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Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [IFRS]

May 11, 2017

Company name: DeNA Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2432

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Scheduled date of Ordinary General Meeting of Shareholders: June 24, 2017

Scheduled date of commencing dividend payments: June 26, 2017

Scheduled date of filing securities report: June 26, 2017

Availability of supplementary briefing material on financial results: Yes

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

(Amounts are rounded to the nearest million yen.)

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

(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, 2017	143,806	0.1	23,178	17.0	25,628	22.9	32,187	171.1
Fiscal year ended March 31, 2016	143,709	0.9	19,816	(20.0)	20,853	(26.7)	11,874	(26.0)

	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, 2017	30,826	172.2	43,502	264.2	212.49	212.14
Fiscal year ended March 31, 2016	11,325	(24.2)	11,943	(49.9)	78.76	78.61

	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, 2017	14.7	9.3	16.1
Fiscal year ended March 31, 2016	6.5	8.8	13.8

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

Fiscal year ended March 31, 2017: ¥2,903 million

Fiscal year ended March 31, 2016: ¥1,960 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, 2017	298,260	236,696	229,666	77.0	1,580.34
As of March 31, 2016	254,861	196,328	189,208	74.2	1,302.12

(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, 2017	22,682	(7,404)	(2,445)	88,152
Fiscal year ended March 31, 2016	26,707	(39,986)	20,128	75,169

2. Dividends

	Dividends per share					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, 2016	—	0.00	—	20.00	20.00	2,900	25.4	1.6
Fiscal year ended March 31, 2017	—	0.00	—	32.00	32.00	4,643	15.1	2.2
Fiscal year ending March 31, 2018 (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, 2018 has not been determined at this time.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(% 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
1st quarter	36,400	(4.9)	7,500	2.0	7,400	43.2	51.00

(Note) At the timing of the quarterly financial results disclosure, the Company discloses the financial results forecast for the following quarter.

*** 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: 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 fiscal year (including treasury stock):

As of March 31, 2017	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 fiscal year:

As of March 31, 2017	5,721,342 shares
As of March 31, 2016	5,790,665 shares

3) Average number of shares during the fiscal year:

Fiscal year ended March 31, 2017	145,070,222 shares
Fiscal year ended March 31, 2016	143,792,982 shares

(Note) The 425,754 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, 2017, 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 fiscal year" as of March 31, 2016.

(For Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	95,057	(7.7)	22,479	6.6	22,698	42.6	28,410	320.3
Fiscal year ended March 31, 2016	102,975	(5.4)	21,086	(20.7)	15,917	(47.5)	6,759	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2017	195.84	195.52
Fiscal year ended March 31, 2016	47.01	46.92

(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, 2017	188,363	169,361	89.7	1,164.69
As of March 31, 2016	157,430	132,361	83.8	1,082.99

(For reference) Equity: As of March 31, 2017: ¥168,984 million
As of March 31, 2016: ¥131,986 million

* This report of consolidated financial results is outside the scope of audit procedures.

* 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. Overview of Operating Results and Financial Position (1) Overview of Operating Results for Fiscal 2016 (Outlook for Fiscal 2017)" on page 4 of the Appendix.

(2) Dividend Forecast

The Company decides the dividend amount taking into consideration the financial results and other factors for each fiscal year. Consequently, 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, 2018 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 11, 2017. 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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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for Fiscal 2016

During the fiscal year ended March 31, 2017, the Japanese economy continued on a mild recovery track. As for the outlook, while movement towards mild recovery is expected partly due to the effects of various government policies, it is necessary to pay attention to the uncertainty in the international economy and impact of fluctuations in financial capital markets.

Under these conditions, during the fiscal year ended March 31, 2017, the Group worked 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.

Revenue increased slightly year-on-year. 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.

Cost of sales and selling, general and administrative expenses in total decreased slightly on a year-on-year basis. This was due mainly to the decreases in commission fees related to the utilization of IP (intellectual property) and advertising expenses.

Other income amounted to ¥6,472 million, up 67.4% year-on-year, mainly as a result of reporting a gain on transfer of the businesses which had been operating under the names "DeNA Shopping" and "au Shopping Mall" to KDDI Corporation effective December 28, 2016.

