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Consolidated Financial Results for the Six Months Ended September 30, 2019 [IFRS]

November 6, 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: November 7, 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 Six Months Ended September 30, 2019 (from April 1, 2019 to September 30, 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	%
Six months ended September 30, 2019	65,250	(4.3)	5,044	(52.7)	7,528	(46.8)	4,920	(51.7)
Six months ended September 30, 2018	68,215	(7.0)	10,674	(21.9)	14,145	(12.0)	10,195	(6.2)

	Profit for the period attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended September 30, 2019	4,799	(50.4)	15,208	326.8	33.07	33.04
Six months ended September 30, 2018	9,666	(6.6)	3,563	(88.3)	66.54	66.44

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2019	317,640	267,105	259,608	81.7
As of March 31, 2019	296,460	256,865	251,737	84.9

2. Dividends

	Dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total
Fiscal year ended March 31, 2019	Yen —	Yen 0.00	Yen —	Yen 40.00	Yen 40.00
Fiscal year ending March 31, 2020	—	0.00			
Fiscal year ending March 31, 2020 (Forecast)			—	—	—

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

2. 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.

* Notes

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

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

1) Changes in accounting policies required by IFRS: Yes

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

3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)

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

As of September 30, 2019	150,810,033 shares
As of March 31, 2019	150,810,033 shares

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

As of September 30, 2019	7,419,028 shares
As of March 31, 2019	5,460,269 shares

3) Average number of shares during the period:

Six months ended September 30, 2019	145,092,779 shares
Six months ended September 30, 2018	145,262,076 shares

(Note) The 219,243 shares of the Company's stock owned by the Stock Grant ESOP Trust account are included in the "Total number of shares of treasury stock at the end of the period" as of September 30, 2019, and the 274,984 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, 2019.

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

* Explanation of the Proper Use of Financial Results Forecast and Other Notes

(1) Consolidated Financial Results Forecast

The forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as of the date of publication of this document. They are not intended as the Company's commitment to achieve such forecasts, and actual results may differ significantly from these forecasts due to a wide range of factors.

(2) Dividend Forecast

The Company plans to set the cash dividend forecast for the fiscal year ending March 31, 2020 considering the overall progress in performance and other factors, and promptly announce said expected dividend amount.

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

The Company is planning to hold a briefing session for institutional investors, analysts and the press on November 6, 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

During the six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019), the Japanese economy saw a mild recovery despite continuing weakness mainly in exports.

Under these conditions, during the fiscal year ending March 31, 2020, 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 six months ended September 30, 2019, revenue decreased year-on-year, which was mainly attributable to the removal from the Group's consolidated financial performance of Paygent Co., Ltd. and DeNA Travel Co., Ltd., which were transferred in the previous fiscal year, as well as a decline in revenue in the Game Business. Cost of sales and selling, general and administrative expenses in total increased year-on-year. Costs related to the companies transferred during the previous fiscal year mentioned above, mainly commission fees, decreased year-on-year. The Group continued to work to ensure proper costs, including sales promotion & advertising expenses, etc., in existing businesses and services. However, costs increased in the Sports Business, which saw good performance, and costs related to growth investments aimed at building new business pillars increased. As a result, revenue of the DeNA Group was ¥65,250 million, down 4.3% year-on-year, operating profit was ¥5,044 million, down 52.7% year-on-year, profit before tax was ¥7,528 million, down 46.8% year-on-year, and profit for the period attributable to owners of the parent was ¥4,799 million, down 50.4% year-on-year.

Business performance by segment is as follows.

From the three months ended June 30, 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 “2. Condensed Consolidated Financial Statements and Principal Notes (7) Notes to Condensed Consolidated Financial Statements 2. Segment information 1) Outline of reportable segments.”

1) Game Business

Revenue of the Game Business was ¥41,157 million, down 3.6% year-on-year, and segment profit was ¥6,899 million, down 31.4% year-on-year.

During the six months ended September 30, 2019, although newly-released titles started making contributions, existing titles were the main contributors to business performance, and virtual currency consumption declined year-on-year. As a result, revenue and profit decreased compared to the same period of the previous fiscal year.

2) Sports Business

Revenue of the Sports Business was ¥16,475 million, up 12.8% year-on-year, and segment profit was ¥5,466 million, up 1.2% year-on-year.

