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Consolidated Financial Results for the Six Months Ended September 30, 2018 [IFRS]

November 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: November 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 Six Months Ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results

(% changes from the previous corresponding period)

	Revenue		Operating profit		Profit before tax		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	68,215	(7.0)	10,674	(21.9)	14,145	(12.0)	10,195	(6.2)
Six months ended September 30, 2017	73,314	(4.2)	13,658	(10.3)	16,071	6.1	10,864	(6.7)

	Profit for the period attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended September 30, 2018	9,666	(6.6)	3,563	(88.3)	66.54	66.44
Six months ended September 30, 2017	10,346	(7.9)	30,552	49.9	71.29	71.17

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2018	326,360	269,950	261,874	80.2
As of March 31, 2018	344,609	271,150	263,285	76.4

2. Dividends

	Dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	—	0.00	—	32.00	32.00
Fiscal year ending March 31, 2019	—	0.00			
Fiscal year ending March 31, 2019 (Forecast)			—	—	—

(Notes) 1. Revisions to recently announced dividend forecast: No

2. The dividend forecast for the fiscal year ending March 31, 2019 has not been determined at this time.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(% 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	150,000	7.6	15,500	(43.6)	11,000	(52.1)
						75.78

(Note) Revisions to recently announced financial results forecast: No

* Notes

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

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

1) Changes in accounting policies required by IFRS: Yes

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

3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)

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

As of September 30, 2018	150,810,033 shares
As of March 31, 2018	150,810,033 shares

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

As of September 30, 2018	5,460,269 shares
As of March 31, 2018	5,656,793 shares

3) Average number of shares during the period:

Six months ended September 30, 2018	145,262,076 shares
Six months ended September 30, 2017	145,130,986 shares

(Note) The 274,984 shares of the Company's stock owned by the Stock Grant ESOP Trust account are included in the "Total number of shares of treasury stock at the end of the period" as of September 30, 2018, and the 361,122 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, 2018.

* This report of quarterly consolidated financial results is outside the scope of quarterly review by a certified public accountant or accounting auditor.

* 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.

(2) Dividend Forecast

The Company plans to set the cash dividend forecast for the fiscal year ending March 31, 2019 considering the overall progress in performance and other factors, and promptly announce said expected dividend amount.

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

The Company is planning to hold a briefing session for institutional investors, analysts and the press on November 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 six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018), the Japanese economy saw a mild recovery.

Under these conditions, during the fiscal year ending March 31, 2019, the Group is making efforts to enhance corporate value over the mid to long term by ensuring healthy profitability and creating new hit titles in its Game Business, which is the Group's principal business, while in the long term strengthening its business portfolio for growth focused on developing multiple new business pillars.

During the six months ended September 30, 2018, revenue decreased year-on-year, which was mainly attributable to a decline in revenue in the Game Business.

Cost of sales and selling, general and administrative expenses in total decreased year-on-year. In addition to a decrease in commission fees related to settlement of in-game fees, the Group worked to ensure proper costs, including sales promotion & advertising expenses. In the previous corresponding period, the Company made corrections of costs attributed to its then consolidated subsidiary company DeNA Travel Co., Ltd. before March 31, 2017.

Other expenses increased year-on-year due to an increase in retirement of non-current assets in the Game Business.

As a result, revenue of the DeNA Group was ¥68,215 million, down 7.0% year-on-year, operating profit was ¥10,674 million, down 21.9% year-on-year, profit before tax was ¥14,145 million, down 12.0% year-on-year, and profit for the period attributable to owners of the parent was ¥9,666 million, down 6.6% year-on-year.

Business performance by segment is as follows.

1) Game Business

Revenue of the Game Business was ¥42,715 million, down 12.3% year-on-year, and segment profit was ¥10,063 million, down 25.3% year-on-year.

Virtual currency consumption declined year-on-year. Meanwhile, on the cost side, the Group made efforts to streamline costs, mainly sales promotion & advertising expenses and outsourcing expenses. In addition, the Group continued further optimization of fixed costs. In this way, the Group promoted initiatives to ensure healthy profitability.

2) E-commerce Business

Revenue of the E-commerce Business was ¥6,081 million, down 24.0% year-on-year, and segment profit was ¥621 million, compared with segment loss of ¥135 million for the same period of the previous fiscal year.

Revenue decreased year-on-year primarily due to the transfer of all shares held by the Company in DeNA Travel Co., Ltd. as of May 31, 2018. As stated above, in the previous corresponding period, the Company made corrections of costs attributed to DeNA Travel Co., Ltd. before March 31, 2017, which resulted in segment loss.

3) Sports Business

Revenue of the Sports Business was ¥14,612 million, up 17.1% year-on-year, and segment profit was ¥5,403 million, up 22.5% year-on-year.