Other expenses came to ¥9,037 million, up 49.6% year-on-year. The Group withdrew all articles from its curation platform services*1, which are part of the New Businesses and Others segment. Business plans, etc., for this business have not been determined at this time and related impairment loss on goodwill and other assets related to this business, has therefore been recorded under other expenses during the third quarter of the fiscal year ended March 31, 2017. In addition, in conjunction with the dissolution and liquidation of DeNA Global, Inc. and other overseas subsidiaries that were engaged in the Game Business in the U.S. and Europe*2, various expenses were incurred as a result of retiring related software and closing physical locations, and expenses for retirement of intangible assets and other expenses were also incurred in the Game Business in Japan and internationally.

Profit for the year attributable to owners of the parent was ¥30,826 million, up 172.2% year-on-year. As a result of the dissolution and liquidation of the overseas subsidiaries as mentioned above, the Group recognized an income tax benefit due to the increase of deferred tax assets and tax refundable related to the loss on the valuation of shares of related subsidiaries, which was already written off on Japanese standalone financial statements in the past. This benefit boosted profit for the year attributable to owners of the parent.

As a result, revenue of the DeNA Group was ¥143,806 million, up 0.1% year-on-year, operating profit was ¥23,178 million, up 17.0% year-on-year, profit before tax was ¥25,628 million, up 22.9% year-on-year, and profit for the year attributable to owners of the parent was ¥30,826 million, up 172.2% year-on-year.

- (Notes)
- 1 Disclosure of December 5, 2016, titled "Notice Regarding Establishment of Third-Party Investigative Committee and Withdrawal of All Articles from Entire Curation Platform Services" and Disclosure of March 13, 2017, titled "Notice Regarding Receipt of Investigation Report from the Third-Party Committee and Planned Initiatives"
 - 2 Disclosure of October 18, 2016, titled "Notice Regarding the Dissolution and Liquidation of Overseas Subsidiaries"

Business performance by segment is as follows.

1) Game Business

Revenue of the Game Business was ¥101,427 million, down 7.5% year-on-year, and segment profit was ¥28,262 million, up 9.1% year on year.

The Group has been reexamining its business strategy since the start of the second half of the fiscal year ended March 31, 2017 mainly in terms of its policy on the allocation of resources and regional offices in anticipation of greater success in the application market. Initiatives taken by the Group towards the growth

of its application business include the release of *Super Mario™ Run* and *Fire Emblem Heroes*, which are collaborative titles with Nintendo Co., Ltd., in Japan and internationally. Additionally, consumption of virtual currency in native app titles increased both domestically and internationally thanks to the release of collaborative titles such as those mentioned above as well as the strong performance of existing titles mainly in the domestic market.

While virtual currency consumption performed steadily in the application market, virtual currency consumption declined in the highly profitable browser market.

2) E-commerce Business

Revenue of the E-commerce Business was ¥19,167 million, down 3.6% year-on-year, and segment profit was ¥2,064 million, down 21.9% year-on-year.

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

As stated above, shopping service businesses which had been operating under the names “DeNA Shopping” and “au Shopping Mall” were transferred to KDDI Corporation as of December 28, 2016, and therefore are not included in revenue and segment profit of the E-commerce Business from the fourth quarter of the fiscal year ended March 31, 2017.

3) Sports Business

Revenue of the Sports Business was ¥13,761 million, up 39.1% year-on-year, and segment profit was ¥1,087 million, compared with segment loss of ¥1,003 million for the previous fiscal 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, has contributed to the performance on a full-year basis from the fiscal year ended March 31, 2017.

4) New Businesses and Others*1

Revenue of the New Businesses and Others was ¥10,439 million, up 81.8% year-on-year, and segment loss was ¥5,149 million, compared with segment loss of ¥4,706 million for the previous fiscal year.

As for the curation platform business, all articles from the curation platform services have been withdrawn as of December 7, 2016. Revenue of said business was ¥3,660 million, and operating loss was ¥2,882 million*2.

(Notes) 1 This section is comprised of the curation platform business, the IP-generating platform business, the healthcare business, the automotive business and other businesses.

2 These figures represent the results of the entity on an administrative accounting basis, i.e. after allocation of common expenses, etc., and have not undergone audit procedures under the Financial Instruments and Exchange Act.