At the Yokohama Stadium, expansion and repairs progressed and its partial operations began in the 2019 season. Yokohama DeNA Baystars Baseball Club, Inc. saw a steady trend in home game average stadium attendance.

In the previous fiscal year, the Group succeeded to the basketball team operations on July 1, 2018.

3) Automotive Business

Revenue of the Automotive Businesses was ¥566 million, up 742.9% year-on-year, and segment loss was ¥3,193 million, compared with segment loss of ¥1,428 million for the same period of the previous fiscal year.

For the six months ended September 30, 2019, the Company continued to aggressively invest mainly in initiatives to expand the supported regions and the utilization of the next-generation taxi dispatch app “MOV,” such as commencing the services in Osaka and Kyoto Prefectures in July 2019.

4) Healthcare Business

Revenue of the Healthcare Businesses was ¥784 million, down 25.9% year-on-year, and segment loss was ¥852 million, compared with segment loss of ¥599 million for the same period of the previous fiscal year.

In the healthcare service field, use of “MYCODE,” a direct-to-consumer genetic testing service, “Aruite Otoku,” and other existing services provided was solid. Meanwhile, in the research and development field, the Company continued to make prior investments, including 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.

5) New Businesses and Others

Revenue of the New Businesses and Others was ¥6,357 million, down 37.3% year-on-year, and segment loss was ¥1,225 million, compared with segment loss of ¥900 million for 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, including social live streaming services, as well as services of the E-commerce Business.

(2) Overview of Financial Position and Cash Flows

1) Financial Position

Total assets at the end of the six months ended September 30, 2019 were ¥317,640 million, an increase of ¥21,180 million compared to the end of the previous fiscal year.

Current assets were ¥126,798 million, a decrease of ¥6,943 million compared to the end of the previous fiscal year. This was due mainly to decreases in cash and cash equivalents by ¥4,608 million.

Non-current assets were ¥190,841 million, representing an increase of ¥28,123 million compared to the end of the previous fiscal year. This was due mainly to an increase in right-of-use assets by ¥18,139 million due to the adoption of IFRS 16 and an increase in other non-current financial assets by ¥13,411 million.

Total liabilities at the end of the six months ended September 30, 2019 amounted to ¥50,535 million, an increase of ¥10,940 million compared to the end of the previous fiscal year.

Current liabilities were ¥30,700 million, representing a decrease of ¥1,187 million compared to the end of the previous fiscal year. This was due mainly to a decrease in other current liabilities by ¥5,475 million.

Non-current liabilities stood at ¥19,834 million, representing an increase of ¥12,127 million compared to the end of the previous fiscal year. This was due mainly to increases of ¥8,114 million in lease liabilities due to the adoption of IFRS 16 and ¥4,572 million in deferred tax liabilities.

Total equity at the end of the six months ended September 30, 2019 was ¥267,105 million, representing an increase of ¥10,240 million compared to the end of the previous fiscal year. This was primarily attributable to an increase of ¥10,363 million in other components of equity.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 413.0% and 81.7%, respectively, at the end of the six months ended September 30, 2019.

2) Cash Flows

Cash and cash equivalents (collectively, “cash”) at the end of the six months ended September 30, 2019 decreased by ¥4,608 million to ¥96,778 million compared to the end of the previous fiscal year. Cash flows in each area of activity and their respective contributing factors are as follows.

(Operating activities)

Net cash provided by operating activities for the six months ended September 30, 2019 was ¥10,227 million, compared to a cash inflow of ¥13,830 million in the same period of the previous fiscal year. The principal cash inflow factor was ¥7,528 million in profit before tax.

(Investing activities)

Net cash used in investing activities for the six months ended September 30, 2019 was ¥8,723 million, compared to a cash outflow of ¥7,503 million in the same period of the previous fiscal year. The principal

cash outflow factor was ¥6,918 million in acquisition of intangible assets.

(Financing activities)

Net cash used in financing activities for the six months ended September 30, 2019 was ¥6,158 million, compared to a cash outflow of ¥4,019 million in the same period of the previous fiscal year. The principal cash outflow factors were ¥5,812 million in cash dividends paid and ¥3,954 million in purchase of treasury stock.

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

The full-year consolidated financial results forecast for the fiscal year ending March 31, 2020 cannot be provided due to the difficulty of estimating the reasonable figures. For the background thereof and principal matters expected to have an impact on business performance for the fiscal year ending March 31, 2020, please refer to the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [IFRS]” announced on May 10, 2019.

