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Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [IFRS]

May 10, 2019

Company name: DeNA Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2432

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

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Scheduled date of Ordinary General Meeting of Shareholders: June 22, 2019

Scheduled date of commencing dividend payments: June 24, 2019

Scheduled date of filing securities report: June 24, 2019

Availability of supplementary briefing material on financial results: Yes

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

(Amounts are rounded to the nearest million yen.)

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

(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	%
Fiscal year ended March 31, 2019	124,116	(11.0)	13,512	(50.9)	18,069	(40.5)	13,177	(44.2)
Fiscal year ended March 31, 2018	139,390	(3.1)	27,503	18.7	30,390	18.6	23,616	(26.6)

	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
Fiscal year ended March 31, 2019	12,709	(44.7)	(6,618)	—	87.47	87.35
Fiscal year ended March 31, 2018	22,981	(25.4)	38,573	(11.3)	158.34	158.08

	Ratio of profit to equity attributable to owners of the parent	Profit before tax to total assets	Operating profit to revenue
	%	%	%
Fiscal year ended March 31, 2019	4.9	5.6	10.9
Fiscal year ended March 31, 2018	9.3	9.5	19.7

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

Fiscal year ended March 31, 2019: ¥1,875 million

Fiscal year ended March 31, 2018: ¥2,571 million

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	296,460	256,865	251,737	84.9	1,727.52
As of March 31, 2018	344,609	271,150	263,285	76.4	1,810.25

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2019	22,979	(21,008)	(4,656)	101,386
Fiscal year ended March 31, 2018	37,672	(16,520)	(5,390)	103,668

2. Dividends

	Dividends per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends on equity attributable to owners of the parent (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2018	—	0.00	—	32.00	32.00	4,645	20.2	1.9
Fiscal year ended March 31, 2019	—	0.00	—	40.00	40.00	5,814	45.7	2.3
Fiscal year ending March 31, 2020 (Forecast)	—	—	—	—	—		—	

- (Notes) 1. Breakdown of year-end dividend for the fiscal year ended March 31, 2019: Regular dividend 20 yen; one-time special dividend 20 yen
2. The total dividends paid do not include dividends for stocks provided for the Stock Grant ESOP (Employee Stock Ownership Plan) Trust account.
3. The dividend forecast for the fiscal year ending March 31, 2020 has not been determined at this time.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

The consolidated financial results forecast for the fiscal year ending March 31, 2020 cannot be provided due to the difficulty of reasonably & accurately estimating the figures. However, the background thereof and principal matters expected to have an impact on business performance for the fiscal year ending March 31, 2020 are provided in “1. Overview of Operating Results and Financial Position (1) Overview of Operating Results for Fiscal 2018 (Outlook for Fiscal 2019)” of the Appendix.

* Notes

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

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

1) Changes in accounting policies required by IFRS: 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 March 31, 2019	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 March 31, 2019	5,460,269 shares
As of March 31, 2018	5,656,793 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2019	145,302,547 shares
Fiscal year ended March 31, 2018	145,140,615 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 March 31, 2019, 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.

(For Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Non-consolidated Operating Results (% changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2019	77,637	(14.3)	3,992	(68.9)	6,697	(57.4)	9,853	(2.5)
Fiscal year ended March 31, 2018	90,542	(4.7)	12,830	(42.9)	15,716	(30.8)	10,106	(64.4)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2019	67.81	67.72
Fiscal year ended March 31, 2018	69.63	69.51

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	208,440	188,308	90.1	1,291.88
As of March 31, 2018	231,128	200,693	86.6	1,379.14

(For reference) Equity: As of March 31, 2019: ¥187,775 million
As of March 31, 2018: ¥200,187 million

* This report of consolidated financial results is outside the scope of audit 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 May 10, 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.

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for Fiscal 2018

During the fiscal year ended March 31, 2019, the Japanese economy saw a mild recovery.

Under these conditions, during the fiscal year ended 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, while in the long term strengthening its business portfolio for growth focused on developing multiple new business pillars.

During the fiscal year ended March 31, 2019, 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 the impact of the transfer of all shares held by the Company in DeNA Travel Co., Ltd. as of May 31, 2018, resulting in the performance of said business being removed from the Group's consolidated financial performance, and 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.

In other income, during the fiscal year ended March 31, 2019, the Group recorded items including a gain on the sale of shares in a subsidiary of ¥4,544 million in connection with the transfer of all its shares in Paygent Co., Ltd. on March 29, 2019. However, the Group recorded ¥10,656 million for the fiscal year ended March 31, 2018, 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, other income decreased year-on-year.

As a result, revenue of the DeNA Group was ¥124,116 million, down 11.0% year-on-year, operating profit was ¥13,512 million, down 50.9% year-on-year, profit before tax was ¥18,069 million, down 40.5% year-on-year, and profit for the period attributable to owners of the parent was ¥12,709 million, down 44.7% year-on-year.

Business performance by segment is as follows.

During the fiscal year ended March 31, 2019 changes have been made to the segment classification, and comparison and analysis of business performance by segment has been done after restatement to the revised segment classification. For details, please refer to "3. Consolidated Financial Statements and Principal Notes (7) Notes to Consolidated Financial Statements 2. Segment information (1) Outline of reportable segments."

1) Game Business

Revenue of the Game Business was ¥83,556 million, down 14.7% year-on-year, and segment profit was ¥18,273 million, down 27.2% 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 ¥12,256 million, down 23.6% year-on-year, and segment profit was ¥1,299 million, up 168.2% year-on-year.

The decrease in revenue, cost of sales and selling, general and administrative expenses was mainly attributable to the performance of DeNA Travel Co., Ltd. being removed from the Group's consolidated financial performance. In the previous fiscal year, there was an impact from the corrections of costs attributed to DeNA Travel Co., Ltd. before March 31, 2017.

3) Sports Business

Revenue of the Sports Business was ¥18,102 million, up 7.2% year-on-year, and segment profit was ¥1,454 million, down 20.2% year-on-year.

