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Consolidated Financial Results for the Nine Months Ended December 31, 2017 [IFRS]

February 8, 2018

Company name: DeNA Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2432

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Scheduled date of filing quarterly securities report: February 9, 2018

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 are rounded to the nearest million yen.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

(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	%
Nine months ended December 31, 2017	106,132	(2.4)	26,234	40.6	29,183	39.1	23,345	(22.7)
Nine months ended December 31, 2016	108,720	0.0	18,663	27.1	20,980	29.9	30,219	246.2

	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
Nine months ended December 31, 2017	22,776	(20.9)	31,651	(23.0)	156.93	156.67
Nine months ended December 31, 2016	28,803	244.5	41,127	216.7	198.55	198.23

(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 December 31, 2017	328,807	263,229	256,078	77.9
As of March 31, 2017	298,260	236,696	229,666	77.0

2. Dividends

	Dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total
Fiscal year ended March 31, 2017	Yen —	Yen 0.00	Yen —	Yen 32.00	Yen 32.00
Fiscal year ending March 31, 2018	—	0.00	—		
Fiscal year ending March 31, 2018 (Forecast)				32.00	32.00

(Note) The dividend forecast for the fiscal year ending March 31, 2018 has 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
Full year	138,600	(3.6)	26,900	16.1	23,600 (23.4)	162.60

(Note) The full-year financial result forecast has been determined at this time.

* Notes

(1) Changes in Significant Subsidiaries during the Period under Review (changes in specified subsidiaries accompanying changes in scope of consolidation): Yes
Excluded: 2 companies (DeNA Global, Inc., ngmoco, LLC)

(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 December 31, 2017	150,810,033 shares
As of March 31, 2017	150,810,033 shares

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

As of December 31, 2017	5,658,043 shares
As of March 31, 2017	5,721,342 shares

3) Average number of shares during the period:

Nine months ended December 31, 2017	145,136,953 shares
Nine months ended December 31, 2016	145,064,844 shares

(Note) The 362,372 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 December 31, 2017, and the 425,754 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, 2017.

* This report of quarterly consolidated financial results is outside the scope of quarterly review.

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

(2) 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 February 8, 2018. 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

During the nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017), the Japanese economy saw a mild recovery.

Under these conditions, during the fiscal year ending March 31, 2018, the Group is making efforts to enhance corporate value over the mid to long term by continuing to work on strengthening its Game Business, which is the Group's principal business, while in the long term strengthening its business portfolio to develop multiple new business pillars for further mid to long term growth.

During the nine months ended December 31, 2017, revenue decreased year-on-year. Despite a year-on-year increase in revenue of the Sports Business, there was a revenue decline in the E-commerce Business and other businesses.

Cost of sales and selling, general and administrative expenses in total decreased slightly on a year-on-year basis. Although commission fees related to settlement of in-game fees decreased, outsourcing expenses increased mainly due to bolstering of the operating structure for existing titles. Sales promotion expenses and advertising expenses were used mainly for promising game titles.

In other income, following the completion of the liquidation procedures for the Company's overseas subsidiaries DeNA Global, Inc. and ngmoco, LLC, the cumulative amount of foreign currency translation adjustments related to the relevant overseas subsidiaries that was accumulated in other components of equity in the equity section of the consolidated statement of financial position, has been reclassified from equity to profit. As a result, the Group recorded ¥10,656 million for the nine months ended December 31, 2017.

Finance income increased year-on-year mainly due to an increase in dividend income.

In the consolidated financial results for the nine months ended December 31, 2016, the Group decided to dissolve and liquidate the overseas subsidiaries, such as DeNA Global, Inc., engaged in the Game Business in the U.S. and Europe, and as a result the Group recognized an income tax benefit due to deferred tax assets 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 period attributable to owners of the parent.

As a result, revenue of the DeNA Group was ¥106,132 million, down 2.4% year-on-year, operating profit was ¥26,234 million, up 40.6% year-on-year, profit before tax was ¥29,183 million, up 39.1% year-on-year, and profit for the period attributable to owners of the parent was ¥22,776 million, down 20.9% year-on-year.

Business performance by segment is as follows.

Starting from the three months ended June 30, 2017, changes have been made to the method of calculating segment profit (loss). In association with this change, segment profit (loss) for the nine months ended December 31, 2016 has also been compared and analyzed after the restatement.

