not been determined at this time.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(% changes from the previous corresponding period)

	Revenue		Operating profit		Profit for the period attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Nine months ending December 31, 2016	108,900	0.2	22,300	51.8	15,400	84.2	106.16
Full year	—	—	—	—	—	—	—

(Note) The financial results forecast for the following quarter is disclosed in lieu of full-year financial results forecast. For details, please refer to “1. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the Appendix.

* Notes

(1) Changes in Significant Subsidiaries during the Period 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: No

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 period (including treasury stock):

As of September 30, 2016	150,810,033 shares
As of March 31, 2016	150,810,033 shares

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

As of September 30, 2016	5,733,993 shares
As of March 31, 2016	5,790,665 shares

3) Average number of shares during the period:

Six months ended September 30, 2016	145,056,896 shares
Six months ended September 30, 2015	142,746,630 shares

(Note) The 438,405 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 period” as of September 30, 2016, and the 495,077 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 period” as of March 31, 2016.

* Presentation regarding the Implementation Status of the Quarterly Review Process

This quarterly financial report is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, review procedures for the Condensed Consolidated Financial Statements are in progress.

* 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. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 4 of the Appendix.

(2) Dividend Forecast

With regard to the dividend forecast for the fiscal year ending March 31, 2017, as the Company decides the dividend amount taking into consideration the financial results and other factors for each fiscal year, 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 at the time of the announcement of financial results for the third quarter of the fiscal year ending March 31, 2017.

(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 November 4, 2016. 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.

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* Note

The condensed 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. Qualitative Information on Consolidated Financial Results for the Period under Review

(1) Explanation of Operating Results

During the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016), the Japanese economy continued on a mild recovery track. Meanwhile, a downswing in international economies poses a risk of downward pressure on the domestic economy.

Under these conditions, with regard to the fiscal year ending March 31, 2017, the Group will work on further increasing its competitive advantage in the Game Business, which is the Group's principal business, while continuing to create and nurture businesses with structural strengths for mid- to long-term growth, in order to enhance corporate value over the mid- to long-term.

During the six months ended September 30, 2016, revenue increased on a year-on-year basis. Despite a year-on-year decline in revenue of the Game Business, there was revenue growth in New Businesses and Others and the Sports Business.

The changes in total of cost of sales and selling, general and administrative expenses were limited on a year-on-year basis. While commission fees related to the utilization of IP (intellectual property) decreased, commission fees related to settlement of in-application fees, cost of goods sold in the Sports Business, and others increased.

While one-time factor associated with carrying out optimization of the organizational structure and game portfolio in Europe and the U.S. were recorded under other expenses during the same period of the previous fiscal year, no such expenses were recorded during the period under review.

During the six months ended September 30, 2016, finance costs including exchange losses increased year on year due to the continuing appreciation of the yen.

As a result, revenue of the DeNA Group was ¥76,513 million, up 2.2% year-on-year, operating profit was ¥15,219 million, up 33.7% year-on-year, profit before tax was ¥15,148 million, up 26.2% year-on-year, and profit for the period attributable to owners of the parent was ¥11,229 million, up 65.7% year-on-year.

Business performance by segment is as follows.

1) Game Business

Revenue of the Game Business was ¥50,421 million, down 9.6% year-on-year, and segment profit was ¥12,766 million, down 3.4% year on year.

In Japan, the Group's principal market, consumption of the in-game virtual currency coins was ¥71.3 billion, down 1.3% year-on-year. While coin consumption performed steadily in the application market, coin consumption declined in the highly profitable browser market. Coin consumption in titles for the application market for the six months ended September 30, 2016 was ¥31.3 billion, up 48.1% year-on-year in the Japan market and ¥8.5 billion, down 16.1% year-on-year in the international market.

2) E-commerce Business

Revenue of the E-commerce Business was ¥9,580 million, down 2.9% year-on-year, and segment profit was ¥926 million, down 22.9% year-on-year.

While travel agency services and processing settlement services with growing transaction volumes performed steadily, revenue from the shopping services and auction services decreased year-on-year mainly due to decline in usage.

3) Sports Business

Revenue of the Sports Business was ¥11,718 million, up 51.4% year-on-year, and segment profit was ¥3,991 million, up 112.0% year-on-year. Yokohama DeNA Baystars Baseball Club, Inc. performed strongly, with an increase in attendance at home games.