The succession to the Kawasaki Brave Thunders in the B.League, etc. had an impact on profit on a year-on-year basis. However, Yokohama DeNA Baystars Baseball Club, Inc. had good home game average stadium attendance, and in addition, other revenue in the Sports Business also performed strongly.

4) Automotive Business

Revenue of the Automotive Businesses was ¥197 million, up 33.7% year-on-year, and segment loss was ¥3,610 million, compared with segment loss of ¥1,870 million for the previous fiscal year.

For the fiscal year ended March 31, 2019, the Company made investments more aggressively compared to the previous fiscal year, mainly in the launch of the next-generation taxi dispatch app “MOV” and initiatives to expand the supported region and utilization.

5) Healthcare Business

Revenue of the Healthcare Businesses was ¥2,233 million, up 5.1% year-on-year, and segment loss was ¥1,240 million, compared with segment loss of ¥926 million for the previous fiscal year.

Revenue of the Healthcare Business was strong thanks to “MYCODE,” a direct-to-consumer genetic testing service, “Aruite Otoku,” and existing services provided. Meanwhile, the Company made prior investments in anticipation of future business development, including initiatives to realize insurance integrated with wellness programs, and research and development at PFDeNA Inc., a subsidiary of Preferred Networks, Inc. and the Company, to create a blood test system that utilizes deep learning technology to detect 14 types of cancers in their early stages with a small amount of blood.

6) New Businesses and Others

Revenue of the New Businesses and Others was ¥8,568 million, up 19.9% year-on-year, and segment loss was ¥2,439 million, compared with segment loss of ¥2,688 million for the previous fiscal year.

This section comprises various initiatives that aim to reinforce the Group’s business portfolio over the mid to long term, including social live streaming services.

(Outlook for Fiscal 2019)

The Group is working to enhance corporate value over the mid to long term by ensuring healthy profitability and creating new hit titles in its Game Business, and realize further development of the Sports Business. Additionally, the Group is building multiple new business pillars to strengthen its business portfolio for growth with a view to creating significant value over the long term.

To achieve such long-term objectives, the Group will focus its efforts on measures related to the foregoing in the fiscal year ending March 31, 2020. However, since the following combination of factors affecting business performance is expected, it was decided that the consolidated financial results forecast would not be disclosed based on the judgment that it would be difficult to reasonably & accurately estimate such forecast.

1) Game Business

For the fiscal year ending March 31, 2020, the Group is preparing multiple new exciting titles such as *Mario Kart Tour* (scheduled for release in summer 2019), a partnership title with Nintendo. If these titles make a significant contribution during the fiscal year, the Group believes that the Game Business can aim to achieve year-on-year growth again. On the other hand, the Group believes that if business operation remains dependent only on existing titles, the Game Business will see a year-on-year decline in revenue and profit. This makes it difficult to reasonably & accurately estimate the forecast at this time.

2) Sports Business

The Yokohama Stadium expansion is underway for 2020, and partial operation of the completed sections started in the 2019 season. The Group expects increases in segment revenue and profit for the fiscal year ending March 31, 2020, including improved financial performance of the Kawasaki Brave Thunders.

3) New Businesses including Automotive Business and Healthcare Business

Although the segment loss for the former “New Businesses and Others” classification for the fiscal year ended March 31, 2019 was ¥7,300 million (Note), the Group currently expects segment loss of approximately ¥10,000 million for the fiscal year ending March 31, 2020. Of that, the majority of the segment loss is expected to be for the Automotive Business, followed by the Healthcare Business, and both businesses plan to continue initiatives for the future mentioned in the business performance by segment for the fiscal year under review mentioned above. As for investment in new businesses, the Group will proceed by making rational judgments appropriately in a timely manner based on factors such as trends in market conditions while monitoring the progress of strategies. In addition, the Group will adopt the capital management policy of flexibly considering means including the use of outside capital.

(Note) This is the segment loss for the “New Businesses and Others” segment classification used for the nine months ended December 31, 2018 and prior.

In the fiscal year ended March 31, 2019, the Company made transactions such as the transfer of its shares in DeNA Travel Co., Ltd. and Paygent Co., Ltd. (Note), and a gain on the sale of shares in a subsidiary mainly boosted other income. However, regarding the fiscal year ending March 31, 2020, there are currently no matters to be disclosed that would constitute such temporary factors.

(Note) For details, please refer to “Notice Regarding Conclusion of a Memorandum of Understanding Regarding Change in DeNA Subsidiary (Share Transfer)” disclosed on May 14, 2018 and “Notice Regarding Change in DeNA Subsidiary (Share Transfer)” disclosed on January 31, 2019. The performance of DeNA Travel Co., Ltd. and Paygent Co., Ltd. was removed from the Group’s consolidated financial performance after such transfer.

(2) Overview of Financial Position and Cash Flows for Fiscal 2018

1) Financial Position

Total assets at the end of the fiscal year ended March 31, 2019 were ¥296,460 million, a decrease of ¥48,150 million compared to the end of the previous fiscal year.

Current assets were ¥133,741 million, a decrease of ¥23,364 million compared to the end of the previous fiscal year. This was due mainly to decreases in trade and other current receivables by ¥16,127 million.

Non-current assets were ¥162,719 million, representing a decrease of ¥24,786 million compared to the end of the previous fiscal year. This was due mainly to a decrease in other non-current financial assets by ¥28,922 million.

Total liabilities at the end of the fiscal year ended March 31, 2019 amounted to ¥39,595 million, a decrease of ¥33,865 million compared to the end of the previous fiscal year.

Current liabilities were ¥31,887 million, a decrease of ¥27,516 million compared to the end of the previous fiscal year. This was due mainly to a decrease in other current financial liabilities by ¥21,193 million.

Non-current liabilities stood at ¥7,707 million, representing a decrease of ¥6,349 million compared to the end of the previous fiscal year. This was due mainly to a decrease of ¥6,360 million in deferred tax liabilities.

Total equity at the end of the fiscal year ended March 31, 2019 was ¥256,865 million, representing a decrease of ¥14,284 million compared to the end of the previous fiscal year. This was primarily attributable to a decrease of ¥19,624 million in other components of equity.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 419.4% and 84.9%, respectively, at the end of the fiscal year ended March 31, 2019.