Regarding trends in other income and other expenses, please also refer to “2. Condensed Consolidated Financial Statements and Principal Notes (7) Notes to Condensed Consolidated Financial Statements 5. Significant subsequent events.”

2. Condensed Consolidated Financial Statements and Principal Notes

(1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	101,386	96,778
Trade and other current receivables	24,447	22,566
Other current financial assets	2,853	2,220
Other current assets	5,056	5,234
Total current assets	133,741	126,798
Non-current assets		
Property and equipment	10,991	5,424
Right-of-use assets	-	18,139
Goodwill	46,048	46,048
Intangible assets	15,357	14,576
Investments accounted for using the equity method	18,672	21,696
Other non-current financial assets	70,641	84,052
Deferred tax assets	690	608
Other non-current assets	320	298
Total non-current assets	162,719	190,841
Total assets	296,460	317,640

	(Millions of yen)	
	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	19,328	19,581
Lease liabilities	-	2,921
Income tax payables	878	1,959
Other current financial liabilities	692	724
Other current liabilities	10,990	5,516
Total current liabilities	31,887	30,700
Non-current liabilities		
Lease liabilities	-	8,114
Non-current provisions	1,024	1,000
Other non-current financial liabilities	668	400
Deferred tax liabilities	5,536	10,108
Other non-current liabilities	480	214
Total non-current liabilities	7,707	19,834
Total liabilities	39,595	50,535
Equity		
Common stock	10,397	10,397
Capital surplus	10,971	13,306
Retained earnings	217,973	216,914
Treasury stock	(11,498)	(15,266)
Other components of equity	23,894	34,257
Total equity attributable to owners of the parent	251,737	259,608
Non-controlling interests	5,129	7,497
Total equity	256,865	267,105
Total liabilities and equity	296,460	317,640

(2) Condensed Consolidated Income Statement

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Revenue	68,215	65,250
Cost of sales	(28,592)	(29,463)
Gross profit	39,623	35,787
Selling, general and administrative expenses	(27,992)	(29,306)
Other income	606	222
Other expenses	(1,563)	(1,659)
Operating profit	10,674	5,044
Finance income	2,143	1,919
Finance costs	(246)	(895)
Share of profit (loss) of associates accounted for using the equity method	1,575	1,461
Profit before tax	14,145	7,528
Income tax expense	(3,950)	(2,608)
Profit for the period	10,195	4,920
Attributable to:		
Owners of the parent	9,666	4,799
Non-controlling interests	529	121
Profit for the period	10,195	4,920
		(Yen)
Earnings per share attributable to owners of the parent:		
Basic earnings per share	66.54	33.07
Diluted earnings per share	66.44	33.04

(3) Condensed Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit for the period	10,195	4,920
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	(6,850)	9,994
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	(6,850)	9,994
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax	219	297
Other	(0)	(3)
Total other comprehensive income that may be reclassified to profit or loss, net of tax	219	294
Other comprehensive income, net of tax	(6,631)	10,288
Total comprehensive income for the period	3,563	15,208
Attributable to:		
Owners of the parent	3,070	15,133
Non-controlling interests	494	76
Total comprehensive income for the period	3,563	15,208

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

(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, 2019	10,397	10,971	217,973	(11,498)	23,894	251,737	5,129	256,865
Cumulative effects of changes in accounting policies	-	-	(43)	-	-	(43)	-	(43)
Restated balance	10,397	10,971	217,930	(11,498)	23,894	251,694	5,129	256,822
Profit for the period	-	-	4,799	-	-	4,799	121	4,920
Other comprehensive income	-	-	-	-	10,334	10,334	(45)	10,288
Total comprehensive income for the period	-	-	4,799	-	10,334	15,133	76	15,208
Dividends recognized as distributions to owners	-	-	(5,814)	-	-	(5,814)	(520)	(6,334)
Increase (decrease) through treasury stock transactions	-	(223)	-	(3,768)	-	(3,991)	-	(3,991)
Increase (decrease) through share-based payment transactions	-	21	-	-	76	97	-	97
Transfer to capital surplus from retained earnings	-	42	(42)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	2,452	-	-	-	2,452	2,546	4,998
Increase (decrease) through transfers and other changes	-	44	41	-	(47)	38	267	305
As of September 30, 2019	10,397	13,306	216,914	(15,266)	34,257	259,608	7,497	267,105

