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Consolidated Financial Results for the Nine Months Ended December 31, 2018 [IFRS]

February 7, 2019

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 8, 2019

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, 2018 (from April 1, 2018 to December 31, 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	%
Nine months ended December 31, 2018	94,646	(10.8)	8,583	(67.3)	11,595	(60.3)	8,428	(63.9)
Nine months ended December 31, 2017	106,132	(2.4)	26,234	40.6	29,183	39.1	23,345	(22.7)

	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
Nine months ended December 31, 2018	8,007	(64.8)	(13,212)	—	55.11	55.03
Nine months ended December 31, 2017	22,776	(20.9)	31,651	(23.0)	156.93	156.67

(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, 2018	305,712	253,188	245,080	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)				40.00	40.00

(Note) 1. Revisions to recently announced dividend forecast: Yes

2. Breakdown of year-end dividend (forecast): Regular dividend 20 yen; one-time special dividend 20 yen

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	125,800	(9.7)	13,600	(50.6)	10,500 (54.3)	72.26

(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 December 31, 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 December 31, 2018	5,460,269 shares
As of March 31, 2018	5,656,793 shares

3) Average number of shares during the period:

Nine months ended December 31, 2018	145,288,382 shares
Nine months ended December 31, 2017	145,136,953 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 December 31, 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) 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 7, 2019. 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, 2018 (from April 1, 2018 to December 31, 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 nine months ended December 31, 2018, revenue decreased year-on-year, which was mainly attributable to a decline in revenue in the Game Business and the transfer of all shares held by the Company in DeNA Travel Co., Ltd., resulting in the performance of said business being removed from the Group's consolidated financial performance.

Cost of sales and selling, general and administrative expenses in total decreased year-on-year. In addition to a decrease in commission fees, mainly in those related to settlement of in-game fees, the Group worked to ensure proper costs, including sales promotion & advertising expenses, etc.

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

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

As a result, revenue of the DeNA Group was ¥94,646 million, down 10.8% year-on-year, operating profit was ¥8,583 million, down 67.3% year-on-year, profit before tax was ¥11,595 million, down 60.3% year-on-year, and profit for the period attributable to owners of the parent was ¥8,007 million, down 64.8% year-on-year.

Business performance by segment is as follows.

1) Game Business

Revenue of the Game Business was ¥62,483 million, down 14.3% year-on-year, and segment profit was ¥13,199 million, down 31.0% 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 ¥8,944 million, down 24.0% year-on-year, and segment profit was ¥953 million, up 1,361.5% year-on-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. In the previous corresponding period, the Company made corrections of costs attributed to DeNA Travel Co., Ltd. before March 31, 2017.

3) Sports Business

Revenue of the Sports Business was ¥15,792 million, up 4.0% year-on-year, and segment profit was ¥3,025 million, down 10.9% 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 ¥8,018 million, up 14.5% year-on-year, and segment loss

was ¥5,439 million, compared with segment loss of ¥3,664 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 nine months ended December 31, 2018 were ¥305,712 million, a decrease of ¥38,897 million compared to the end of the previous fiscal year.

Current assets were ¥151,348 million, a decrease of ¥5,757 million compared to the end of the previous fiscal year. This was due mainly to decreases in trade and other current receivables by ¥5,848 million.

Non-current assets were ¥154,364 million, representing a decrease of ¥33,140 million compared to the end of the previous fiscal year. This was due mainly to a decrease in other non-current financial assets by ¥34,088 million.

Total liabilities at the end of the nine months ended December 31, 2018 amounted to ¥52,524 million, a decrease of ¥20,936 million compared to the end of the previous fiscal year.

Current liabilities were ¥48,343 million, a decrease of ¥11,060 million compared to the end of the previous fiscal year. This was due mainly to decreases in trade and other current payables of ¥3,907 million, and in other current liabilities by ¥9,312 million.

Non-current liabilities stood at ¥4,181 million, representing a decrease of ¥9,875 million compared to the end of the previous fiscal year. This was due mainly to a decrease of ¥9,705 million in deferred tax liabilities.

Total equity at the end of the nine months ended December 31, 2018 was ¥253,188 million, representing a decrease of ¥17,961 million compared to the end of the previous fiscal year. This was primarily attributable to a decrease of ¥21,590 million in other components of equity.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 313.1% and 80.2%, respectively, at the end of the nine months ended December 31, 2018.