Yokohama DeNA Baystars Baseball Club, Inc. had good home game average stadium attendance. In addition, other revenue in the Sports Business also performed strongly.

4) New Businesses and Others

Revenue of the New Businesses and Others was ¥5,187 million, up 13.7% year-on-year, and segment loss was ¥3,548 million, compared with segment loss of ¥2,477 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. For the fiscal year ending March 31, 2019, the Company aggressively implements growth investments in some services in the automotive business, healthcare business and net service incubation business.

(2) Overview of Financial Position and Cash Flows

1) Financial Position

Total assets at the end of the six months ended September 30, 2018 were ¥326,360 million, a decrease of ¥18,250 million compared to the end of the previous fiscal year.

Current assets were ¥149,287 million, a decrease of ¥7,818 million compared to the end of the previous fiscal year. This was due mainly to decreases in trade and other current receivables by ¥4,928 million, and in other current assets by ¥5,533 million.

Non-current assets were ¥177,073 million, representing a decrease of ¥10,432 million compared to the end of the previous fiscal year. This was due mainly to a decrease in other non-current financial assets by ¥11,300 million.

Total liabilities at the end of the six months ended September 30, 2018 amounted to ¥56,410 million, a decrease of ¥17,050 million compared to the end of the previous fiscal year.

Current liabilities were ¥45,652 million, a decrease of ¥13,751 million compared to the end of the previous fiscal year. This was due mainly to decreases in trade and other current payables of ¥2,501 million, and in other current liabilities by ¥10,501 million.

Non-current liabilities stood at ¥10,758 million, representing a decrease of ¥3,299 million compared to the end of the previous fiscal year. This was due mainly to a decrease of ¥2,875 million in deferred tax liabilities.

Total equity at the end of the six months ended September 30, 2018 was ¥269,950 million, representing a decrease of ¥1,200 million compared to the end of the previous fiscal year. This was primarily attributable to a decrease of ¥6,644 million in other components of equity.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 327.0% and 80.2%, respectively, at the end of the six months ended September 30, 2018.

2) Cash Flows

Cash and cash equivalents (collectively, "cash") at the end of the six months ended September 30, 2018 increased by ¥2,927 million to ¥106,595 million compared to the end of the previous fiscal year. Cash flows in each area of activity and their respective contributing factors are as follows.

(Operating activities)

Net cash provided by operating activities for the six months ended September 30, 2018 was ¥13,830 million, compared to a cash inflow of ¥24,101 million in the same period of the previous fiscal year. The principal cash inflow factor was ¥14,145 million in profit before tax.

(Investing activities)

Net cash used in investing activities for the six months ended September 30, 2018 was ¥7,503 million, compared to a cash outflow of ¥6,822 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥7,126 million in acquisition of intangible assets.

(Financing activities)

Net cash used in financing activities for the six months ended September 30, 2018 was ¥4,019 million, compared to a cash outflow of ¥6,990 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥4,640 million in cash dividends paid.

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

For the consolidated financial results forecast for the fiscal year ending March 31, 2019, the Group expects no change to the full year forecast announced on May 10, 2018 in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2018.

2. Condensed Consolidated Financial Statements and Principal Notes

(1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	103,668	106,595
Trade and other current receivables	40,574	35,646
Other current financial assets	2,878	2,593
Other current assets	9,986	4,453
Total current assets	157,105	149,287
Non-current assets		
Property and equipment	5,178	7,124
Goodwill	46,335	46,099
Intangible assets	18,840	16,597
Investments accounted for using the equity method	16,503	18,124
Other non-current financial assets	99,563	88,263
Deferred tax assets	1,020	850
Other non-current assets	66	15
Total non-current assets	187,504	177,073
Total assets	344,609	326,360

	(Millions of yen)	
	As of March 31, 2018	As of September 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	20,426	17,925
Income tax payables	1,371	2,955
Other current financial liabilities	21,884	19,551
Other current liabilities	15,722	5,221
Total current liabilities	59,403	45,652
Non-current liabilities		
Non-current provisions	949	957
Other non-current financial liabilities	988	563
Deferred tax liabilities	11,895	9,020
Other non-current liabilities	225	219
Total non-current liabilities	14,057	10,758
Total liabilities	73,460	56,410
Equity		
Common stock	10,397	10,397
Capital surplus	11,335	11,172
Retained earnings	210,044	214,929
Treasury stock	(12,010)	(11,498)
Other components of equity	43,518	36,874
Total equity attributable to owners of the parent	263,285	261,874
Non-controlling interests	7,865	8,076
Total equity	271,150	269,950
Total liabilities and equity	344,609	326,360