(5) Condensed Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Operating activities		
Profit before tax	14,145	7,528
Depreciation and amortization	5,514	6,498
Impairment loss	163	1,244
Interest and dividend income	(923)	(1,229)
Interest expenses	6	19
Share of loss of entities accounted for using equity method	(1,575)	(1,461)
Decrease (increase) in trade and other current receivables	1,406	2,993
Increase (decrease) in trade and other current payables	(2,686)	(122)
Increase (decrease) in deposits received	1,946	(193)
Increase (decrease) in advances received	(2,730)	(5,761)
Other, net	(1,501)	403
Subtotal	13,765	9,921
Dividends received	849	1,178
Interest paid	(6)	(8)
Interest received	75	58
Income tax paid	(1,374)	(956)
Income tax refund	522	34
Net cash flows from (used in) operating activities	13,830	10,227
Investing activities		
Proceeds from sales of subsidiaries or other businesses, net of cash disposed of	-	86
Sales of subsidiaries or other businesses, net of cash acquired	(628)	-
Purchase of shares of associates	-	(1,750)
Proceeds from sales and redemption of investment securities	2,194	2,482
Purchases of investment securities	(28)	(480)
Acquisition of property and equipment	(1,945)	(2,050)
Acquisition of intangible assets	(7,126)	(6,918)
Other, net	29	(94)
Net cash flows from (used in) investing activities	(7,503)	(8,723)
Financing activities		
Proceeds from borrowings	1,200	150
Repayments of lease liabilities	-	(1,061)
Cash dividends paid	(4,640)	(5,812)
Proceeds from share issuance to non-controlling interests	-	4,998
Cash dividends paid to non-controlling shareholders	(653)	(520)
Proceeds from disposition of treasury stock	74	41
Purchase of treasury stock	(0)	(3,954)
Net cash flows from (used in) financing activities	(4,019)	(6,158)
Net increase (decrease) in cash and cash equivalents	2,308	(4,655)
Cash and cash equivalents at beginning of period	103,668	101,386
Effect of exchange rate changes on cash and cash equivalents	618	47
Cash and cash equivalents at end of period	106,595	96,778

(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 16 “Leases” (announced in January 2016) (“IFRS 16”) from the three months ended June 30, 2019.

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, 2019.

Changes in accounting policies due to the adoption of IFRS 16 by the Group from the three months ended June 30, 2019 are as follows:

IFRS 16 replaces IAS 17 “Leases” (“IAS 17”) and IFRIC 4 “Determining whether an Arrangement Contains a Lease” (“IFRIC 4”) that are currently applied. IFRS 16 requires lessees to introduce a single accounting model, instead of classifying leases into finance lease or operating lease, and recognize in principle right-of-use assets representing the right to use the underlying assets and lease liabilities representing the obligation to make lease payments for all leases. However, for short-term leases and leases for which the underlying asset is of low value, lessees may elect not to apply the requirements of the standard. After recognizing right-of-use assets and lease liabilities, the depreciation for right-of-use assets and interest expenses on lease liabilities are recorded.

When applying IFRS 16, the Group employed the method of recognizing the cumulative effect of applying this standard as of the date of initial application. This method is allowed as a transitional measure.

When shifting to IFRS 16, the Group chose the practical method pursuant to Paragraph C3 of IFRS 16 in assessing whether a contract contains a lease and continued the assessment made under IAS 17 and IFRIC 4. After the date of initial application, assessment is made in accordance with the provisions of IFRS 16.

For leases as a lessee that are previously classified as operating leases by applying IAS 17, the Group recognizes right-of-use assets and lease liabilities as of the date of initial application, except for short-term leases and leases of low-value assets. Lease payments for short-term leases and leases of low-value assets are recognized as expenses over the lease term using the straight line method.

Right-of-use assets are depreciated over the lease term on a systematic basis. The discount rate to be used to calculate the discounted present value of the outstanding balance of the lease payments is either the interest rate implicit in the lease if it can be practically determined, or the lessee’s incremental borrowing rate as of the date of initial application if it cannot be practically determined. The weighted average incremental borrowing rate is 0.24%.