Yokohama Stadium Co., Ltd., which became a consolidated subsidiary in January 2016, will contribute to the performance on a full-year basis from the fiscal year ending March 31, 2017.

4) New Businesses and Others

Revenue of the New Businesses and Others was ¥5,292 million, up 126.1% year-on-year, and segment loss was ¥2,215 million, compared with segment loss of ¥2,381 million for the same period of the previous fiscal year.

This section comprises businesses, such as the curation platform business*1, the IP-generating platform business, the healthcare business and the automotive business*2.

Of these, use of the services in the curation platform business grew steadily, and revenues, especially advertising revenue, grew as well.

- (Notes) 1 A curation platform is a website or application where people called curators can publish articles in which they organize information scattered on the Internet from a specific perspective according to a specific subject of their own interest. The Group operates curation platforms such as MERY, specializing in women's fashion, and iemo, specializing in housing and interior design.
- 2 Businesses in the automotive field, such as the Robot Taxi service that use autonomous driving technology.

(2) Explanation of Financial Position

1) Financial Position

Total assets at the end of the six months ended September 30, 2016 were ¥272,158 million, an increase of ¥17,297 million compared to the end of the previous fiscal year.

Current assets were ¥121,596 million, an increase of ¥1,774 million compared to the end of the previous fiscal year. This was due primarily to an increase in cash and cash equivalents by ¥4,062 million and a decrease in trade and other current receivables by ¥1,764 million.

Non-current assets were ¥150,562 million, representing an increase of ¥15,523 million compared to the end of the previous fiscal year. This was due mainly to an increase in other non-current financial assets by ¥17,095 million.

Total liabilities at the end of the six months ended September 30, 2016 amounted to ¥58,141 million, a decrease of ¥392 million compared to the end of the previous fiscal year.

Current liabilities were ¥45,341 million, a decrease of ¥6,982 million compared to the end of the previous fiscal year. This was due primarily to a decrease in other current financial liabilities by ¥3,815 million.

Non-current liabilities stood at ¥12,800 million, representing an increase of ¥6,590 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥5,457 million in other non-current liabilities.

Total equity at the end of the six months ended September 30, 2016 was ¥214,018 million, representing an increase of ¥17,689 million compared to the end of the previous fiscal year. This was primarily attributable to increases of ¥8,829 million in other components of equity and ¥8,294 million in retained earnings.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 268.2% and 75.9%, respectively, at the end of the six months ended September 30, 2016.

2) Cash Flows

Cash and cash equivalents (collectively, "cash") at the end of the six months ended September 30, 2016 increased by ¥4,062 million to ¥79,231 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 six months ended September 30, 2016 was ¥14,846 million, compared to a cash inflow of ¥16,457 million in the same period of the previous fiscal year. The principal cash inflow factors were ¥15,148 million in profit before tax and ¥5,490 million in depreciation and amortization, which offset the effect of ¥5,077 million in income tax paid.

(Investing activities)

Net cash used in investing activities for the six months ended September 30, 2016 was ¥6,462 million, compared to a cash outflow of ¥26,150 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥6,582 million in acquisition of intangible assets.

(Financing activities)

Net cash used in financing activities for the six months ended September 30, 2016 was ¥3,993 million, compared to a cash inflow of ¥19,725 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥2,905 million in cash dividends paid.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

In the Game Business, the Group will work to further strengthen the existing key titles and continue with efforts to launch new titles in Japan. In China, the Group will continue with the development and operation of applications that utilize leading IP. At the same time, in order to approach the global market including Europe and the U.S., the Group will also focus on titles in collaboration with external partners, including through its business and capital alliance with Nintendo Co., Ltd.

The consolidated financial results forecast for the nine months ending December 31, 2016 do not account for titles developed in our business and capital alliance with Nintendo Co. Ltd. that have not been launched as of November 4, 2016.

However, the expenses associated with the dissolution of overseas subsidiaries that were engaged in the Game Business in Europe and the U.S., stated in “3. Condensed Consolidated Financial Statements (8) Notes on Significant Subsequent Events (Dissolution and liquidation of overseas subsidiaries)”, have been accounted for.

In the E-commerce Business, the Group will focus on expanding transactions in the areas of travel agency services and processing settlement services, and on the areas of groceries and daily consumables. The consolidated financial results forecast for the nine months ending December 31, 2016 take into consideration the gains on transfer of the online shopping mall business stated in “3. Condensed Consolidated Financial Statements (8) Notes on Significant Subsequent Events (Company split and share transfer)”.