For details, please refer to "2. Condensed Consolidated Financial Statements and Principal Notes (7) Notes to Condensed Consolidated Financial Statements 1. Segment information" of the Appendix.

1) Game Business

Revenue of the Game Business was ¥72,889 million, down 1.6% year-on-year, and segment profit was ¥19,126 million, down 0.5% year-on-year.

While virtual currency consumption for browser titles declined year-on-year, virtual currency consumption for native app titles increased year-on-year both domestically and internationally thanks to the collaborative titles with Nintendo Co., Ltd., as well as the strong performance of existing titles in the domestic market.

2) E-commerce Business

Revenue of the E-commerce Business was ¥11,770 million, down 19.9% year-on-year, and segment profit was ¥65 million, down 95.6% year-on-year.

In processing settlement services, the transaction volume grew steadily. However, in the travel agency service, during the three months ended June 30, 2017, the Company made corrections of costs attributed to

the Company's subsidiary DeNA Travel before March 31, 2017, and there was a decline in usage in auction services.

Also, the businesses which had been operating under the names "DeNA Shopping" and "au Shopping Mall" were transferred in December 2016.

3) Sports Business

Revenue of the Sports Business was ¥15,187 million, up 23.0% year-on-year, and segment profit was ¥3,395 million, up 40.6% year-on-year. Yokohama DeNA Baystars Baseball Club, Inc. performed strongly, with an increase in attendance at home games and the team advancing to the Japan Series, etc.

4) New Businesses and Others

Revenue of the New Businesses and Others was ¥7,004 million, down 16.3% year-on-year, and segment loss was ¥3,664 million, compared with segment loss of ¥3,415 million for the same period of the previous fiscal year.

This section comprises various initiatives that aim to reinforce the Group's business portfolio over the mid to long term such as the IP-generating platform business, healthcare business, automotive business and net service incubation business, as well as the media business (Note).

While revenue from this section declined year-on-year due to a decline in revenue from the media business, the Group worked to ensure proper costs and an appropriate organizational structure of this business.

(Note) In the media business, SHOGAKUKAN Inc. and the Company established the joint venture MERY Co., Ltd. in August 2017, with the aim of jointly operating a digital media business mainly focused on women's fashion. MERY Co., Ltd. is an equity method affiliate company and is not included in segment results. As of today, the date of filing this document, the Group does not plan to operate any media independently.

(2) Overview of Financial Position and Cash Flows

1) Financial Position

Total assets at the end of the nine months ended December 31, 2017 were ¥328,807 million, an increase of ¥30,547 million compared to the end of the previous fiscal year.

Current assets were ¥152,906 million, an increase of ¥7,279 million compared to the end of the previous fiscal year. This was due mainly to an increase in cash and cash equivalents by ¥12,449 million, which offset a decrease in trade and other current receivables of ¥4,347 million.

Non-current assets were ¥175,902 million, representing an increase of ¥23,269 million compared to the end of the previous fiscal year. This was due mainly to an increase in other non-current financial assets by ¥25,013 million.

Total liabilities at the end of the nine months ended December 31, 2017 amounted to ¥65,578 million, an increase of ¥4,014 million compared to the end of the previous fiscal year.

Current liabilities were ¥55,731 million, an increase of ¥1,753 million compared to the end of the previous fiscal year. This was due primarily to an increase in income tax payables of ¥2,534 million, which offset a decrease in other current liabilities of ¥1,870 million.

Non-current liabilities stood at ¥9,847 million, representing an increase of ¥2,261 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥3,078 million in deferred tax liabilities.

Total equity at the end of the nine months ended December 31, 2017 was ¥263,229 million, representing an increase of ¥26,533 million compared to the end of the previous fiscal year. This was primarily attributable to an increase of ¥17,964 million in retained earnings.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 274.4% and 77.9%, respectively, at the end of the nine months ended December 31, 2017.

2) Cash Flows

Cash and cash equivalents (collectively, “cash”) at the end of the nine months ended December 31, 2017 increased by ¥12,449 million to ¥100,601 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 nine months ended December 31, 2017 was ¥30,258 million, compared to a cash inflow of ¥15,017 million in the same period of the previous fiscal year. The principal cash inflow factors were ¥29,183 million in profit before tax and ¥8,311 million in depreciation and amortization, which offset the effect of ¥10,656 million in gain on reclassification of foreign currency translation adjustments for foreign operations.