(Outlook for Fiscal 2017)

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.

The Group expects in its consolidated financial results forecast for the first quarter of the fiscal year ending March 31, 2018 revenue of ¥36,400 million, down 4.9% year-on-year, operating profit of ¥7,500 million, up 2.0% year-on-year, and profit for the period attributable to owners of the parent of ¥7,400 million, up 43.2% year-on-year.

In the Game Business, the Group will work to strengthen the existing key titles and continue with efforts to launch new titles in Japan. For the global market, the Group will continue to develop titles through its business and capital alliance with Nintendo Co., Ltd, and the Group will also advance initiatives focused on titles in collaboration with external partners, including the development and operation of applications that utilize leading IP in China.

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.

In the Sports Business, the Group continues to aim to reach a higher level of attendance at the home games of the Yokohama DeNA Baystars for the 2017 season.

In the New Businesses and Others, the Group will promote initiatives for turning each business profitable through assessing their growth phase while ensuring thorough cost management and assessing investments appropriately.

All articles provided by the services under the curation platform business have been withdrawn as of now, and no plans have been determined for this business, so revenue from this service is not expected in the consolidated financial results forecast for the first quarter of the fiscal year ending March 31, 2018.

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) Overview of Financial Position and Cash Flow for Fiscal 2016

1) Financial Position

Total assets at the end of the fiscal year ended March 31, 2017 were ¥298,260 million, an increase of ¥43,399 million compared to the end of the previous fiscal year.

Current assets were ¥145,627 million, an increase of ¥25,805 million compared to the end of the previous fiscal year. This was due to various increases including an increase in cash and cash equivalents by ¥12,984 million and an increase in trade and other current receivables by ¥11,379 million.

Non-current assets were ¥152,633 million, representing an increase of ¥17,594 million compared to the end of the previous fiscal year. This was due mainly to an increase in other non-current financial assets by ¥14,963 million.

Total liabilities at the end of the fiscal year ended March 31, 2017 amounted to ¥61,564 million, an increase of ¥3,031 million compared to the end of the previous fiscal year.

Current liabilities were ¥53,978 million, an increase of ¥1,655 million compared to the end of the previous fiscal year. This was due primarily to an increase in other current liabilities by ¥3,053 million and a decrease in income tax payables by ¥2,535 million.

Non-current liabilities stood at ¥7,586 million, representing an increase of ¥1,376 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥1,445 million in other non-current financial liabilities.

Total equity at the end of the fiscal year ended March 31, 2017 was ¥236,696 million, representing an increase of ¥40,368 million compared to the end of the previous fiscal year. This was primarily attributable to an increase of ¥28,159 million in retained earnings.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 269.8% and 77.0%, respectively, at the end of the fiscal year ended March 31, 2017.

2) Cash Flows

Cash and cash equivalents (collectively, “cash”) at the end of the fiscal year ended March 31, 2017 increased by ¥12,984 million to ¥88,152 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, 2017 was ¥22,682 million, compared to a cash inflow of ¥26,707 million in the previous fiscal year. The principal cash inflow factors were ¥25,628 million in profit before tax and ¥11,065 million in depreciation and amortization, which offset the effect of ¥9,848 million in income tax paid.

(Investing activities)

Net cash used in investing activities for the fiscal year ended March 31, 2017 was ¥7,404 million, compared to a cash outflow of ¥39,986 million in the previous fiscal year. The principal cash outflow factor was ¥14,105 million in acquisition of intangible assets.

(Financing activities)

Net cash used in financing activities for the fiscal year ended March 31, 2017 was ¥2,445 million, compared to a cash inflow of ¥20,128 million in the previous fiscal year. The principal cash outflow factor was ¥2,907 million in cash dividends paid.

(3) Basic Policy for Distribution of Profit and Dividends for Fiscal 2016 and 2017

The Company regards continuing enhancement of its corporate value through business growth and strengthening of the management structure and contributing to shareholders' interest to be important management priorities.

With respect to allocating profit to shareholders through dividends, while considering performance of each fiscal year, the Company, as a basic principle, sets as a minimum whichever is higher, a consolidated payout ratio of 15% or an annual dividend of ¥20 per share of the Company's common stock, and plans to continue paying a dividend with the aim of a consolidated payout ratio of 30% in the future.