(2) Condensed Consolidated Income Statement

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Revenue	73,314	68,215
Cost of sales	(29,148)	(28,592)
Gross profit	44,166	39,623
Selling, general and administrative expenses	(30,676)	(27,992)
Other income	658	606
Other expenses	(490)	(1,563)
Operating profit	13,658	10,674
Finance income	1,152	2,143
Finance costs	(190)	(246)
Share of profit (loss) of associates accounted for using the equity method	1,452	1,575
Profit before tax	16,071	14,145
Income tax expense	(5,208)	(3,950)
Profit for the period	10,864	10,195
Attributable to:		
Owners of the parent	10,346	9,666
Non-controlling interests	518	529
Profit for the period	10,864	10,195
		(Yen)
Earnings per share attributable to owners of the parent:		
Basic earnings per share	71.29	66.54
Diluted earnings per share	71.17	66.44

(3) Condensed Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit for the period	10,864	10,195
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	19,617	(6,850)
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	19,617	(6,850)
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax	71	219
Other	1	(0)
Total other comprehensive income that may be reclassified to profit or loss, net of tax	72	219
Other comprehensive income, net of tax	19,689	(6,631)
Total comprehensive income for the period	30,552	3,563
Attributable to:		
Owners of the parent	29,987	3,070
Non-controlling interests	566	494
Total comprehensive income for the period	30,552	3,563

(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, 2017	10,397	11,215	191,870	(12,225)	28,409	229,666	7,030	236,696
Profit for the period	-	-	10,346	-	-	10,346	518	10,864
Other comprehensive income	-	-	-	-	19,641	19,641	48	19,689
Total comprehensive income for the period	-	-	10,346	-	19,641	29,987	566	30,552
Dividends recognized as distributions to owners	-	-	(4,643)	-	-	(4,643)	(1,187)	(5,830)
Increase (decrease) through treasury stock transactions	-	(251)	-	200	-	(51)	-	(51)
Increase (decrease) through share-based payment transactions	-	(16)	-	-	32	16	-	16
Transfer to capital surplus from retained earnings	-	56	(56)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	5	-	-	-	5	7	12
Increase (decrease) through transfers and other changes	-	39	(5)	-	-	34	823	857
As of September 30, 2017	10,397	11,047	197,512	(12,025)	48,083	255,013	7,239	262,252

(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, 2018	10,397	11,335	210,044	(12,010)	43,518	263,285	7,865	271,150
Profit for the period	-	-	9,666	-	-	9,666	529	10,195
Other comprehensive income	-	-	-	-	(6,596)	(6,596)	(35)	(6,631)
Total comprehensive income for the period	-	-	9,666	-	(6,596)	3,070	494	3,563
Dividends recognized as distributions to owners	-	-	(4,645)	-	-	(4,645)	(693)	(5,338)
Increase (decrease) through treasury stock transactions	-	(397)	-	512	(164)	(49)	-	(49)
Increase (decrease) through share-based payment transactions	-	116	-	-	116	231	-	231
Transfer to capital surplus from retained earnings	-	117	(117)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	-	-	-	-	-	(6)	(6)
Increase (decrease) through transfers and other changes	-	0	(18)	-	-	(18)	416	397
As of September 30, 2018	10,397	11,172	214,929	(11,498)	36,874	261,874	8,076	269,950

(5) Condensed Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Operating activities		
Profit before tax	16,071	14,145
Depreciation and amortization	5,298	5,514
Interest and dividend income	(843)	(923)
Interest expenses	8	6
Share of loss (profit) of associates accounted for using the equity method	(1,452)	(1,575)
Decrease (increase) in trade and other current receivables	2,714	1,406
Increase (decrease) in trade and other current payables	(906)	(2,686)
Increase (decrease) in deposits received	(886)	1,946
Increase (decrease) in advances received	(2,518)	(2,730)
Other, net	3,268	(1,339)
Subtotal	20,755	13,765
Dividends received	805	849
Interest paid	(8)	(6)
Interest received	38	75
Income tax paid	(2,273)	(1,374)
Income tax refund	4,784	522
Net cash flows from (used in) operating activities	24,101	13,830
Investing activities		
Proceeds from sales of subsidiaries or other businesses, net of cash disposed of	57	-
Sales of subsidiaries or other businesses, net of cash acquired	-	(628)
Proceeds from sales and redemption of investment securities	881	2,194
Purchases of investment securities	(363)	(28)
Acquisition of property and equipment	(369)	(1,945)
Acquisition of intangible assets	(7,102)	(7,126)
Other, net	73	29
Net cash flows from (used in) investing activities	(6,822)	(7,503)
Financing activities		
Proceeds from borrowings	-	1,200
Repayments of borrowings	(1,300)	-
Cash dividends paid	(4,641)	(4,640)
Proceeds from share issuance to non-controlling interests	12	-
Cash dividends paid to non-controlling shareholders	(1,154)	(653)
Proceeds from disposition of treasury stock	94	74
Other, net	-	(0)
Net cash flows from (used in) financing activities	(6,990)	(4,019)
Net increase (decrease) in cash and cash equivalents	10,289	2,308
Cash and cash equivalents at beginning of period	88,152	103,668
Effect of exchange rate changes on cash and cash equivalents	(68)	618
Cash and cash equivalents at end of period	98,373	106,595

