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Consolidated Financial Results for the Nine Months Ended December 31, 2019 [IFRS]

February 5, 2020

Company name: DeNA Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2432

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Scheduled date of filing quarterly securities report: February 6, 2020

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Yes

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

(Amounts are rounded to the nearest million yen.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019 (from April 1, 2019 to December 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	%
Nine months ended December 31, 2019	91,162	(3.7)	(44,161)	—	(39,212)	—	(50,395)	—
Nine months ended December 31, 2018	94,646	(10.8)	8,583	(67.3)	11,595	(60.3)	8,428	(63.9)

	Profit for the period attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2019	(50,179)	—	(35,206)	—	(351.87)	(351.87)
Nine months ended December 31, 2018	8,007	(64.8)	(13,212)	—	55.11	55.03

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of December 31, 2019	263,217	203,069	194,936	74.1
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)				20.00	20.00

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

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, based on the impact of the impairment loss, the results through the nine months ended December 31, 2019, and that during the fourth quarter the Sports Business will be in the off-season and growth investment is expected to continue in the new business area, for consolidated financial performance for the full fiscal year ending March 31, 2020, the Company expects to record a loss on all profit levels at the operating profit (loss) level and below. Please also refer to “1. Overview of Operating Results and Financial Position (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” for more information.

* Notes

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

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

1) Changes in accounting policies required by IFRS: Yes

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

3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)

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

As of December 31, 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 December 31, 2019	16,288,268 shares
As of March 31, 2019	5,460,269 shares

3) Average number of shares during the period:

Nine months ended December 31, 2019	142,606,829 shares
Nine months ended December 31, 2018	145,288,382 shares

(Note) The 211,583 shares of the Company’s stock owned by the Stock Grant ESOP Trust account are included in the “Total number of shares of treasury stock at the end of the period” as of December 31, 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) Method of Obtaining Supplementary Briefing Material on Financial Results

The Company is planning to hold a briefing session for institutional investors, analysts and the press on February 5, 2020. 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 fiscal year ending March 31, 2020, the Group has been 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 nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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 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 in existing businesses and services. However, sales promotion expenses for growth in the Game Business, costs in the Sports Business, which saw good performance, and costs related to growth investments aimed at building new business pillars increased.

In other income, on October 1, 2019, the Company transferred a portion of its shares of akippa Inc. and recorded a gain on sales of shares of subsidiaries and associates of ¥3,185 million during the nine months ended December 31, 2019.

In other expenses, the total impairment loss of ¥50,755 million was recorded, including an impairment loss on goodwill related to the Game Business. For details, please refer to "2. Condensed Consolidated Financial Statements and Principal Notes (7) Notes to Condensed Consolidated Financial Statements 4. Impairment of assets."

In addition, as a result of carefully considering the collectability of deferred tax assets, certain deferred tax assets were reversed, and income taxes - deferred of ¥7,639 million were recorded under income tax expense.

As a result, revenue of the DeNA Group was ¥91,162 million, down 3.7% year-on-year, operating loss was ¥44,161 million, compared with operating profit of ¥8,583 million for the same period of the previous fiscal year, loss before tax was ¥39,212 million, compared with profit before tax of ¥11,595 million for the same period of the previous fiscal year, and loss for the period attributable to owners of the parent was ¥50,179 million, compared with profit for the period attributable to owners of the parent of ¥8,007 million for the same period of the previous fiscal 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 ¥60,119 million, down 3.8% year-on-year, and segment profit was ¥8,901 million, down 32.6% year-on-year.

During the nine months ended December 31, 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 ¥18,849 million, up 19.4% year-on-year, and segment profit was ¥3,708 million, up 22.6% 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 good performance due to an increase in home game stadium attendance and its advancement to the Climax Series.

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 ¥915 million, up 820.2% year-on-year, and segment loss was ¥5,265 million, compared with segment loss of ¥2,501 million for the same period of the previous fiscal year.

For the nine months ended December 31, 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.”

4) Healthcare Business

Revenue of the Healthcare Businesses was ¥1,200 million, down 23.9% year-on-year, and segment loss was ¥1,230 million, compared with segment loss of ¥1,004 million for the same period of the previous fiscal year.

Use of “MYCODE,” “kencom,” “Aruite Otoku,” and other existing services provided in the healthcare service field was solid. Meanwhile, the Company made prior investments mainly in the research and development field.

5) New Businesses and Others

Revenue of the New Businesses and Others was ¥10,293 million, down 32.7% year-on-year, and segment loss was ¥1,904 million, compared with segment loss of ¥981 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 nine months ended December 31, 2019 were ¥263,217 million, a decrease of ¥33,242 million compared to the end of the previous fiscal year.