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.

The Company is scheduled to pay a regular cash dividend for its common stock of ¥32 per share (versus a cash dividend of ¥20 per share for the previous fiscal year) for the fiscal year under review, having taken into account performance, the future business environment, and internal reserves for the continued growth of business based on the basic principle described above. The consolidated payout ratio will be 15.1% (versus 25.4% 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, while making aggressive investments to strengthen the earnings base of its principal businesses in order to maximize corporate value.

Although the Company has not disclosed a forecast for its cash dividend in fiscal 2017 because a full-year financial results forecast has not yet been disclosed at present, as is stated in "1. Overview of Operating Results and Financial Position (1) Overview of Operating Results for Fiscal 2016 (Outlook for Fiscal 2017)" on page 4, 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, 2018.

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 in the event of an occurrence. 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 report. Since these matters have inherent uncertainties, the actual results and outcomes may differ from these judgments.

(1) Business Environment Risk

1) Responding to Changes in the Internet-related Industry and New Technologies

Especially with the increase in activity with mobile devices, Internet usage is currently seeing the daily creation of Internet services in a diverse variety of fields. Moreover, the mobile game market, with which the Company's principal business is affiliated, is also reaching a significant scale.

The Group is capitalizing on its strengths in Internet services for mobile users, with the provision of games and all types of services focusing on mobile devices such as smartphones. However, in the markets associated with the services that the Group provides, 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 for Internet-based services continues to expand, the Group may not necessarily grow favorably at the same pace.

In addition, with the development of new Internet-related technologies and the constant introduction of new services based on these technologies, 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. Furthermore, 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) Responding to OS Providers for Mobile Devices

The Group operates its business aimed at mobile devices equipped with OS (operating systems) such as Android or iOS. In the event that the Group is unable to provide its services due to accidents or other problems related to these OSs, or if the Group is unable to provide the same services as in the past because of major changes in the conditions and rules imposed by the OS providers for providing services on these OSs, or if responding to such changes in the conditions and rules requires large expenditures, there may be an adverse impact on the Group's business and performance.

3) 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 PCs may have an adverse impact on the Group's business and performance.

(2) Individual Business Risk

1) Games and Other Social Media Business

Changes in user tastes and preferences may be rapid and extreme in businesses that use contents, as typified by social games. 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, it may cause an adverse impact on the Group's business and performance.

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 may cause an adverse impact on the Group's business and performance.

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 carries out inspections of 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 may cause an adverse impact on the Group's business and performance.

3) Internet Advertising

The Group operates a number of Internet media. 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, possibly causing an adverse impact on the Group's business and performance.

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 may cause an adverse impact on the Group's business and performance.

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 are difficult to predict in advance, it may cause an adverse impact on the Group's business and performance. Furthermore, Paygent strives to meet international standards for security management through compliance with PCI DSS, an international standard for the protection of credit card information, and acquisition of "ISO/IEC 27001:2005 (JIS Q 27001:2006)" (commonly referred to as ISMS) certification, the system for qualifying for information security management. However, if problems arise that were not anticipated under these standards, it may cause an adverse impact on the Group's business and performance.

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

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, it may cause an adverse impact on the Group's business and performance.

6) Healthcare Business

The Group engages in the healthcare business. While the Group constructs its services and pursues research and development in this business in such a way that they do not come in conflict with the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics and the Medical Practitioner's Law, and other regulations, future amendments to regulations regarding the application of approval processes and related regulations, as well as circumstances leading to some kinds of constraints and additional expenses involving this business or devices and other products it handles may adversely impact the Group's business and performance. Additionally, as this business handles a large amount of highly-sensitive information such as personal health records and genetic information, in the event of leakage or improper handling of information, the Group may receive claims for large amounts of damages or administrative sanctions.

In addition, the speed of technological innovation in the market for genetic testing services that this business is involved in is fast, and competition is expected to intensify. Additionally, whether or not the Group's services are involved, changes in market conditions as a result of situations giving rise to social or moral questions or changes in business partners may have an effect on business performance. Furthermore, with regard to genetic testing, in the event that testing errors, unforeseen circumstances leading to an environment in which testing is not possible, or a shortage of or defects in testing devices required for the business lead to the cessation of services, a recall of products sold, or claims for large amounts of damages alongside a loss of trust in the Group, it may cause an adverse impact on the Group's business and performance.