In the Sports Business, revenue in the third and fourth quarters will be limited because of the off-season of professional baseball.

In the New Businesses and Others, the Group will strive for further growth centered on the curation platform business. Furthermore, in developing other new businesses, the Group will promote initiatives for turning each business profitable through assessing their growth phase while ensuring thorough cost management and assessing investments appropriately.

With regard to the consolidated financial results forecast, it is difficult to estimate the trend of the market in the Game Business, which is the Group’s principal business, 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.

As for the financial results forecast for the nine months ending December 31, 2016, the Group expects an increase in revenues and profits year on year.

The forward-looking statements 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. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period under Review

Not applicable.

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

Not applicable.

3. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and cash equivalents	75,169	79,231
Trade and other current receivables	30,982	29,218
Other current financial assets	2,971	2,035
Other current assets	10,701	11,113
Total current assets	119,822	121,596
Non-current assets		
Property and equipment	2,756	2,538
Goodwill	50,825	47,153
Intangible assets	16,860	18,047
Investments accounted for using the equity method	10,775	12,132
Other non-current financial assets	50,701	67,796
Deferred tax assets	3,075	2,833
Other non-current assets	47	63
Total non-current assets	135,039	150,562
Total assets	254,861	272,158

	(Millions of yen)	
	As of March 31, 2016	As of September 30, 2016
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	20,275	20,772
Income tax payables	4,091	2,181
Other current financial liabilities	15,514	11,699
Other current liabilities	12,443	10,688
Total current liabilities	52,323	45,341
Non-current liabilities		
Non-current provisions	837	836
Other non-current financial liabilities	2,719	3,853
Other non-current liabilities	2,653	8,111
Total non-current liabilities	6,210	12,800
Total liabilities	58,533	58,141
Equity		
Common stock	10,397	10,397
Capital surplus	10,250	10,393
Retained earnings	163,711	172,005
Treasury stock	(12,456)	(12,267)
Other components of equity	17,306	26,135
Total equity attributable to owners of the parent	189,208	206,662
Non-controlling interests	7,120	7,356
Total equity	196,328	214,018
Total liabilities and equity	254,861	272,158

(2) Condensed Consolidated Income Statement

	(Millions of yen)	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Revenue	74,866	76,513
Cost of sales	(31,294)	(29,686)
Gross profit	43,572	46,827
Selling, general and administrative expenses	(29,976)	(31,572)
Other income	1,427	239
Other expenses	(3,644)	(275)
Operating profit	11,379	15,219
Finance income	55	305
Finance costs	(171)	(1,716)
Share of profit (loss) of associates accounted for using the equity method	742	1,341
Profit before tax	12,005	15,148
Income tax expense	(4,938)	(3,503)
Profit for the period	7,067	11,645
Attributable to:		
Owners of the parent	6,777	11,229
Non-controlling interests	290	416
Profit for the period	7,067	11,645
		(Yen)
Earnings per share attributable to owners of the parent:		
Basic earnings per share	47.48	77.41
Diluted earnings per share	47.37	77.29

(3) Condensed Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit for the period	7,067	11,645
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	9,013	12,335
Other	1	1
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	9,014	12,335
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax	147	(3,587)
Other	(4)	(13)
Total other comprehensive income that may be reclassified to profit or loss, net of tax	143	(3,600)
Other comprehensive income, net of tax	9,156	8,736
Total comprehensive income for the period	16,223	20,381
Attributable to:		
Owners of the parent	15,947	20,036
Non-controlling interests	276	345
Total comprehensive income for the period	16,223	20,381

(4) Condensed 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, 2015	10,397	9,650	163,229	(43,918)	17,851	157,210	7,293	164,502
Profit for the period	-	-	6,777	-	-	6,777	290	7,067
Other comprehensive income	-	-	-	-	9,170	9,170	(14)	9,156
Total comprehensive income for the period	-	-	6,777	-	9,170	15,947	276	16,223
Dividends recognized as distributions to owners	-	-	(2,593)	-	-	(2,593)	(188)	(2,782)
Increase (decrease) through treasury stock transactions	-	(9,121)	-	31,404	(287)	21,996	-	21,996
Increase (decrease) through share-based payment transactions	-	248	-	-	56	304	-	304
Transfer to capital surplus from retained earnings	-	8,811	(8,811)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	64	-	-	-	64	270	334
Increase (decrease) through transfers and other changes	-	-	572	-	(572)	-	-	-
As of September 30, 2015	10,397	9,652	159,173	(12,514)	26,220	192,927	7,650	200,578