(6) Notes on Going Concern Assumption

Not applicable.

(7) Notes to Condensed Consolidated Financial Statements

1. Changes in accounting policies

The Group has adopted IFRS 9 “Financial Instruments” (revised in July 2014) and IFRS 15 “Revenue from Contracts with Customers” from the three months ended June 30, 2018. There is no material effect of the adoption of these standards to the condensed consolidated financial statements.

With the exception of the above, significant accounting policies adopted to the condensed consolidated financial statements are identical to those adopted to the consolidated financial statements of the fiscal year ended March 31, 2018.

2. 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: Processing settlement services, Mobaoku, and DeNA Travel (Note), etc.
Sports Business	Sports-related services (provided in Japan) Principal services: Yokohama DeNA Baystars Baseball Club, operation of the Yokohama Stadium, Kawasaki Brave Thunders, Yokohama DeNA Running Club, etc.
New Businesses and Others	New businesses and other services (provided in Japan and internationally) Principal business domains: IP-generating platform business, healthcare business, automotive business, net service incubation business, etc.

(Note) The Company transferred its all shares in DeNA Travel Co., Ltd., which was operating the service DeNA Travel, to Evolvable Asia Corp. effective May 31, 2018.

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

Accounting policies for reportable segments are identical to those stated in “2. Condensed Consolidated Financial Statements and Principle Notes (7) Notes to Condensed Consolidated Financial Statements 1. Changes in accounting policies.”

Intersegment revenue is calculated based on external market prices.

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

For the six months ended September 30, 2017
(From April 1, 2017 to September 30, 2017)

(Millions of yen)

	Game Business	E-commerce Business	Sports Business	New Businesses and Others*2	Adjustments*3	Total
Revenue						
Revenue from external customers	48,700	7,657	12,397	4,561	—	73,314
Intersegment revenue	15	345	86	2	(447)	—
Total	48,714	8,002	12,482	4,562	(447)	73,314
Segment profit (loss)*1	13,465	(135)	4,410	(2,477)	(1,773)	13,490
Other income (expenses), net						168
Operating profit						13,658
Finance income (costs), net						961
Share of profit (loss) of associates accounted for using the equity method						1,452
Profit before tax						16,071

(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 and net service 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 six months ended September 30, 2018
(From April 1, 2018 to September 30, 2018)

(Millions of yen)

	Game Business	E-commerce Business*2	Sports Business	New Businesses and Others*3	Adjustments*4	Total
Revenue						
Revenue from external customers	42,697	5,767	14,564	5,187	—	68,215
Intersegment revenue	18	314	48	0	(380)	—
Total	42,715	6,081	14,612	5,187	(380)	68,215
Segment profit (loss)*1	10,063	621	5,403	(3,548)	(909)	11,630
Other income (expenses), net						(957)
Operating profit						10,674
Finance income (costs), net						1,897
Share of profit (loss) of associates accounted for using the equity method						1,575
Profit before tax						14,145

- (Notes) 1 Segment profit (loss) is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
- 2 The Company transferred its all shares in DeNA Travel Co., Ltd., which fell into the “E-Commerce Business” reportable segment and was operating the service DeNA Travel, to Evolable Asia Corp. effective May 31, 2018.
- 3 “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 and net service incubation business.
- 4 Adjustments in segment profit (loss) represent corporate expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.

3. Earnings per share

The basis for calculating earnings per share attributable to owners of the parent for the six months ended September 30, 2017 and 2018 are as follows:

	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Profit for the period attributable to owners of the parent (Millions of yen)	10,346	9,666
Weighted average number of common shares outstanding during the period—basic (Shares)	145,130,986	145,262,076
Effect of dilutive potential common shares: Stock options, etc. (Shares)	239,474	224,033
Weighted average number of common shares outstanding during the period—diluted (Shares)	145,370,460	145,486,109
Earnings per share attributable to owners of the parent (Yen)		
Basic earnings per share	71.29	66.54
Diluted earnings per share	71.17	66.44

4. Significant subsequent events

Not applicable.