7) Automotive Business

The Group engages in the automotive business comprising car-sharing services using mobile devices and research and development aimed at practical application of taxis and motor truck transportation using autonomous driving technology.

While the Group will construct its services and pursue research and development in this business in such a way that they do not come in conflict with the Road Traffic Act, Road Transportation Act, and other regulations, in the event that circumstances arise in which amendments to related regulations lead to some kinds of constraints and additional expenses involving this business, or if amendments to regulations needed for the commercialization of these services are not made, it may adversely impact the Group's business and performance. Furthermore, in this business, there is the possibility of traffic accidents involving injury or death, or damage to property, and the possibility of serious problems arising between users or between users and third parties. If the Group's services are determined to be the cause in such cases, either directly or indirectly, resulting in a cessation of services or claims for large amounts of damages alongside a loss of trust in the Group and impairment in the Group's brand image, it may have an adverse impact on the Group's business and performance. Moreover, development of new technologies is continuing in this field, and if the Group lags behind in its response to new technologies, 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.

8) Sports Business

The Group engages in the sports business including management of the professional baseball team "Yokohama DeNA Baystars."

In this business, the shift in trends in the target industry of sports may have an adverse impact on the Group's business and performance. Moreover, the game results of the team under management may have an adverse impact on attendance at games and on earnings, in addition to which expenditures for strengthening the team in order to improve their game results or capital investment may have an adverse impact on the Group's business and performance.

Further, the Group operates the "Yokohama Stadium" facility on the basis of a contract for preferential utilization for entertainment purposes, including holding professional baseball games, with Yokohama City, the owner of the stadium. The situation concerning renewal of this contract or changes to the terms of usage may lead to the inability to use the stadium facility, or to restrictions on said usage, which may have an adverse impact on the Group's business and performance.

9) 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, personnel expenses required for development, 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, possibly causing an adverse impact on the Group's business and performance.

10) 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 capabilities in areas such as development or business management 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 may cause an adverse impact on the Group's business and performance.

11) 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 may cause an adverse impact on the Group's business and performance. 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 may cause an adverse impact on the Group's business and performance.

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, it may cause an adverse impact on the Group's business and performance.

12) 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, possibly causing an adverse impact on the Group's business and performance. In addition, in services that provide functions for communication between users, issues may arise related to inappropriate behavior, such as 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, it may cause an adverse impact on the Group's business and performance.

In addition, regarding investment securities such as shares acquired in association with capital alliances or other deals, in the event that the asset value of the investment securities changes due to the financial results of the issuing company, the financial market or any other factors, it may cause an adverse impact on the Group's performance and financial position.

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), it may cause a very serious effect on the Group's business and performance.

Also, while the Company does implement countermeasures such as decentralizing its data centers, 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, it may cause an adverse impact on the Group's business and performance.

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

(5) Management Systems Risk

1) Human Resources

In recent years, the Group has rapidly expanded its business domain, focusing on games. 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 constrains the expansion of the business, and may cause an adverse impact on the Group's business and performance.

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.

As well as corporate planning division is responsible for internal control reporting system (J-SOX), the Company is working to enhance its internal control system such as establishment of internal auditing division for internal audit 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 may cause an adverse impact on the Group's business and performance.

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, it may cause an adverse impact on the Group's business and performance.

(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 terms of use clearly forbid the improper use of its sites that might lead to social issues. For example, behavior with the intent of matchmaking or behavior that violates the rights of others or might lead to the violation of the rights of others, are not allowed. The Group also monitors communications between users as needed. 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 Mobile Content, 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 may cause an adverse impact on the Group's business and performance.

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, it may cause an adverse impact on the Group's business and performance.

2) Improvements in the Social Game User Environment

To promote the development of the computer entertainment industry, in collaboration with the Computer Entertainment Supplier's Association (CESA), in which other leading gaming platform companies and game providers participate, and other entities, the Group implements various initiatives to advance reasonable game play and improve the user environment. 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 with 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), 5), 6) and 7) and (6) 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.