2) Cash Flows

Cash and cash equivalents (collectively, "cash") at the end of the nine months ended December 31, 2018 increased by ¥5,295 million to ¥108,963 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, 2018 was ¥20,120 million, compared to a cash inflow of ¥30,258 million in the same period of the previous fiscal year. The principal cash inflow factors were ¥11,595 million in profit before tax and ¥8,277 million in depreciation and amortization.

(Investing activities)

Net cash used in investing activities for the nine months ended December 31, 2018 was ¥11,264 million, compared to a cash outflow of ¥11,620 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥10,731 million in acquisition of intangible assets.

(Financing activities)

Net cash used in financing activities for the nine months ended December 31, 2018 was ¥4,021 million, compared to a cash outflow of ¥6,289 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥4,642 million in cash dividends paid.

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

The Group has revised the consolidated financial results forecast for the fiscal year ending March 31, 2019 announced on May 10, 2018 in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 [IFRS], and expects revenue of ¥125,800 million, down 9.7% year-on-year, operating profit of ¥13,600 million, down 50.6% year-on-year, and profit for the period attributable to owners of the parent of ¥10,500 million, down 54.3% year-on-year. For details, please refer to Notice Regarding Financial Results Forecast Revision announced on February 5, 2019.

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.

The Company is scheduled to pay a regular cash dividend of ¥20 per share for the fiscal year ending March 31, 2019, having taken into account several circumstances such as business performance, the future business environment, and internal reserves for the continued growth of business.

In addition, the Company is scheduled to pay a one-time special dividend of ¥20 per share for the fiscal year ending March 31, 2019 on the occasion of our 20th anniversary.

Accordingly, the total dividend is expected to be ¥40 per share for the fiscal year ending March 31, 2019 (consolidated payout ratio of 55.3%) as compared to ¥32 paid for the previous fiscal year (consolidated payout ratio of 20.2%).

The forward-looking statements herein are based on current information and certain assumptions deemed reasonable, but involve many uncertain factors. Actual results may differ 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, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	103,668	108,963
Trade and other current receivables	40,574	34,726
Other current financial assets	2,878	3,043
Other current assets	9,986	4,616
Total current assets	157,105	151,348
Non-current assets		
Property and equipment	5,178	6,951
Goodwill	46,335	45,997
Intangible assets	18,840	16,716
Investments accounted for using the equity method	16,503	18,394
Other non-current financial assets	99,563	65,475
Deferred tax assets	1,020	822
Other non-current assets	66	10
Total non-current assets	187,504	154,364
Total assets	344,609	305,712

	(Millions of yen)	
	As of March 31, 2018	As of December 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	20,426	16,519
Income tax payables	1,371	1,371
Other current financial liabilities	21,884	24,043
Other current liabilities	15,722	6,410
Total current liabilities	59,403	48,343
Non-current liabilities		
Non-current provisions	949	969
Other non-current financial liabilities	988	617
Deferred tax liabilities	11,895	2,191
Other non-current liabilities	225	405
Total non-current liabilities	14,057	4,181
Total liabilities	73,460	52,524
Equity		
Common stock	10,397	10,397
Capital surplus	11,335	10,983
Retained earnings	210,044	213,270
Treasury stock	(12,010)	(11,498)
Other components of equity	43,518	21,928
Total equity attributable to owners of the parent	263,285	245,080
Non-controlling interests	7,865	8,108
Total equity	271,150	253,188
Total liabilities and equity	344,609	305,712

(2) Condensed Consolidated Income Statement

	(Millions of yen)	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Revenue	106,132	94,646
Cost of sales	(43,345)	(42,192)
Gross profit	62,787	52,454
Selling, general and administrative expenses	(46,447)	(42,088)
Other income	11,416	719
Other expenses	(1,523)	(2,502)
Operating profit	26,234	8,583
Finance income	1,442	1,892
Finance costs	(319)	(563)
Share of profit (loss) of associates accounted for using the equity method	1,826	1,683
Profit before tax	29,183	11,595
Income tax expense	(5,837)	(3,167)
Profit for the period	23,345	8,428
Attributable to:		
Owners of the parent	22,776	8,007
Non-controlling interests	570	422
Profit for the period	23,345	8,428
		(Yen)
Earnings per share attributable to owners of the parent:		
Basic earnings per share	156.93	55.11
Diluted earnings per share	156.67	55.03