(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, 2016	10,397	10,250	163,711	(12,456)	17,306	189,208	7,120	196,328
Profit for the period	-	-	11,229	-	-	11,229	416	11,645
Other comprehensive income	-	-	-	-	8,807	8,807	(71)	8,736
Total comprehensive income for the period	-	-	11,229	-	8,807	20,036	345	20,381
Dividends recognized as distributions to owners	-	-	(2,900)	-	-	(2,900)	(2,026)	(4,926)
Increase (decrease) through treasury stock transactions	-	(219)	-	189	-	(30)	-	(30)
Increase (decrease) through share-based payment transactions	-	199	-	-	22	221	-	221
Transfer to capital surplus from retained earnings	-	35	(35)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	70	-	-	-	70	607	676
Increase (decrease) through transfers and other changes	-	58	-	-	-	58	1,310	1,368
As of September 30, 2016	10,397	10,393	172,005	(12,267)	26,135	206,662	7,356	214,018

(5) Condensed Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Operating activities		
Profit before tax	12,005	15,148
Depreciation and amortization	5,947	5,490
Interest and dividend income	(26)	(293)
Interest expenses	11	12
Decrease (increase) in trade and other current receivables	3,494	1,525
Increase (decrease) in trade and other current payables	(2,877)	911
Increase (decrease) in deposits received	(515)	(1,337)
Other, net	882	(1,815)
Subtotal	18,920	19,642
Dividends received	11	248
Interest paid	(11)	(12)
Interest received	16	45
Income tax paid	(2,478)	(5,077)
Net cash flows from (used in) operating activities	16,457	14,846
Investing activities		
Proceeds from sales of subsidiaries or other businesses, net of cash disposed of	1,250	—
Acquisition of subsidiaries or other businesses, net of cash acquired	—	(435)
Proceeds from sales and redemption of investment securities	1,834	1,909
Purchases of investment securities	(22,503)	(427)
Acquisition of property and equipment	(436)	(453)
Acquisition of intangible assets	(6,271)	(6,582)
Other, net	(24)	(474)
Net cash flows from (used in) investing activities	(26,150)	(6,462)
Financing activities		
Proceeds from borrowings	600	2,500
Repayments of borrowings	(300)	(2,490)
Cash dividends paid	(2,596)	(2,905)
Proceeds from share issuance to non-controlling shareholders	—	676
Cash dividends paid to non-controlling interests	(188)	(2,007)
Proceeds from disposition of treasury stock	22,106	232
Other, net	103	—
Net cash flows from (used in) financing activities	19,725	(3,993)
Net increase (decrease) in cash and cash equivalents	10,032	4,391
Cash and cash equivalents at beginning of period	68,724	75,169
Effect of exchange rate changes on cash and cash equivalents	(7)	(329)
Cash and cash equivalents at end of period	78,749	79,231

(6) Notes on Going Concern Assumption

Not applicable.

(7) Notes to Condensed Consolidated Financial Statements

1. Segment information

(1) Outline of reportable segments

The Group principally provides Internet services for mobile and PC users and organizes business divisions by type of service. Each of these business divisions 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. The three reportable segments of the Group are classified as the “Game Business,” “E-commerce Business” and “Sports Business.”

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

Segment classification	Type of service
Game Business	Game for mobile devices-related services (provided in Japan and internationally) Principal services: Mobage, etc.
E-commerce Business	E-commerce-related services (provided in Japan and internationally) Principal services: DeNA Shopping, DeNA Travel, Mobaoku, and processing settlement services, etc.
Sports Business	Sports-related services (provided in Japan) Principal services: Yokohama DeNA Baystars Baseball Club, operation of the Yokohama Stadium, DeNA Running Club, etc.
New Businesses and Others	New businesses and other services (provided in Japan and internationally) Principal business domains: curation platform business, IP-generating platform business, healthcare business, automotive business, mobile social incubation business, etc.

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

Accounting policies for reportable segments are identical to accounting policies adopted by the Group as stated in the consolidated financial statements for the fiscal year ended March 31, 2016.