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

5) Litigation Involving Third Parties

With measures such as promoting compliance training, 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, it may cause an adverse impact on the Group's business and performance. 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 strives to protect its intellectual property rights by acquiring patent rights as necessary 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 may cause an adverse impact on the Group's business and performance.

The Group promotes compliance training and carries out reinforcements to its system of checks handled by the audit and control divisions in order to prevent infringements of third-party intellectual property rights. However, in the event that the Group is subject to lawsuits, etc. by third parties because of violations of intellectual property rights related to the systems or business models of the services operated by the Group, or images or text, etc. carried on the sites of those services, there may be an adverse impact on the Group's business or performance.

(8) Impact of Issues Related to the Curation Platform Business

On December 7, 2016, the Group suspended the publication of articles in the curation platform business (the "Business"), which belongs to the New Businesses and Others segment, in response to criticisms that the articles created and published by the Business may either be in violation of the "Copyright Act" and other laws or contain inappropriate content. Having determined that it was necessary to investigate the details of the facts, ascertain the cause, and examine measures for improvement with regard to this issue, the Company established the Third-Party Committee on December 15, 2016, composed solely of independent members who have no conflicts of interest with the Company. The Investigation Report from the Third-Party Committee was thereafter received on March 11, 2017, and was made public on March 13, 2017.

Based on the results of the Third-Party Committee's investigation, recommendations and other information, as drastic reforms to prevent recurrence, the Company is working to revise and strengthen the corporate governance and internal control (including risk management, compliance and Group management) systems and is striving to change the mindset of all Group officers in order to regain the Company's corporate image and trust. However, the following are possible consequences of these incidents, which may have an adverse impact on the Group's business and performance as a result.

- Fundamental revision and rebuilding of the operating processes of the Business in the event that the Business is resumed
- Decline in sales of the Group's products and services due to damage to the Company's brand and reputation, and revision or cancellation, etc. of transactions or alliances, etc. that are important to the Group
- Occurrence of expenses or losses due to claims for compensation, etc., from users, business partners, alliance partners, and rights holders, etc. in connection with the Business
- Occurrence of criminal penalties or administrative sanctions by authorities in the event that it is determined that the Business violated the "Copyright Act" and other laws and regulations

When a significant decision is made regarding the Business, an announcement will be promptly made, and statements concerning risk factors will be re-examined.

2. Basic Stance Regarding Selection of Accounting Standards

With the Group's movement toward international expansion, it has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended March 31, 2013 in order to adopt global standards in accounting, both ensuring transparency in financial reports and allowing for comparisons to other international companies while also attempting to diversify future fundraising methods with international capital markets in mind.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Statement of Financial Position

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	75,169	88,152
Trade and other current receivables	30,982	42,361
Other current financial assets	2,971	1,643
Other current assets	10,701	13,470
Total current assets	119,822	145,627
Non-current assets		
Property and equipment	2,756	2,144
Goodwill	50,825	46,778
Intangible assets	16,860	17,529
Investments accounted for using the equity method	10,775	13,698
Other non-current financial assets	50,701	65,664
Deferred tax assets	3,075	6,793
Other non-current assets	47	28
Total non-current assets	135,039	152,633
Total assets	254,861	298,260

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	20,275	20,425
Income tax payables	4,091	1,556
Other current financial liabilities	15,514	16,501
Other current liabilities	12,443	15,496
Total current liabilities	52,323	53,978
Non-current liabilities		
Non-current provisions	837	838
Other non-current financial liabilities	2,719	4,164
Other non-current liabilities	2,653	2,584
Total non-current liabilities	6,210	7,586
Total liabilities	58,533	61,564
Equity		
Common stock	10,397	10,397
Capital surplus	10,250	11,215
Retained earnings	163,711	191,870
Treasury stock	(12,456)	(12,225)
Other components of equity	17,306	28,409
Total equity attributable to owners of the parent	189,208	229,666
Non-controlling interests	7,120	7,030
Total equity	196,328	236,696
Total liabilities and equity	254,861	298,260