2) Cash Flows

Cash and cash equivalents (collectively, “cash”) at the end of the fiscal year ended March 31, 2019 decreased by ¥2,282 million to ¥101,386 million compared to the end of the previous fiscal year. Cash flows in each area of activity and their respective contributing factors are as follows.

(Operating activities)

Net cash provided by operating activities for the fiscal year ended March 31, 2019 was ¥22,979 million, compared to a cash inflow of ¥37,672 million in the same period of the previous fiscal year. The principal cash inflow factors were ¥18,069 million in profit before tax and ¥10,883 million in depreciation and amortization. The principal cash outflow factor was an increase of ¥7,379 million in trade and other current receivables.

(Investing activities)

Net cash used in investing activities for the fiscal year ended March 31, 2019 was ¥21,008 million, compared to a cash outflow of ¥16,520 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥14,673 million in acquisition of intangible assets.

(Financing activities)

Net cash used in financing activities for the fiscal year ended March 31, 2019 was ¥4,656 million, compared to a cash outflow of ¥5,390 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥4,644 million in cash dividends paid.

(3) Basic Policy for Distribution of Profit and Dividends for Fiscal 2018 and 2019

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

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

As one approach to capital management policy is to respond flexibly to changes in the Company's stock price and conditions in the operating environment and return a portion of profit for the year to shareholders, the Company appropriately considers purchases of its own shares from the market.

Regarding retained earnings, the Company's objective is to make effective investments in the establishment of a business portfolio that realizes medium- to long-term growth, while making aggressive investments to strengthen the earnings base of its principal businesses in order to maximize corporate value.

Based on the basic principle described above, the Company is scheduled to pay a regular cash dividend for its common stock of ¥20 per share (versus a cash dividend of ¥32 per share for the previous fiscal year) for the fiscal year under review, having taken into account performance, the future business environment, and internal reserves for the continued growth of business.

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

Accordingly, the total dividend will be ¥40 per share for the fiscal year ended March 31, 2019. In this case, the consolidated payout ratio will be 45.7% (versus 20.2% for the previous fiscal year).

The Company plans to set the cash dividend forecast for Fiscal 2019 based on the basic policy for dividends described above and considering the overall progress in performance and other factors, and promptly announce said expected dividend amount.

The basic policy regarding the payment of dividends from surplus is to pay a year-end dividend once a year.

(4) Risk Factors

This section reviews the principal matters among the various items related to the business and accounting situation that may constitute risks for the DeNA Group and are believed likely to have a material effect on the decisions of investors. The policy of the Group, after these matters are recognized as risks that may occur, is to work to prevent their occurrence and develop countermeasures in the event of an occurrence. However, the Company believes that the judgments of investors regarding the Company's stock must be made after the careful consideration of these matters and other factors that are not covered here.

Unless otherwise indicated, matters related to future developments that are mentioned in this section are judgments of the Group that were made as of the date of the issuance of this report. Since these matters have inherent uncertainties, the actual results and outcomes may differ from these judgments.

(1) Business Environment Risk

1) Responding to Changes in the Internet and AI (Artificial Intelligence)-related Industries and New Technologies

Internet usage continues to expand, particularly usage by mobile devices, and every day new Internet services are created in a diverse variety of fields. In addition, increased utilization of AI technologies in business is gaining attention in society.

The Group is capitalizing on its strengths in Internet services for mobile devices, such as smartphones, with the provision of games and all types of services, and working on initiatives aimed at boosting the value of its services through the utilization of AI technologies. However, in the markets associated with the services that the Group provides, sudden changes in market share owing to new entrants into the industry and structural changes in the market in association with the emergence of new business models may have an adverse impact on the Group's business and performance. The Group sells advertising products such as Internet advertising within each service, and the advertising business, in general, is strongly influenced by changes in demand for and expenditures on advertising that occur with ups and downs in the economy and due to seasonal factors. Furthermore, even if the market for Internet- and AI-based services continues to expand, the Group may not necessarily grow favorably at the same pace.

In addition, with the development of new Internet and AI-related technologies and the constant introduction of new services based on these technologies, in the event that the Group lags behind new technologies due in part to its inability to retain engineers or develop personnel, its competitiveness may decline. Furthermore, in the event that large expenditures are necessary for responding to new technologies, this may have an adverse impact on the Group's business and performance.

2) Responding to OS Providers for Mobile Devices

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

3) Competition

The Group strives to increase its competitiveness by creating and offering distinctive services capturing the needs of the times, taking on measures for improving users' environment and security, and initiatives to ensure improved customer support. However, intensifying competition from companies or new market entrants offering similar services, or changes in trends of consumer demand may have an adverse impact on the Group's business and performance.

(2) Individual Business Risk

1) Businesses Utilizing Content such as Mobile Games

Changes in user tastes and preferences may be rapid and extreme in businesses that use content, as typified by mobile games. In the event that, for some reason, the Group cannot accurately identify user needs and provide content that satisfies them, the appeal of the Group's services to users may decline.

In addition, it is necessary to not only improve existing content but also expand its lineup by introducing new titles on a continuing basis, but in the event that content enrichment does not proceed according to plan, it may cause an adverse impact on the Group's business and performance.

In the event that the content provided by the Group or a third-party developer, or external partners including outsourcing companies cause serious problems, the legal responsibility of the Group may become an issue regardless of the content of contract rules and regulations and terms/conditions. Even where this is not the case, such incidents may cause a loss of trust in the Group and impairment in the Group's brand image, and may have an adverse impact on the Group's business and performance. Furthermore, in the event that changes are made to core content or the Group becomes unable to provide core content due to the change or expiration of contracts or partnership relationships with alliance partners, intellectual property (IP) providers, or companies that provide content to platforms operated by the Group, this may have an adverse impact on the Group's business and performance.