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 six months ended September 30, 2015

(From April 1, 2015 to September 30, 2015)

	(Millions of yen)					
	Game Business	E-commerce Business	Sports Business	New Businesses and Others *2	Adjustments*3	Total
Revenue						
Revenue from external customers	55,563	9,294	7,742	2,268	—	74,866
Intersegment revenue	220	571	0	73	(864)	—
Total	55,783	9,865	7,742	2,340	(864)	74,866
Segment profit (loss) *1	13,219	1,200	1,883	(2,381)	(325)	13,596
Other income (expenses), net						(2,217)
Operating profit						11,379
Finance income (costs), net						(117)
Share of profit (loss) of associates accounted for using the equity method						742
Profit before tax						12,005

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

2 “New Businesses and Others” refer to operating segments that do not fall into any of the reportable segments, including IP-generating platform business, curation platform business, healthcare business and automotive business.

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 six months ended September 30, 2016
(From April 1, 2016 to September 30, 2016)

(Millions of yen)

	Game Business	E-commerce Business	Sports Business	New Businesses and Others*2	Adjustments *3	Total
Revenue						
Revenue from external customers	50,355	9,175	11,689	5,294	—	76,513
Intersegment revenue	66	405	29	(2)	(498)	—
Total	50,421	9,580	11,718	5,292	(498)	76,513
Segment profit (loss)*1	12,766	926	3,991	(2,215)	(212)	15,255
Other income (expenses), net						(36)
Operating profit						15,219
Finance income (costs), net						(1,411)
Share of profit (loss) of associates accounted for using the equity method						1,341
Profit before tax						15,148

- (Notes) 1 Segment profit (loss) is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
- 2 “New Businesses and Others” refer to operating segments that do not fall into any of the reportable segments, including curation platform business, IP-generating platform business, healthcare business, automotive business and mobile social incubation business.
- 3 Adjustments in segment profit (loss) represent corporate expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.

2. Earnings per share

The basis for calculating earnings per share attributable to owners of the parent for the six months ended September 30, 2015 and 2016 are as follows:

	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Profit for the period attributable to owners of the parent (Millions of yen)	6,777	11,229
Weighted average number of common shares outstanding during the period —basic (Shares)	142,746,630	145,056,896
Effect of dilutive potential common shares: Stock options, etc. (Shares)	318,322	238,096
Weighted average number of common shares outstanding during the period —diluted (Shares)	143,064,952	145,294,992
Earnings per share attributable to owners of the parent (Yen)		
Basic earnings per share	47.48	77.41
Diluted earnings per share	47.37	77.29

(8) Notes on Significant Subsequent Events

(Company split and share transfer)

At a meeting of its Board of Directors held on October 6, 2016, the Company decided to transfer the businesses operated by the Group under the names “DeNA Shopping” and “au Shopping Mall” to KDDI Corporation (Head office: Chiyoda-ku, Tokyo, President: Takashi Tanaka, “KDDI”), effective December 28, 2016, and concluded a share transfer agreement with KDDI to this effect on October 6, 2016.

In this business transfer, the Company will establish De Commerce Co., Ltd. (“De Commerce,” or the “Successor Company”) as its new subsidiary. De Commerce will succeed both (i) the business operated by the Company under the name, “DeNA Shopping,” and (ii) the business operated by Mobaoku Co., Ltd., a consolidated subsidiary of the Company, under the name, “au Shopping Mall,” through an absorption-type split, after which all shares of De Commerce held by the Company and Mobaoku Co., Ltd. will be transferred to KDDI.

(1) Purpose of the company split and share transfer

The Group has been closely collaborating with KDDI in the operation of “au Shopping Mall” and other parts of its online shopping mall business.

Through daily discussions with KDDI, the companies have determined that an even more flexible and bold strategy, which would benefit from an effective integration of the operating entities, would need to be deployed to ensure further growth for this business. For this reason, the Group and KDDI have decided to enter into such an agreement. Consequently, the businesses under the names “DeNA Shopping” and “au Shopping Mall” will be succeeded by De Commerce each by means of an absorption-type split, and all shares of De Commerce owned by the Company and Mobaoku Co., Ltd. will be transferred to KDDI.

(2) Outline of the company split

1) Description of the business subject to the company split

The business operated by the Company under the name “DeNA Shopping”

The business operated by Mobaoku Co., Ltd. under the name “au Shopping Mall”

Both businesses are classified under the E-commerce Business segment.