(3) Condensed Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit for the period	23,345	8,428
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	18,905	(21,911)
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	18,905	(21,911)
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax	(10,602)	274
Other	3	(3)
Total other comprehensive income that may be reclassified to profit or loss, net of tax	(10,599)	271
Other comprehensive income, net of tax	8,306	(21,641)
Total comprehensive income for the period	31,651	(13,212)
Attributable to:		
Owners of the parent	31,065	(13,579)
Non-controlling interests	586	367
Total comprehensive income for the period	31,651	(13,212)

(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	-	-	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

(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	-	-	8,007	-	-	8,007	422	8,428
Other comprehensive income	-	-	-	-	(21,586)	(21,586)	(54)	(21,641)
Total comprehensive income for the period	-	-	8,007	-	(21,586)	(13,579)	367	(13,212)
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	-	139	-	-	160	299	-	299
Transfer to capital surplus from retained earnings	-	117	(117)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	(212)	-	-	-	(212)	207	(6)
Increase (decrease) through transfers and other changes	-	0	(18)	-	-	(18)	362	344
As of December 31, 2018	10,397	10,983	213,270	(11,498)	21,928	245,080	8,108	253,188

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Operating activities		
Profit before tax	29,183	11,595
Depreciation and amortization	8,311	8,277
Gain on reclassification of foreign currency translation adjustments for foreign operations	(10,656)	-
Impairment loss	504	1,005
Interest and dividend income	(1,110)	(1,234)
Interest expenses	17	19
Share of loss (profit) of associates accounted for using the equity method	(1,826)	(1,683)
Decrease (increase) in trade and other current receivables	(242)	2,278
Increase (decrease) in trade and other current payables	(957)	(3,845)
Increase (decrease) in deposits received	1,792	6,438
Increase (decrease) in advances received	(2,511)	(973)
Other, net	5,079	(1,444)
Subtotal	27,585	20,434
Dividends received	1,012	1,100
Interest paid	(17)	(19)
Interest received	98	85
Income tax paid	(3,204)	(2,003)
Income tax refund	4,784	523
Net cash flows from (used in) operating activities	30,258	20,120
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)
Acquisition of subsidiaries or other businesses, net of cash acquired	(0)	-
Proceeds from sales and redemption of investment securities	961	2,204
Purchases of investment securities	(575)	(45)
Acquisition of property and equipment	(1,173)	(2,134)
Acquisition of intangible assets	(11,025)	(10,731)
Other, net	135	70
Net cash flows from (used in) investing activities	(11,620)	(11,264)
Financing activities		
Proceeds from borrowings	700	1,200
Repayments of borrowings	(1,300)	-
Cash dividends paid	(4,644)	(4,642)
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	98	74
Other, net	(0)	(1)
Net cash flows from (used in) financing activities	(6,289)	(4,021)
Net increase (decrease) in cash and cash equivalents	12,349	4,836
Cash and cash equivalents at beginning of period	88,152	103,668
Effect of exchange rate changes on cash and cash equivalents	99	459
Cash and cash equivalents at end of period	100,601	108,963

(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 all its 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 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 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 nine months ended December 31, 2018
(From April 1, 2018 to December 31, 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	62,458	8,486	15,683	8,018	—	94,646
Intersegment revenue	25	457	108	0	(591)	—
Total	62,483	8,944	15,792	8,018	(591)	94,646
Segment profit (loss)*1	13,199	953	3,025	(5,439)	(1,372)	10,366
Other income (expenses), net						(1,783)
Operating profit						8,583
Finance income (costs), net						1,329
Share of profit (loss) of associates accounted for using the equity method						1,683
Profit before tax						11,595

- (Notes) 1 Segment profit (loss) is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
- 2 The Company transferred all its 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 nine months ended December 31, 2017 and 2018 are as follows:

	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Profit for the period attributable to owners of the parent (Millions of yen)	22,776	8,007
Weighted average number of common shares outstanding during the period—basic (Shares)	145,136,953	145,288,382
Effect of dilutive potential common shares: Stock options, etc. (Shares)	239,476	203,071
Weighted average number of common shares outstanding during the period—diluted (Shares)	145,376,429	145,491,453
Earnings per share attributable to owners of the parent (Yen)		
Basic earnings per share	156.93	55.11
Diluted earnings per share	156.67	55.03

4. Impairment of assets

The Group recognized impairment losses, 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, 2017 (From April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Property and equipment		
Other	—	(62)
Goodwill	(504)	—
Intangible assets		
Software	—	(943)
Total	(504)	(1,005)

(Millions of yen)

The Group organizes its assets into the smallest group of assets that generates identifiable independent cash flows. Future cash flow is estimated on the basis of past results and management evaluation of future forecasts, using external and internal information.