2) E-commerce Business

The E-commerce Business run by the Group, consisting of Internet auction services, in principle, only offers a venue for transactions and the Group itself does not act as a buyer or seller. However, as the provider of a sales venue, the services continue to carry out inspections of the items offered for sale to ensure that these do not violate laws, are not fake brands, are not fraudulent, and do not involve other forms of illegal behavior. In addition, the services' terms and conditions in agreements include phrases that clearly absolve the Group of any responsibility regarding the items shown and any matter or transactions following the closing of the bidding and completion of the shopping transaction. Moreover, based on the Act on Specified Commercial Transactions, which restricts advertising by mail-order retailers, the Group sets its own standards for advertisements it will carry related to such sales for sellers using its Internet auction services according to the number of items they offer, and exercises self-restraint in this area. In addition, the Group's contracts with mail-order retailers state clearly that the responsibility for advertising content lies with the mail-order retailer.

Nevertheless, in the event that serious problems arise between service members and other users on e-commerce services run by the Group, regardless of the content of contract rules and regulations and terms/conditions, the legal responsibility of the Group may become an issue. Even where this is not the case, such incidents may cause a loss of trust in the Group and impairment in the Group's brand image, and may cause an adverse impact on the Group's business and performance.

3) Sports Business

The Group engages in the sports business including management of the professional baseball team "Yokohama DeNA Baystars" and the professional basketball club "Kawasaki Brave Thunders."

In this business, the shift in trends in the target industry of sports and the game results of the team under management may have an adverse impact on attendance at games and on the Group's earnings, in addition to which expenditures for strengthening the team in order to improve their game results or capital investment may have an adverse impact on the Group's business and performance. In addition, as a large number of spectators are in attendance for sporting events, the Group has in place requisite measures, etc., to prevent accidents such as those caused by balls hit by players. However, in the case that accidents, etc., occur despite the implementation of these measures, this may have an adverse impact on the Group's business and performance due to factors such as claims for large amounts of damages alongside a loss of trust in the Group and impairment in the Group's brand image. Furthermore, if facilities used for sporting events are damaged, etc., and made unusable by natural disasters such as earthquakes or typhoons, or by other accidents, this may have an adverse impact on the Group's business and performance. Further, the Group operates the "Yokohama Stadium" facility on the basis of a contract for preferential utilization for entertainment purposes, including holding professional baseball games, with Yokohama City, the owner of

the stadium. The situation concerning renewal of this contract or changes to the terms of usage may lead to the inability to use the stadium facility, or to restrictions on said usage, which may have an adverse impact on the Group's business and performance. Moreover, large-scale renovations are in progress at this stadium, including a significant increase in its seating capacity, and if this renovation does not progress according to plan or if conditions arise such as a requirement for additional expenses, this may have an adverse impact on the Group's business and performance.

4) Automotive Business

The Group engages in the automotive business comprising car-sharing services, operation of car leasing-related services and taxi dispatch apps, and research and development aimed at practical application of transportation services utilizing autonomous vehicles.

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

Moreover, development of new technologies is continuing in the automotive business field, and if the Group lags behind in its response to new technologies or if significant expenditure is required in response to new technologies, it may cause an adverse impact on the Group's business and performance.

5) Healthcare Business

The Group engages in the healthcare business, such as the operation of direct-to-consumer genetic testing services and health promotion support services that use information and communication technology (ICT). While the Group constructs its services and pursues research and development in this business in such a way that they do not come in conflict with the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals and Medical Devices, etc., and the Medical Practitioner's Law, and other regulations, future amendments to regulations regarding the application of approval processes and related regulations, as well as circumstances leading to some kinds of constraints and additional expenses involving this business or devices and other products it handles may adversely impact the Group's business and performance. Additionally, as this business handles a large amount of highly-sensitive information such as personal health records and genetic information, and the amount and range of information is expected to increase as business diversifies in the future, in the event of leakage or improper handling of information, the Group may receive claims for large amounts of damages or administrative sanctions. Furthermore, technological development in the services that this business is involved in is proceeding, and competition in the market may continue. Additionally, whether or not the Group's services are involved, changes in market conditions as a result of situations giving rise to social or moral questions related to the healthcare business may have an effect on business performance. Furthermore, with regard to the healthcare business, in the event of inaccuracies, defects or deficiencies in testing content or other delivered information and services, unforeseen circumstances leading to an environment in which operations such as testing are not possible, a shortage of or defects in devices required for the business, or other situations which inhibit the Group's ability to maintain high-quality services lead to the cessation of services, a recall of products sold, or claims for large amounts of damages alongside a loss of trust in the Group and impairment in the Group's brand image, it may cause an adverse impact on the Group's business and performance.

6) New Businesses

To expand the scale of its business activities and diversify sources of earnings, the Group will continue to engage in aggressive initiatives to provide new services and enter new businesses. As a result, the Group

may have to make investments in systems and incur additional expenditures on advertising, personnel expenses required for development, and other items, which may result in lower profitability. In addition, in launching new services and new businesses, the risks inherent in these new activities become risk factors for the Group. Also, in unexpected situations and other circumstances, the development of new services and new businesses may not proceed as originally planned and the Group may not be able to recover its investments, possibly causing an adverse impact on the Group's business and performance.

7) Venture Investments

The Group invests in venture businesses and funds with the aim of providing support from an early stage for companies with a high growth potential. The unlisted companies where the Group invests may lack sufficient capabilities in areas such as development or business management to adapt to changes in the market, and there are many uncertainties regarding their future growth. These companies may not be able to realize their expected potential and may experience deterioration in performance, thus making it impossible to recover venture fund investments, and this may cause an adverse impact on the Group's business and performance. Furthermore, if the companies in which the Group invests engage in illegal or inappropriate activity, even when issues of legal responsibility of the Group do not arise, such incidents may cause a loss of trust in the Group and impairment in the Group's brand image, and may cause an adverse impact on the Group's business and performance.

8) International Business

As the Group is developing business operations globally, the Group faces many potential risks in its international business, including those related to the legal regulations, systems, political/economic/social conditions, differences in culture/religions/preferences of local users/business customs of other countries, and foreign currency risk. In the event that conducting business becomes difficult because the Group is unable to deal with these risks, or if the development of the Group's international business activities does not proceed according to its plans, this may cause an adverse impact on the Group's business and performance.