2) Operating results of the division to be split (fiscal year ended March 31, 2016)

The business operated by the Company under the name “DeNA Shopping”

Revenue ¥3,054 million

Operating profit ¥493 million

The business operated by Mobaoku Co., Ltd. under the name “au Shopping Mall”

Revenue ¥2,191 million

Operating profit ¥82 million

3) Items and amounts of assets and liabilities to be split (as of March 31, 2016)

The business operated by the Company under the name “DeNA Shopping”

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	¥656 million	Current liabilities	¥820 million
Non-current assets	¥345 million	Non-current liabilities	—
Total	¥1,002 million	Total	¥820 million

The business operated by Mobaoku Co., Ltd. under the name “au Shopping Mall”

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	¥411 million	Current liabilities	¥238 million
Non-current assets	¥2,247 million	Non-current liabilities	—
Total	¥2,658 million	Total	¥238 million

(Note) The amounts of assets and liabilities to be split are based on the financial statements as of March 31, 2016. The actual amounts of assets and liabilities to be split will be determined by adjusting the above amounts to reflect changes up to the effective date of the company split.

- 4) Scheduled date of the company split
December 28, 2016 (planned)

- 5) Name, etc. of the Successor Company

Name	De Commerce Co., Ltd.
Address	30-3, Yoyogi 4-chome, Shibuya-ku, Tokyo
Name and title of representative	Hiroshi Yatsukawa, President
Description of business	E-commerce Business
Stated capital	¥5 million
Date established	October 7, 2016
Number of shares issued	1
Date of fiscal year end	March 31
Shareholding percentage of major shareholders	DeNA Co., Ltd.: 100%

- 6) Legal form of the company split

This is an absorption-type split in which the Company and Mobaoku Co., Ltd. are the split companies and De Commerce is the Successor Company. As the company split to be conducted by DeNA corresponds to a simple absorption-type split as defined in Article 784, Paragraph 2 of the Companies Act, it will be implemented without the approval and resolution of the General Meeting of Shareholders.

- (3) Outline of the share transfer

All shares of De Commerce held by the Company and Mobaoku Co., Ltd. will be transferred to KDDI on December 28, 2016. In accordance with the share transfer, a gain on transfer of approximately ¥5.9 billion is expected to be recorded for the fiscal year ending March 31, 2017.

(Dissolution and liquidation of overseas subsidiaries)

At a meeting of its Board of Directors held on October 18, 2016, the Company decided to dissolve and liquidate DeNA Global, Inc. and other overseas subsidiaries (including ngmoco, LLC) that were engaged in the Game Business in Europe and the U.S.

(1) Reason for the dissolution and liquidation

In the Game Business, the Group has focused on three key regions—Japan, China, Europe and the U.S.—and has taken a different approach to game development, in-game operations, and marketing for each region. During the fiscal year ended March 31, 2016, the Group optimized the organizational structure and game portfolio in Europe and the U.S., and has been developing games for the markets in these countries with a lean structure since; however, since the games did not meet expectations, the Company has decided to dissolve and liquidate its subsidiaries in Europe and the Americas, including DeNA Global, Inc.

(2) Overview of the main subsidiary to be dissolved and liquidated

Name	DeNA Global, Inc.
Address	San Francisco, California, U.S.
Name and title of representative	Dai Watanabe, President
Description of business	Game Business
Stated capital	602,506 thousand USD
Date established	January 18, 2008
Shareholding percentage of major shareholders	DeNA Co., Ltd. 100%
Operating results and financial position (fiscal year ended December 31, 2015)	
Total equity	US\$(5,102) thousand
Total assets	US\$69,485 thousand
Equity per share attributable to owners of the parent	US\$(2.79)
Revenue	US\$60,757 thousand
Operating profit	US\$(30,501) thousand
Profit attributable to owners of the parent	US\$(396,865) thousand
Basic earnings per share attributable to owners of the parent	US\$(216.97)

(3) Dissolution and liquidation schedule

The resolution for dissolution at each subsidiary, as well as other required statutory filing procedures are expected to be completed during the fiscal year ending March 31, 2017.

(4) Effect of the dissolution and liquidation on gains or losses

The effect of such dissolution and liquidation on consolidated financial statements is currently under examination.

(5) Effect of the dissolution and liquidation on operating activities

The effect of such dissolution and liquidation on operating activities of the Group is immaterial.