(Investing activities)

Net cash used in investing activities for the nine months ended December 31, 2017 was ¥11,620 million, compared to a cash outflow of ¥4,034 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥11,025 million in acquisition of intangible assets.

(Financing activities)

Net cash used in financing activities for the nine months ended December 31, 2017 was ¥6,289 million, compared to a cash outflow of ¥3,749 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥4,644 million in cash dividends paid.

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

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.

In the Game Business, the Group will work to strengthen 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 seek to expand transactions in the areas of travel agency services and processing settlement services.

In the Sports Business, revenue will be limited because the fourth quarter falls under the off-season of professional baseball.

In the New Businesses and Others, the Group will promote appropriate investments and initiatives for turning each business profitable through assessing their growth phase.

Further, in each business, the Group will ensure thorough cost management and assess investments appropriately, and endeavor to reduce expenses, etc.

As a result, for the financial results forecast for the fiscal year ending March 31, 2018, the Group expects revenue of ¥138,600 million, down 3.6% year-on-year, operating profit of ¥26,900 million, up 16.1% year-on-year, and profit for the period attributable to owners of the parent of ¥23,600 million, down 23.4% year-on-year.

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 while aiming for a consolidated payout ratio of 30% in the future.

For the fiscal year ending March 31, 2018, taking into consideration the full-year financial results forecast, dividends per share are planned at ¥32 (consolidated payout ratio of 19.7%) as compared to ¥32 paid for the previous fiscal year (consolidated payout ratio of 15.1%).

The forward-looking statements herein are based on current information and certain assumptions deemed reasonable, but involve many uncertain factors. Actual results may differ significantly from these forecasts due to a wide range of factors.

2. Condensed Consolidated Financial Statements and Principal Notes

(1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	88,152	100,601
Trade and other current receivables	42,361	38,014
Other current financial assets	1,643	2,898
Other current assets	13,470	11,392
Total current assets	145,627	152,906
Non-current assets		
Property and equipment	2,144	2,158
Goodwill	46,778	46,538
Intangible assets	17,529	19,657
Investments accounted for using the equity method	13,698	15,760
Other non-current financial assets	65,664	90,677
Deferred tax assets	6,793	1,086
Other non-current assets	28	26
Total non-current assets	152,633	175,902
Total assets	298,260	328,807

	(Millions of yen)	
	As of March 31, 2017	As of December 31, 2017
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	20,425	20,324
Income tax payables	1,556	4,090
Other current financial liabilities	16,501	17,691
Other current liabilities	15,496	13,626
Total current liabilities	53,978	55,731
Non-current liabilities		
Non-current provisions	838	838
Other non-current financial liabilities	4,164	3,367
Deferred tax liabilities	2,338	5,416
Other non-current liabilities	246	225
Total non-current liabilities	7,586	9,847
Total liabilities	61,564	65,578
Equity		
Common stock	10,397	10,397
Capital surplus	11,215	11,082
Retained earnings	191,870	209,834
Treasury stock	(12,225)	(12,014)
Other components of equity	28,409	36,779
Total equity attributable to owners of the parent	229,666	256,078
Non-controlling interests	7,030	7,151
Total equity	236,696	263,229
Total liabilities and equity	298,260	328,807

(2) Condensed Consolidated Income Statement

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Revenue	108,720	106,132
Cost of sales	(42,628)	(43,345)
Gross profit	66,092	62,787
Selling, general and administrative expenses	(47,242)	(46,447)
Other income	6,336	11,416
Other expenses	(6,523)	(1,523)
Operating profit	18,663	26,234
Finance income	523	1,442
Finance costs	(177)	(319)
Share of profit (loss) of associates accounted for using the equity method	1,971	1,826
Profit before tax	20,980	29,183
Income tax expense	9,239	(5,837)
Profit for the period	30,219	23,345
Attributable to:		
Owners of the parent	28,803	22,776
Non-controlling interests	1,416	570
Profit for the period	30,219	23,345
		(Yen)
Earnings per share attributable to owners of the parent:		
Basic earnings per share	198.55	156.93
Diluted earnings per share	198.23	156.67

(3) Condensed Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit for the period	30,219	23,345
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	9,640	18,905
Other	11	-
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	9,650	18,905
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax	1,265	(10,602)
Other	(7)	3
Total other comprehensive income that may be reclassified to profit or loss, net of tax	1,258	(10,599)
Other comprehensive income, net of tax	10,908	8,306
Total comprehensive income for the period	41,127	31,651
Attributable to:		
Owners of the parent	39,814	31,065
Non-controlling interests	1,313	586
Total comprehensive income for the period	41,127	31,651