In addition, when converting financial statements of international subsidiaries from local currencies to Japanese yen for the preparation of consolidated financial statements or if transactions denominated in foreign currencies increase at the Group, fluctuations in the foreign currency market may have an adverse impact on the Group's performance and financial position.

9) Providing Services to the General Public

The Group provides services to a large number of users who make use of the services, etc., it operates, such as mobile games, game platforms, Internet auction services and a live video streaming platform. Accounts that are receivable from these users are generated when they use the Group's fee-based services. The majority of these accounts receivable are for small amounts. Through the use of the collection agency services of mobile phone carriers and other processing settlement agencies, the incidence of uncollected receivables is minimal, but as the range of users expands and the balance of uncollected receivables increases rapidly, the costs of collecting these receivables and the uncollected balance will rise, possibly causing an adverse impact on the Group's business and performance. In addition, in services that provide functions for communication between users, issues may arise related to inappropriate behavior, such as matters related to ownership rights of others, intellectual property, personal honor, privacy, and other issues that arise from violations of the rights of others, laws and regulations.

The Group is continuously engaging in initiatives to maintain and strengthen its surveillance systems, but it may be difficult to fully supervise the behavior of users on the Group's services, etc. In the event that inappropriate behavior of users leads to trouble, regardless of the content of contract rules and regulations and terms/conditions, the legal responsibility of the Group may become an issue. In addition, even when issues of legal responsibility do not arise, the loss of trust in the Group and impairment in the Group's brand image may have an adverse impact on the Group's business and performance.

10) Internet Advertising

The Group operates a number of services that contain Internet advertising. Looking ahead, the unit prices of advertising services may decline as a result of trends in the Internet advertising industry as a whole and competition with services of other companies. Similarly, such circumstances may also result in increases in selling fees paid to advertising agencies and the cost of winning new business from advertisers, possibly causing an adverse impact on the Group's business and performance.

When other advertisers and the media use the advertising services offered by the Group and serious problems arise because of legal violations, etc., regardless of the content of contracts and terms/conditions, the legal responsibility of the Group may become an issue.

11) Discontinued or Transferred, Etc., Businesses

If illegal activities, fraudulent activities or other inappropriate activities, or unrecognized liabilities are discovered to have occurred in businesses that the Group had operated in the past and has discontinued or transferred, etc., to other companies, the Group may be held legally responsible for such activities or liabilities, or incur loss. In addition, even when issues of legal responsibility or other liability do not arise, such incidents may cause a loss in the trust of the Group and impairment in the Group's brand image, and may have an adverse impact on the Group's business and performance.

(3) Operating Agreements, M&A, and Related Risks

1) Business Alliances and Capital Investments

The Group is working to expand its business activities through business alliances and capital investments, the formation of joint ventures, and other activities that involve relationships with other companies. By combining the operational know-how of the Group with that of alliance and joint venture partners, the Group aims to realize major synergies. However, in the event that these relationships do not achieve the initially conceived positive benefits or these relationships are changed or dissolved, it may cause an adverse impact on the Group's business and performance.

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

2) Expansion through M&A (Corporate Acquisitions, Etc.)

As an effective means of accelerating business expansion, the Group has adopted a policy of making use of M&A. When concluding M&A deals, the Group strives to conduct screenings, including the examination of the financial position of M&A candidate companies, their contractual relationships, and other matters, and makes decisions after considering the risks involved. However, in the event that problems arise, such as the emergence of contingent liabilities after acquisitions have been made and the discovery of unrecognized liabilities that were not found prior to the acquisition, or in the event that the post-merger integration or the development of the acquired business does not proceed as planned, the Group may have to recognize impairment losses on goodwill. These and other contingencies may have an adverse impact on the Group's business and performance.

Also, if an M&A deal results in the addition of business activities that are new to the Group, the risks inherent in these new activities may become risk factors for the Group.

(4) Telecommunications Network and Computer Systems Risk

Many of the businesses of the Group are reliant on telecommunications networks that link computer systems such as mobile devices and PCs. In the event that these networks are disconnected as a result of natural disasters and accidents (including those caused by human factors either inside or outside the Group), it may cause an adverse impact on the Group's business and performance.

Also, while the Company does implement countermeasures such as decentralizing its data centers and migrating to cloud services, in the event that computer systems break down because of unpredictable developments, such as a sudden increase in the number of users accessing the Group's services, etc., an electric power outage, a cloud service failure, or other problems, it may cause an adverse impact on the

Group's business and performance.

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

(5) Management Systems Risk

1) Human Resources

To further expand and diversify its business activities going forward, the Group believes it will be necessary to enhance human resources in each of its departments. However, in the event that the training of personnel does not keep pace with the expansion and changes in business activities, and qualified human resources cannot be externally recruited as planned, it may not be possible to assign proper personnel. This would result in a decline in competitiveness and constrains the expansion of the business, and may cause an adverse impact on the Group's business and performance.

2) Internal Control Systems

With the understanding that effectively functioning corporate governance is indispensable for sustaining growth in corporate value, the Group is aware of the need for the proper functioning of operations, reliability in financial reporting, and full compliance with laws and regulations based on a sound sense of corporate ethics.

As well as the compliance and risk management department that is responsible for the overall compliance and risk management of the Group, the Company is working to enhance its internal control system through measures such as the establishment of an internal audit department and corporate auditor support division.

Nevertheless, in the event that the creation of adequate internal control systems cannot keep pace with the changes to the Group's business, conducting operations properly may become difficult, and may cause an adverse impact on the Group's business and performance.

3) Measures for Recovery from Disasters

The Group has formulated a business continuity plan (BCP) and established a structure that enables it to maintain business operations to the greatest degree possible, or rapidly restore affected business. However, the Group's principal business locations are situated in the Tokyo metropolitan area. In the event that various circumstances make it difficult for the Group to continue operations, including the occurrence of natural disasters, such as earthquakes and typhoons, as well as epidemics of new influenza strains or other diseases, depending on the amount of damage, business recovery may take a large amount of time and involve a great deal of expense, and as a result may cause an adverse impact on the Group's business and performance.