(2) Consolidated Income Statement

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Revenue	143,709	143,806
Cost of sales	(59,623)	(56,322)
Gross profit	84,086	87,484
Selling, general and administrative expenses	(62,093)	(61,740)
Other income	3,865	6,472
Other expenses	(6,042)	(9,037)
Operating profit	19,816	23,178
Finance income	124	600
Finance costs	(1,048)	(1,053)
Share of profit (loss) of associates accounted for using the equity method	1,960	2,903
Profit before tax	20,853	25,628
Income tax expense	(8,979)	6,559
Profit for the year	11,874	32,187
Attributable to:		
Owners of the parent	11,325	30,826
Non-controlling interests	548	1,361
Profit for the year	11,874	32,187
		(Yen)
Earnings per share attributable to owners of the parent:		
Basic earnings per share	78.76	212.49
Diluted earnings per share	78.61	212.14

(3) Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit for the year	11,874	32,187
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	2,500	11,548
Other	6	11
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	2,506	11,559
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax	(2,420)	(234)
Other	(16)	(9)
Total other comprehensive income that may be reclassified to profit or loss, net of tax	(2,436)	(243)
Other comprehensive income, net of tax	70	11,316
Total comprehensive income for the year	11,943	43,502
Attributable to:		
Owners of the parent	11,580	42,207
Non-controlling interests	364	1,296
Total comprehensive income for the year	11,943	43,502

(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, 2015	10,397	9,650	163,229	(43,918)	17,851	157,210	7,293	164,502
Profit for the year	-	-	11,325	-	-	11,325	548	11,874
Other comprehensive income	-	-	-	-	255	255	(185)	70
Total comprehensive income for the year	-	-	11,325	-	255	11,580	364	11,943
Dividends recognized as distributions to owners	-	-	(2,593)	-	-	(2,593)	(188)	(2,782)
Increase (decrease) through treasury stock transactions	-	(9,186)	-	31,462	(287)	21,989	-	21,989
Increase (decrease) through share-based payment transactions	-	401	-	-	56	457	-	457
Transfer to capital surplus from retained earnings	-	8,818	(8,818)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	64	-	-	-	64	(348)	(284)
Increase (decrease) through transfers and other changes	-	502	569	-	(569)	502	-	502
As of March 31, 2016	10,397	10,250	163,711	(12,456)	17,306	189,208	7,120	196,328

(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 year	-	-	30,826	-	-	30,826	1,361	32,187
Other comprehensive income	-	-	-	-	11,381	11,381	(65)	11,316
Total comprehensive income for the year	-	-	30,826	-	11,381	42,207	1,296	43,502
Dividends recognized as distributions to owners	-	-	(2,900)	-	-	(2,900)	(2,026)	(4,926)
Increase (decrease) through treasury stock transactions	-	(271)	-	231	-	(40)	-	(40)
Increase (decrease) through share-based payment transactions	-	315	-	-	2	317	-	317
Transfer to capital surplus from retained earnings	-	46	(46)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	70	-	-	-	70	607	676
Increase (decrease) through transfers and other changes	-	805	280	-	(280)	805	34	838
As of March 31, 2017	10,397	11,215	191,870	(12,225)	28,409	229,666	7,030	236,696

(5) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Operating activities		
Profit before tax	20,853	25,628
Depreciation and amortization	11,286	11,065
Gain on bargain purchase	(2,030)	-
Gain on transfer of business	(1,186)	(5,953)
Impairment loss	-	4,874
Interest and dividend income	(109)	(358)
Interest expenses	37	25
Decrease (increase) in trade and other current receivables	4,735	(7,010)
Increase (decrease) in trade and other current payables	(2,770)	756
Increase (decrease) in deposits received	1,220	1,995
Other, net	2,363	1,156
Subtotal	34,399	32,177
Dividends received	63	331
Interest paid	(37)	(25)
Interest received	46	47
Income tax paid	(7,765)	(9,848)
Net cash flows from (used in) operating activities	26,707	22,682
Investing activities		
Proceeds from sales of subsidiaries or other businesses, net of cash disposed of	838	5,990
Acquisition of subsidiaries or other businesses, net of cash acquired	(6,098)	(678)
Proceeds from sales and redemption of investment securities	2,084	3,467
Purchases of investment securities	(23,106)	(687)
Acquisition of property and equipment	(800)	(872)
Acquisition of intangible assets	(12,814)	(14,105)
Other, net	(91)	(520)
Net cash flows from (used in) investing activities	(39,986)	(7,404)
Financing activities		
Proceeds from borrowings	1,500	4,050
Repayments of borrowings	(850)	(2,540)
Cash dividends paid	(2,599)	(2,907)
Proceeds from share issuance to non-controlling interests	-	676
Cash dividends paid to non-controlling shareholders	(188)	(2,007)
Proceeds from disposition of treasury stock	22,161	271
Other, net	104	11
Net cash flows from (used in) financing activities	20,128	(2,445)
Net increase (decrease) in cash and cash equivalents	6,849	12,833
Cash and cash equivalents at beginning of year	68,724	75,169
Effect of exchange rate changes on cash and cash equivalents	(404)	151
Cash and cash equivalents at end of year	75,169	88,152