The difference between the minimum lease payments based on the non-cancellable operating lease contracts disclosed by applying IAS 17 as of March 31, 2019 and the lease liabilities recognized at the initial application of IFRS 16 is minimal.

As a result, in the condensed consolidated statement of financial position as of the date of initial application, right-of-use assets increased by ¥14,490 million and lease liabilities increased by ¥7,595 million, while property and equipment decreased by ¥6,937 million and retained earnings decreased by ¥43 million.

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 four reportable segments of the Group are classified as the “Game 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.
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: IP-generating platform business, E-commerce business, net service incubation business, etc.

Until the fiscal year ended March 31, 2019, reportable segments consisted of the five segments of the “Game Business,” “E-commerce Business,” “Sports Business,” “Automotive Business” and “Healthcare Business.” However, from the three months ended June 30, 2019, the reportable segments have been reclassified into the four segments of the “Game Business,” “Sports Business,” “Automotive Business” and “Healthcare Business” following a review of segment management classification in response to changes in the Group structure.

Segment information for the six months ended September 30, 2018 was also reclassified.

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

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

Intersegment revenue is calculated based on external market prices.

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

For the six months ended September 30, 2018

(From April 1, 2018 to September 30, 2018)

(Millions of yen)

	Game Business	Sports Business	Automotive Business	Healthcare Business	New Businesses and Others *2, 3	Adjustments *4	Total
Revenue							
Revenue from external customers	42,697	14,564	67	1,059	9,828	—	68,215
Intersegment revenue	18	48	—	—	314	(380)	—
Total	42,715	14,612	67	1,059	10,142	(380)	68,215
Segment profit (loss)*1	10,063	5,403	(1,428)	(599)	(900)	(909)	11,630
Other income (expenses), net							(957)
Operating profit							10,674
Finance income (costs), net							1,897
Share of profit (loss) of associates accounted for using the equity method							1,575
Profit before tax							14,145

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

2 “New Businesses and Others” refer to operating segments that do not fall into any of the reportable segments, including IP-generating platform business, E-commerce business, and net service incubation business.

3 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.

4 Adjustments in segment profit (loss) represent corporate expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.

For the six months ended September 30, 2019
(From April 1, 2019 to September 30, 2019)

(Millions of yen)

	Game Business	Sports Business	Automotive Business	Healthcare Business	New Businesses and Others *2	Adjustments *3	Total
Revenue							
Revenue from external customers	41,150	16,400	566	784	6,349	—	65,250
Intersegment revenue	6	75	—	—	8	(90)	—
Total	41,157	16,475	566	784	6,357	(90)	65,250
Segment profit (loss)*1	6,899	5,466	(3,193)	(852)	(1,225)	(614)	6,481
Other income (expenses), net							(1,437)
Operating profit							5,044
Finance income (costs), net							1,024
Share of profit (loss) of associates accounted for using the equity method							1,461
Profit before tax							7,528

(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, E-commerce 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.

3. Earnings per share

The basis for calculating earnings per share attributable to owners of the parent for the six months ended September 30, 2018 and 2019 are as follows:

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Profit for the period attributable to owners of the parent (Millions of yen)	9,666	4,799
Weighted average number of common shares outstanding during the period—basic (Shares)	145,262,076	145,092,779
Effect of dilutive potential common shares: Stock options, etc. (Shares)	224,033	161,152
Weighted average number of common shares outstanding during the period—diluted (Shares)	145,486,109	145,253,931
Earnings per share attributable to owners of the parent (Yen)		
Basic earnings per share	66.54	33.07
Diluted earnings per share	66.44	33.04

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:

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Intangible assets		
Software	(163)	(1,244)
Total	(163)	(1,244)

(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 six months ended September 30, 2019

(From April 1, 2019 to September 30, 2019)

In certain services in the Game Business, an impairment loss of ¥1,244 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. Significant subsequent events

(Transfer of shares)

On October 1, 2019, the Company transferred a portion of its shares of akippa Inc., an associate of the Company accounted for using the equity method. Consequently, the Company lost significant influence on akippa Inc. and therefore akippa Inc. fell out of the scope of the equity method on the same day. As a result of this transfer of shares, the Company expects to record a gain on sales of shares of subsidiaries and associates of ¥3,185 million, including ¥1,835 million of gains resulting from remaining interests in akippa's shares measured at fair value, in "Other income" in the Condensed Consolidated Income Statement for the nine months ending December 31, 2019.