(6) Compliance Risk

1) Maintaining Service Integrity

The Group's mobile game, game platforms which include social networking service functions, auction, live video streaming platforms, and other services are provided to a large number of individual users, and it is assumed that users using these services will communicate with one another on their own initiative.

To ensure healthy services, the Group not only explicitly states in its terms and conditions that inappropriate behavior and illegal behavior that may become social issues, such as behavior that seeks to meet in person or behavior that infringes upon the rights of others, etc., are prohibited, but also monitors communications between users as needed. Users that violate the terms and conditions are asked to remedy their behavior and measures may be taken to cancel their memberships.

Moreover, the Group has made it clear what manners are to be observed and those points where users should exercise caution. Other related measures the Group has taken include strengthening monitoring systems and increasing the number of patrol personnel within services. The Group is continuing to strengthen its supervisory functions, including both systems and personnel, to maintain service integrity.

However, it is difficult to fully supervise the conduct of users within the services, etc. In the event that improper user behavior causes trouble, regardless of the content of contract rules and regulations and terms/conditions, the legal responsibility of the Group may become an issue. Even where this is not the case, such incidents may cause a loss in the trust of the Group and impairment in the Group's brand image, and may cause an adverse impact on the Group's business and performance.

2) Improvements in the User Environment

To promote the development of the computer entertainment industry, in collaboration with the Computer Entertainment Supplier's Association (CESA), in which other leading gaming platform companies and game providers participate, and other entities, the Group implements various initiatives to advance reasonable game play and improve the user environment. The Group's business and performance may be adversely affected by unforeseen costs or delays in enacting system and structural changes associated with such goals, and/or new regulatory schemes that place significant restrictions on existing services.

3) Legal Restrictions

Services offered by the Group are subject to legal restrictions including the Consumer Contract Act, the Act against Unjustifiable Premiums and Misleading Representations, the Act on the Protection of Personal Information, the Act on the Prohibition of Unauthorized Computer Access, the Act on Specified Commercial Transactions, and the Act on Regulation of Transmission of Specified Electronic Mail. Besides these regulations, as electronic communication companies, companies engaging in electronic communication business within the Group are subject to the provisions of the Telecommunications Business Act.

Services offering social networking service functions including Mobage assume healthy communication among users. It is the Group's understanding that such communication does not involve "dating and personal introduction services" as covered by the Act on Regulation on Soliciting Children by Using Opposite Sex Introduction Service on the Internet.

In addition to the foregoing, the Group's paid points, etc., used in various services may be subject to the Payment Services Act of Japan as prepaid payment instruments stipulated in said Act, and the Group complies with this act in its operations.

In some cases, the DeNA Group outsources its systems development, content preparation and other aspects of its operations. Certain transactions of this kind are subject to the provisions of the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act). The DeNA Group provides regular training for its employees regarding the Subcontract Act.

Moreover, depending on factors such as the business scale and market conditions of services offered by the DeNA Group, with regard to the implementation of the DeNA Group's contracts or the content of its agreements (regulations) that form the basis for these transactions, it is necessary to consider the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-Monopoly Act). In addition, the Group's expansion of its international business will be exposed to laws and regulations of other countries and regions, including legal restrictions with respect to commercial transactions, advertising, premiums, personal information, privacy, protection of minors, prohibition of monopolization, intellectual property, consumer protection, unfair competition prevention (including prohibition of bribery), as well as government approval and licenses required for conducting businesses and investments.

The Group is responding in good faith to legal regulations including those of Japan and other countries and regions previously mentioned, standards defined by administrative, international and other organizations, and voluntary regulations, etc., defined by industry organizations, but in the event that, under unforeseen circumstances, should the Group be denied the validity of contracts and other agreements, be subject to government administrative action or governmental guidance, etc., due to its alleged violation of those regulations, be subject to constant statements, etc., of governmental organizations, etc., or, if these legal restrictions, etc., are tightened going forward or new regulations are put into effect and the Group is subject to some kinds of constraints in the development of its business activities, this may have an adverse impact on the Group's business and performance.

Regarding legal regulations, please also refer to the sections numbered (2) 2), 4) and 5) and (6) 4).

4) Protection of Personal Information and Other Information

The Group gathers and makes use of member and other information in providing their services. For this reason, under the Act on the Protection of Personal Information, these companies have certain duties to perform as handlers of personal information. The Group has formed a “Personal Information Management Committee,” which is chaired by the President, and, under the committee’s leadership, rules and guidelines for the management of personal information have been prepared as well as strict workflows for the processing of personal information.

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

5) Litigation Involving Third Parties

With measures such as promoting compliance training, the Group works to reduce legal violations by officers and employees. However, regardless of whether there are violations by the Group, or officers and employees, unforeseen trouble arising with users, transaction partners, employees and third parties, and lawsuits and litigations may occur. In addition, as noted in the following item, the Group recognizes that there are risks of lawsuits occurring associated with intellectual property, including patents.

Depending on the nature of these lawsuits and their outcomes, it may cause an adverse impact on the Group’s business and performance. In addition, incurring substantial legal expenses and loss of trust in the Group and impairment in the Group’s brand image may have an adverse impact on the Group’s business and performance.

(7) Intellectual Property Risk

The Group has investigated the intellectual property rights of other parties and has registered the trademarks for the services, etc., it operates as necessary. In addition, the Group strives to conduct research on the intellectual property rights of other parties and to protect its own intellectual property rights by acquiring patent rights as necessary for its originally developed systems and business models that are eligible for this protection. However, depending on the content of intellectual property rights owned by third parties, the Group may be subject to lawsuits, and may cause an adverse impact on the Group’s business and performance.