For the nine months ended December 31, 2017

(From April 1, 2017 to December 31, 2017)

The Company carried out a review of the business plans with respect to some of the services in the healthcare business, which is a part of the New Businesses and Others segment. As a result, the recoverable amount fell short of its carrying amount due to decline in the forecasted revenue, etc., and an impairment

loss of ¥504 million was recorded. The recoverable amount was 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 was categorized into level 3 of the fair value hierarchy.

For the nine months ended December 31, 2018

(From April 1, 2018 to December 31, 2018)

In certain services in the Game Business, an impairment loss of ¥943 million was recorded for software associated with said services as initially projected revenues can no longer be expected. The recoverable amount was calculated based on its value in use, and as future cash flow was expected to be negative, this value was viewed as zero.

5. 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 was recorded.

6. Significant subsequent events

(Equity transfer)

The Company resolved to transfer all equity interests in MyAnimeList, LLC (hereinafter “MyAnimeList”), a consolidated subsidiary of the Company, to Media Do International, Inc. (head office: State of California, U.S., representative director: Daihei Shiohama, hereinafter “Media Do International”), a subsidiary of MEDIA DO HOLDINGS Co., Ltd. (head office: Chiyoda-ku, Tokyo, representative director and CEO: Yasushi Fujita) and signed an equity interest transfer agreement with Media Do International on January 15, 2019.

(1) Objective of the equity transfer

In 2010, the Group acquired equity interests in Gameview Studios, LLC, the forerunner of MyAnimeList, and made it a consolidated subsidiary. However, after considering what would be best for the further development of the business in the future, the Company concluded this equity interest transfer agreement.

(2) Overview of the changing subsidiary

Company name	MyAnimeList, LLC
Address	665 3rd Street Suite 150, San Francisco, CA 94107
Name and title of representative	Yoichiro Watanabe, CEO
Description of business	Operation of MyAnimeList, an English language community website for anime and manga fans
Established	June 2000
Segment	New Businesses and Others

(3) Outline of the equity transfer

On March 1, 2019, all equity interests in MyAnimeList held by DeNA Corp. are scheduled to be transferred to Media Do International. The actual transfer price is ¥120 million. Compensation for the transfer is scheduled to be settled in cash.

(4) Date of sale and impacts on profit or loss

The execution date of the equity transfer is scheduled to be March 1, 2019. Any impact on operating results for the fourth quarter is currently under review.

(Share transfer)

The Company resolved in a Board of Directors meeting on January 31, 2019 to transfer all of the Company's shares in its consolidated subsidiary Paygent Co., Ltd. (hereinafter "Paygent") to NTT Data Corporation (hereinafter "NTT Data"), and signed a share transfer agreement with NTT Data on January 31, 2019.

(1) Objective of the share transfer

The Group has operated a processing settlement service on the internet and mobile phones from 2006. Given recent changes in the settlement space, such as the transition to cashless payment methods, the Group concluded this share transfer agreement in order to facilitate Paygent's future growth.

(2) Overview of the changing subsidiary

Company name	Paygent Co., Ltd.
Address	2-21-1 Shibuya, Shibuya-ku, Tokyo
Name and title of representative	Yoshihiro Takeda, Representative Director and President
Description of business	Processing settlement business related to e-commerce on the internet and mobile phones
Established	May 1, 2006
Segment	E-commerce Business

(3) Number of shares to be transferred, transfer price, and the number of shares held before and after the transfer

No. of shares held before the change	6,700 shares (Note) (Percentage of voting rights held: 50.0%)
No. of shares to be transferred	6,700 shares (Note)
Transfer price	Approx. 6.9 billion yen (cash) (Note)
No. of shares held after the change	0 shares (Percentage of voting rights held: 0.0%)

(Note) The number of shares held before the change and the number of shares to be transferred are premised upon the execution of a planned share buyback by Paygent of 1,300 shares from each existing shareholder, and are expected to be finalized before the transfer takes place. Also, the transfer price is planned to be determined on the basis of the financial performance of Paygent and other conditions stipulated in the transfer contract, and may change.

(4) Date of sale and impacts on profit or loss

The execution date for this share transfer is scheduled for March 29, 2019. From this share transfer, a gain on the sale of shares in a subsidiary of approximately ¥4.6 billion in other income is expected to be recorded in the consolidated income statement for the fourth quarter of the fiscal year ending March 31, 2019.