(6) Notes on Going Concern Assumption

Not applicable.

(7) Notes to 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 (Note): 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.

(Note) “DeNA Shopping”, etc. were transferred to KDDI Corporation as of December 28, 2016.

(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 fiscal year ended March 31, 2016

(From April 1, 2015 to March 31, 2016)

	(Millions of yen)					
	Game Business	E-commerce Business	Sports Business	New Businesses and Others*2	Adjustments*3	Total
Revenue						
Revenue from external customers	109,220	18,939	9,888	5,661	—	143,709
Intersegment revenue	419	952	4	81	(1,456)	—
Total	109,640	19,891	9,892	5,742	(1,456)	143,709
Segment profit (loss)*1	25,900	2,643	(1,003)	(4,706)	(842)	21,993
Other income (expenses), net						(2,177)
Operating profit						19,816
Finance income (costs), net						(924)
Share of profit (loss) of associates accounted for using the equity method						1,960
Profit before tax						20,853
Other items						
Depreciation and amortization	8,117	1,742	499	928	—	11,286

(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 the 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.

For the fiscal year ended March 31, 2017
(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Game Business	E-commerce Business	Sports Business	New Businesses and Others*2	Adjustments *3	Total
Revenue						
Revenue from external customers	101,288	18,383	13,701	10,435	—	143,806
Intersegment revenue	140	784	60	5	(989)	—
Total	101,427	19,167	13,761	10,439	(989)	143,806
Segment profit (loss)*1	28,262	2,064	1,087	(5,149)	(520)	25,744
Other income (expenses), net						(2,566)
Operating profit						23,178
Finance income (costs), net						(453)
Share of profit (loss) of associates accounted for using the equity method						2,903
Profit before tax						25,628
Other items						
Depreciation and amortization	7,722	1,630	714	999	—	11,065
Impairment loss	—	—	—	4,874	—	4,874

(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 the 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 fiscal year ended March 31, 2016 and 2017 are as follows:

	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Profit for the year attributable to owners of the parent (Millions of yen)	11,325	30,826
Weighted average number of common shares outstanding during the fiscal year—basic (Shares)	143,792,982	145,070,222
Effect of dilutive potential common shares: Stock options, etc. (Shares)	273,292	239,470
Weighted average number of common shares outstanding during the fiscal year—diluted (Shares)	144,066,274	145,309,692
Earnings per share attributable to owners of the parent (Yen)		
Basic earnings per share	78.76	212.49
Diluted earnings per share	78.61	212.14

3. Impairment of assets

The Group recognized an impairment loss in the New Businesses and Others segment, and it was recorded as “other expenses” in the consolidated income statement. The breakdown of the impairment loss is as follows:

	(Millions of yen)
	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Property and equipment	
Buildings and structures	(106)
Tools, furniture and fixtures	(109)
Other	(88)
Goodwill	(4,333)
Intangible assets	
Software	(223)
Other	(15)
Total	(4,874)

The Group organizes its assets into the smallest group of assets that generates identifiable independent cash flows.

During the fiscal year ended March 31, 2017 all articles were withdrawn from the curation platform services, which are provided by the curation platform business under the New Businesses and Others segment. An investigation on its operational conditions was conducted and the future of this business is

currently under discussion, but at this point nothing has been decided. Since no plans have been determined for this business, value in use is viewed as zero, and an impairment loss of ¥3,948 million has been recorded.

4. Significant Subsequent Events

Not applicable.