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

2. Basic Stance Regarding Selection of Accounting Standards

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

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Statement of Financial Position

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	103,668	101,386
Trade and other current receivables	40,574	24,447
Other current financial assets	2,878	2,853
Other current assets	9,986	5,056
Total current assets	157,105	133,741
Non-current assets		
Property and equipment	5,178	10,991
Goodwill	46,335	46,048
Intangible assets	18,840	15,357
Investments accounted for using the equity method	16,503	18,672
Other non-current financial assets	99,563	70,641
Deferred tax assets	1,020	690
Other non-current assets	66	320
Total non-current assets	187,504	162,719
Total assets	344,609	296,460

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	20,426	19,328
Income tax payables	1,371	878
Other current financial liabilities	21,884	692
Other current liabilities	15,722	10,990
Total current liabilities	59,403	31,887
Non-current liabilities		
Non-current provisions	949	1,024
Other non-current financial liabilities	988	668
Deferred tax liabilities	11,895	5,536
Other non-current liabilities	225	480
Total non-current liabilities	14,057	7,707
Total liabilities	73,460	39,595
Equity		
Common stock	10,397	10,397
Capital surplus	11,335	10,971
Retained earnings	210,044	217,973
Treasury stock	(12,010)	(11,498)
Other components of equity	43,518	23,894
Total equity attributable to owners of the parent	263,285	251,737
Non-controlling interests	7,865	5,129
Total equity	271,150	256,865
Total liabilities and equity	344,609	296,460

(2) Consolidated Income Statement

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue	139,390	124,116
Cost of sales	(57,596)	(56,206)
Gross profit	81,795	67,909
Selling, general and administrative expenses	(63,713)	(56,931)
Other income	12,394	6,286
Other expenses	(2,972)	(3,753)
Operating profit	27,503	13,512
Finance income	1,137	3,349
Finance costs	(821)	(668)
Share of profit (loss) of associates accounted for using the equity method	2,571	1,875
Profit before tax	30,390	18,069
Income tax expense	(6,774)	(4,891)
Profit for the year	23,616	13,177
Attributable to:		
Owners of the parent	22,981	12,709
Non-controlling interests	634	468
Profit for the year	23,616	13,177
		(Yen)
Earnings per share attributable to owners of the parent:		
Basic earnings per share	158.34	87.47
Diluted earnings per share	158.08	87.35

(3) Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit for the year	23,616	13,177
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	25,653	(19,090)
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	25,653	(19,090)
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax	(10,697)	(703)
Other	1	(3)
Total other comprehensive income that may be reclassified to profit or loss, net of tax	(10,695)	(706)
Other comprehensive income, net of tax	14,958	(19,795)
Total comprehensive income for the year	38,573	(6,618)
Attributable to:		
Owners of the parent	37,946	(7,036)
Non-controlling interests	627	418
Total comprehensive income for the year	38,573	(6,618)

(4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2017	10,397	11,215	191,870	(12,225)	28,409	229,666	7,030	236,696
Profit for the year	-	-	22,981	-	-	22,981	634	23,616
Other comprehensive income	-	-	-	-	14,965	14,965	(7)	14,958
Total comprehensive income for the year	-	-	22,981	-	14,965	37,946	627	38,573
Dividends recognized as distributions to owners	-	-	(4,643)	-	-	(4,643)	(1,187)	(5,830)
Increase (decrease) through treasury stock transactions	-	(269)	-	215	-	(54)	-	(54)
Increase (decrease) through share-based payment transactions	-	83	-	-	144	227	-	227
Transfer to capital surplus from retained earnings	-	60	(60)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	170	-	-	-	170	784	955
Increase (decrease) through transfers and other changes	-	77	(105)	-	-	(28)	611	583
As of March 31, 2018	10,397	11,335	210,044	(12,010)	43,518	263,285	7,865	271,150

(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 year	-	-	12,709	-	-	12,709	468	13,177
Other comprehensive income	-	-	-	-	(19,744)	(19,744)	(51)	(19,795)
Total comprehensive income for the year	-	-	12,709	-	(19,744)	(7,036)	418	(6,618)
Dividends recognized as distributions to owners	-	-	(4,645)	-	-	(4,645)	(698)	(5,343)
Increase (decrease) through treasury stock transactions	-	(397)	-	512	(164)	(49)	-	(49)
Increase (decrease) through share-based payment transactions	-	174	-	-	225	398	-	398
Transfer to capital surplus from retained earnings	-	117	(117)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	(212)	-	-	-	(212)	(2,766)	(2,978)
Increase (decrease) through transfers and other changes	-	(46)	(18)	-	60	(5)	310	305
As of March 31, 2019	10,397	10,971	217,973	(11,498)	23,894	251,737	5,129	256,865

(5) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Operating activities		
Profit before tax	30,390	18,069
Depreciation and amortization	11,408	10,883
Gain on reclassification of foreign currency translation adjustments for foreign operations	(10,656)	(875)
Gain on sales of shares of subsidiaries and associates	-	(5,026)
Gain on transfer of business	(808)	-
Impairment loss	1,411	1,193
Interest and dividend income	(1,078)	(1,255)
Interest expenses	22	20
Share of loss of entities accounted for using equity method	(2,571)	(1,875)
Decrease (increase) in trade and other current receivables	(2,737)	(7,379)
Increase (decrease) in trade and other current payables	(146)	(912)
Increase (decrease) in deposits received	3,388	8,107
Increase (decrease) in advances received	(188)	3,709
Other, net	7,012	(1,076)
Subtotal	35,447	23,583
Dividends received	1,016	1,101
Interest paid	(22)	(20)
Interest received	62	103
Income tax paid	(3,615)	(2,312)
Income tax refund	4,784	523
Net cash flows from (used in) operating activities	37,672	22,979
Investing activities		
Proceeds from sales of subsidiaries or other businesses, net of cash disposed of	1,121	22
Sales of subsidiaries or other businesses, net of cash acquired	-	(3,029)
Acquisition of subsidiaries or other businesses, net of cash acquired	(0)	-
Proceeds from sales and redemption of investment securities	1,273	2,320
Purchases of investment securities	(636)	(299)
Acquisition of property and equipment	(2,716)	(5,402)
Acquisition of intangible assets	(15,681)	(14,673)
Other, net	120	52
Net cash flows from (used in) investing activities	(16,520)	(21,008)
Financing activities		
Proceeds from borrowings	800	1,200
Repayments of borrowings	(1,300)	-
Cash dividends paid	(4,646)	(4,644)
Proceeds from share issuance to non-controlling interests	810	-
Payments for acquisition of interests in subsidiaries from non-controlling interests	-	(650)
Cash dividends paid to non-controlling shareholders	(1,154)	(653)
Proceeds from disposition of treasury stock	100	74
Other, net	(0)	17
Net cash flows from (used in) financing activities	(5,390)	(4,656)
Net increase (decrease) in cash and cash equivalents	15,763	(2,684)
Cash and cash equivalents at beginning of year	88,152	103,668
Effect of exchange rate changes on cash and cash equivalents	(247)	402
Cash and cash equivalents at end of year	103,668	101,386

(6) Notes on Going Concern Assumption

Not applicable.