(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, 2016	10,397	10,250	163,711	(12,456)	17,306	189,208	7,120	196,328
Profit for the period	-	-	28,803	-	-	28,803	1,416	30,219
Other comprehensive income	-	-	-	-	11,011	11,011	(103)	10,908
Total comprehensive income for the period	-	-	28,803	-	11,011	39,814	1,313	41,127
Dividends recognized as distributions to owners	-	-	(2,900)	-	-	(2,900)	(2,026)	(4,926)
Increase (decrease) through treasury stock transactions	-	(266)	-	225	-	(40)	-	(40)
Increase (decrease) through share-based payment transactions	-	253	-	-	22	275	-	275
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	-	689	-	-	-	689	308	997
As of December 31, 2016	10,397	11,042	189,568	(12,230)	28,340	227,116	7,322	234,437

(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, 2017	10,397	11,215	191,870	(12,225)	28,409	229,666	7,030	236,696
Profit for the period	-	-	22,776	-	-	22,776	570	23,345
Other comprehensive income	-	-	-	-	8,289	8,289	16	8,306
Total comprehensive income for the period	-	-	22,776	-	8,289	31,065	586	31,651
Dividends recognized as distributions to owners	-	-	(4,643)	-	-	(4,643)	(1,187)	(5,830)
Increase (decrease) through treasury stock transactions	-	(265)	-	211	-	(54)	-	(54)
Increase (decrease) through share-based payment transactions	-	29	-	-	81	110	-	110
Transfer to capital surplus from retained earnings	-	60	(60)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	(14)	-	-	-	(14)	(33)	(47)
Increase (decrease) through transfers and other changes	-	58	(110)	-	-	(52)	755	703
As of December 31, 2017	10,397	11,082	209,834	(12,014)	36,779	256,078	7,151	263,229

(5) Condensed Consolidated Statement of Cash Flows

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Operating activities		
Profit before tax	20,980	29,183
Depreciation and amortization	8,362	8,311
Gain on reclassification of foreign currency translation adjustments for foreign operations	-	(10,656)
Gain on transfer of business	(5,953)	-
Impairment loss	3,859	504
Interest and dividend income	(317)	(1,110)
Interest expenses	16	17
Decrease (increase) in trade and other current receivables	(5,593)	(242)
Increase (decrease) in trade and other current payables	656	(957)
Increase (decrease) in deposits received	1,654	1,792
Other, net	776	743
Subtotal	24,441	27,585
Dividends received	272	1,012
Interest paid	(16)	(17)
Interest received	45	98
Income tax paid	(9,725)	(3,204)
Income tax refund	-	4,784
Net cash flows from (used in) operating activities	15,017	30,258
Investing activities		
Proceeds from sales of subsidiaries or other businesses, net of cash disposed of	5,990	57
Acquisition of subsidiaries or other businesses, net of cash acquired	(435)	(0)
Proceeds from sales and redemption of investment securities	2,116	961
Purchases of investment securities	(603)	(575)
Acquisition of property and equipment	(769)	(1,173)
Acquisition of intangible assets	(9,950)	(11,025)
Other, net	(384)	135
Net cash flows from (used in) investing activities	(4,034)	(11,620)
Financing activities		
Proceeds from borrowings	2,750	700
Repayments of borrowings	(2,540)	(1,300)
Cash dividends paid	(2,906)	(4,644)
Proceeds from share issuance to non-controlling interests	676	12
Cash dividends paid to non-controlling shareholders	(2,007)	(1,154)
Proceeds from disposition of treasury stock	267	98
Other, net	11	(0)
Net cash flows from (used in) financing activities	(3,749)	(6,289)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net increase (decrease) in cash and cash equivalents	7,234	12,349
Cash and cash equivalents at beginning of period	75,169	88,152
Effect of exchange rate changes on cash and cash equivalents	321	99
Cash and cash equivalents at end of period	82,724	100,601

(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 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, Yokohama DeNA Running Club, etc.
New Businesses and Others	New businesses and other services (provided in Japan and internationally) Principal business domains (Note): IP-generating platform business, healthcare business, automotive business, net service incubation business, media business, etc.