(7) Notes to 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 fiscal year ended March 31, 2019. 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 five reportable segments of the Group are classified as the “Game Business,” “E-commerce Business,” “Sports Business,” “Automotive Business” and “Healthcare 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: Mobaoku, and DeNA Travel (Note) 1. Processing settlement services, (Note) 2, 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.
Automotive Business	Automotive-related services (provided in Japan) Principal services: MOV, Anyca, etc.
Healthcare Business	Healthcare-related services (provided in Japan) Principal services: MYCODE, KenCoM, Aruite Otoku, etc.
New Businesses and Others	New businesses and other services (provided in Japan and internationally) Principal business domains (Note): IP-generating platform business, net service incubation business, etc.

(Notes) 1. 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. The Company transferred all its shares in Paygent Co., Ltd., which was operating processing settlement services, to NTT Data Corporation effective March 29, 2019.

From the fiscal year ended March 31, 2019, the Group has shifted to the method of presenting the “Automotive Business” and “Healthcare Business,” which had been included in “New Businesses and Others,” as reportable segments due to the expansion of scale of business activities and their increased importance in management. Segment information for the fiscal year ended March 31, 2018 was prepared

based on the classification after the change, and is provided in the previous fiscal year in “2) Revenue, profit or loss, and other items by reportable segment.”

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 fiscal year ended March 31, 2018

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Game Business	E-commerce Business	Sports Business	Automotive Business	Healthcare Business	New Businesses and Others*2	Adjustments *3	Total
Revenue								
Revenue from external customers	97,917	15,351	16,713	147	2,125	7,137	—	139,390
Intersegment revenue	53	699	172	—	—	7	(931)	—
Total	97,970	16,050	16,885	147	2,125	7,144	(931)	139,390
Segment profit (loss)*1	25,117	484	1,822	(1,870)	(926)	(2,688)	(3,857)	18,081
Other income (expenses), net								9,422
Operating profit								27,503
Finance income (costs), net								316
Share of profit (loss) of associates accounted for using the equity method								2,571
Profit before tax								30,390
Other items								
Depreciation and amortization	8,216	1,432	811	51	297	425	175	11,408
Impairment loss	763	10	—	—	504	133	—	1,411

(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 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 fiscal year ended March 31, 2019
(From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Game Business	E-commerce Business	Sports Business	Automotive Business	Healthcare Business	New Businesses and Others*2	Adjustments *3	Total
Revenue								
Revenue from external customers	83,530	11,638	17,950	197	2,233	8,568	—	124,116
Intersegment revenue	27	618	152	—	—	0	(797)	—
Total	83,556	12,256	18,102	197	2,233	8,568	(797)	124,116
Segment profit (loss)*1	18,273	1,299	1,454	(3,610)	(1,240)	(2,439)	(2,758)	10,978
Other income (expenses), net								2,534
Operating profit								13,512
Finance income (costs), net								2,681
Share of profit (loss) of associates accounted for using the equity method								1,875
Profit before tax								18,069
Other items								
Depreciation and amortization	8,576	583	772	225	299	382	46	10,883
Impairment loss	943	—	62	87	—	101	—	1,193

(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 Evolvable Asia Corp. effective May 31, 2018. The Company also transferred all of the Company’s shares in Paygent Co., Ltd., which was operating the processing settlement service, to NTT Data Corporation on March 29, 2019

3 “New Businesses and Others” refer to operating segments that do not fall into any of the reportable segments, including IP-generating platform 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 fiscal year ended March 31, 2018 and 2019 are as follows:

	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Profit for the period attributable to owners of the parent (Millions of yen)	22,981	12,709
Weighted average number of common shares outstanding during the period—basic (Shares)	145,140,615	145,302,547
Effect of dilutive potential common shares: Stock options, etc. (Shares)	239,472	192,589
Weighted average number of common shares outstanding during the period—diluted (Shares)	145,380,087	145,495,136
Earnings per share attributable to owners of the parent (Yen)		
Basic earnings per share	158.34	87.47
Diluted earnings per share	158.08	87.35

4. Impairment of assets

The Group recognized impairment losses in the fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2019, which are recorded under “other expenses” in the consolidated income statement.

The breakdown of the impairment losses is as follows:

	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Property and equipment		
Buildings and structures	(10)	—
Tools, furniture and fixtures	—	(5)
Other	—	(124)
Goodwill	(504)	—
Intangible assets		
Software	(832)	(1,065)
Other	(64)	—
Total	(1,411)	(1,193)

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 fiscal year ended March 31, 2018

(From April 1, 2017 to March 31, 2018)

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 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.

Additionally, in certain services in the Game Business, an impairment loss of ¥793 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.

For the fiscal year ended March 31, 2019

(From April 1, 2018 to March 31, 2019)

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 fiscal year ended March 31, 2018, 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

(Repurchase of own shares)

During a Board of Directors meeting on May 10, 2019, the Company passed a resolution regarding matters relating to the repurchase of its own shares from the market under Article 156 of the Companies Act, applied by replacing certain terms pursuant to Article 165 (3) of the Companies Act.

1. Reasons

This stock repurchase will be undertaken to increase capital efficiency, to implement a flexible capital policy that responds to changes in the business environment, and to improve shareholder returns by increasing the share value.

2. Class of shares subject to repurchase: DeNA common stock

3. Total number of shares to repurchase: Up to 38,000,000 shares

4. Total cost of stock repurchase: Up to ¥50.0 billion

5. Repurchase period: May 13, 2019 – April 30, 2020

6. Repurchase method: Purchase on the Tokyo Stock Exchange