(Note) Businesses stated as mobile social incubation business and curation platform business until the fiscal year ended March 31, 2017 were renamed to net service incubation business and media business from the three months ended June 30, 2017, respectively.

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, 2017.

Intersegment revenue is calculated based on external market prices.

Starting from the three months ended June 30, 2017, in order to more appropriately evaluate and manage the performance of each reportable segment, the basis of allocation of the Company’s common expenses was revised, and the method of calculating profit or loss of operating segments was changed.

Segment information for the nine months ended December 31, 2016 was prepared based on the changed calculation method.

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

For the nine months ended December 31, 2016
(From April 1, 2016 to December 31, 2016)

(Millions of yen)

	Game Business	E-commerce Business*2	Sports Business	New Businesses and Others*3	Adjustments*4	Total
Revenue						
Revenue from external customers	73,940	14,096	12,318	8,366	—	108,720
Intersegment revenue	100	601	31	5	(738)	—
Total	74,039	14,698	12,349	8,371	(738)	108,720
Segment profit (loss)*1	19,215	1,479	2,415	(3,415)	(845)	18,850
Other income (expenses), net						(187)
Operating profit						18,663
Finance income (costs), net						346
Share of profit (loss) of associates accounted for using the equity method						1,971
Profit before tax						20,980

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

2 The shopping business was transferred effective December 28, 2016.

3 “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, automotive business and mobile social incubation business.
Services in the curation platform business have been discontinued since December 7, 2016.

4 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 nine months ended December 31, 2017
(From April 1, 2017 to December 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	72,843	11,252	15,035	7,002	—	106,132
Intersegment revenue	46	518	152	2	(718)	—
Total	72,889	11,770	15,187	7,004	(718)	106,132
Segment profit (loss)*1	19,126	65	3,395	(3,664)	(2,583)	16,341
Other income (expenses), net						9,894
Operating profit						26,234
Finance income (costs), net						1,123
Share of profit (loss) of associates accounted for using the equity method						1,826
Profit before tax						29,183

- (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, healthcare business, automotive business, net service incubation business and media 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 nine months ended December 31, 2016 and 2017 are as follows:

	Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Profit for the period attributable to owners of the parent (Millions of yen)	28,803	22,776
Weighted average number of common shares outstanding during the period—basic (Shares)	145,064,844	145,136,953
Effect of dilutive potential common shares: Stock options, etc. (Shares)	239,300	239,476
Weighted average number of common shares outstanding during the period—diluted (Shares)	145,304,144	145,376,429
Earnings per share attributable to owners of the parent (Yen)		
Basic earnings per share	198.55	156.93
Diluted earnings per share	198.23	156.67

3. Impairment of assets

The Group recognizes impairment losses in the New Businesses and Others segment, which are recorded under “other expenses” in the condensed consolidated income statement.

The breakdown of the impairment losses is as follows.

	Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Property and equipment		
Buildings and structures	(98)	—
Tools, furniture and fixtures	(35)	—
Goodwill	(3,576)	(504)
Intangible assets		
Software	(149)	—
Other	(1)	—
Total	(3,859)	(504)

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

In the nine months ended December 31, 2016, all articles were withdrawn from the curation platform services in order to conduct an investigation of the operating structure and approach for the curation platform business. The future of this business had been under discussion, but nothing was decided as of the end of the

nine months ended December 31, 2016. Since no plans had been determined for this business, value in use is viewed as zero, and an impairment loss of ¥3,859 million has been recorded.

In the nine months ended December 31, 2017, the Company carried out a review of the business plans with respect to some of the services in the healthcare business. As a result, the recoverable amount falls short of its carrying amount due to decline in the forecasted revenue, etc., and an impairment loss of ¥504 million has been recorded. The recoverable amount is measured based on its fair value less costs of sale, and by using the pre-tax discount rate of 11.3% calculated from the weighted average cost of capital of the cash generating unit and discounting the future cash flow from this service. The fair value is categorized into level 3 of the fair value hierarchy.

Future cash flow is estimated on the basis of past results and management evaluation of future forecasts, using external and internal information.

4. Other income

In the nine months ended December 31, 2017, DeNA Global, Inc. and ngmoco, LLC were excluded from the scope of consolidation following the completion of the liquidation procedures. As a result, ¥10,656 million of gain on reclassification of foreign currency translation adjustments for foreign operations has been recorded.

5. Significant subsequent events

Not applicable.