Current assets were ¥114,360 million, a decrease of ¥19,381 million compared to the end of the previous fiscal year. This was due mainly to decreases in cash and cash equivalents by ¥14,982 million.

Non-current assets were ¥148,857 million, representing a decrease of ¥13,861 million compared to the end of the previous fiscal year. This was due mainly to a decrease in goodwill by ¥40,164 million.

Total liabilities at the end of the nine months ended December 31, 2019 amounted to ¥60,148 million, an increase of ¥20,553 million compared to the end of the previous fiscal year.

Current liabilities were ¥30,265 million, representing a decrease of ¥1,622 million compared to the end of the previous fiscal year. This was due mainly to a decrease in other current liabilities by ¥4,692 million.

Non-current liabilities stood at ¥29,883 million, representing an increase of ¥22,176 million compared to the end of the previous fiscal year. This was due mainly to increases of ¥7,735 million in lease liabilities due to the adoption of IFRS 16 and ¥14,493 million in deferred tax liabilities.

Total equity at the end of the nine months ended December 31, 2019 was ¥203,069 million, representing a decrease of ¥53,796 million compared to the end of the previous fiscal year. This was primarily attributable to a decrease of ¥56,046 million in retained earnings.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 377.9% and 74.1%, respectively, at the end of the nine months ended December 31, 2019.

2) Cash Flows

Cash and cash equivalents (collectively, “cash”) at the end of the nine months ended December 31, 2019 decreased by ¥14,982 million to ¥86,404 million compared to the end of the previous fiscal year. Cash flows in each area of activity and their respective contributing factors are as follows.

(Operating activities)

Net cash provided by operating activities for the nine months ended December 31, 2019 was ¥12,389 million, compared to a cash inflow of ¥20,120 million in the same period of the previous fiscal year. The principal cash inflow factor was ¥50,755 million in impairment loss, and the principal cash outflow factor was ¥39,212 million in loss before tax.

(Investing activities)

Net cash used in investing activities for the nine months ended December 31, 2019 was ¥7,202 million, compared to a cash outflow of ¥11,264 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥10,214 million in acquisition of intangible assets.

(Financing activities)

Net cash used in financing activities for the nine months ended December 31, 2019 was ¥20,196 million, compared to a cash outflow of ¥4,021 million in the same period of the previous fiscal year. The principal cash outflow factor was ¥20,245 million in purchase of treasury stock.

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

As stated in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [IFRS]” announced on May 10, 2019, 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. However, based on the impact of the impairment loss, the results through the nine months ended December 31, 2019, and that during the fourth quarter the Sports Business will be in the off-season and growth investment is expected to continue in the new business area, for consolidated financial performance for the full fiscal year ending March 31, 2020, the Company expects to record a loss on all profit levels at the operating profit (loss) level and below.

The Company has announced that the business mainly related to the taxi dispatch app in the Automotive Business is scheduled to be succeeded by JapanTaxi Co., Ltd. through an absorption-type company split with April 1, 2020 as the effective date (Note 1).

(Note 1) Timely disclosure “Notice Regarding Merger of Taxi Dispatch App-Related Businesses, and Conclusion of Basic Agreement Regarding Company Split (Simple Absorption-Type Company Split) for Said Merger” on February 4, 2020

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.

The Company is scheduled to pay the total dividend of ¥20 per share for the fiscal year ending March 31, 2020, having taken into account performance, the future business environment, and internal reserves for the continued growth of business (versus the total dividend of ¥40 per share paid for the previous fiscal year, consisting of a regular cash dividend of ¥20 and a one-time special dividend of ¥20 for the Company’s 20th anniversary; consolidated payout ratio of 45.7%).

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

2. Condensed Consolidated Financial Statements and Principal Notes

(1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	101,386	86,404
Trade and other current receivables	24,447	20,067
Other current financial assets	2,853	2,250
Other current assets	5,056	5,639
Total current assets	133,741	114,360
Non-current assets		
Property and equipment	10,991	4,889
Right-of-use assets	-	17,312
Goodwill	46,048	5,883
Intangible assets	15,357	6,355
Investments accounted for using the equity method	18,672	21,315
Other non-current financial assets	70,641	92,217
Deferred tax assets	690	582
Other non-current assets	320	305
Total non-current assets	162,719	148,857
Total assets	296,460	263,217

	(Millions of yen)	
	As of March 31, 2019	As of December 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	19,328	18,814
Lease liabilities	-	2,869
Income tax payables	878	1,406
Other current financial liabilities	692	878
Other current liabilities	10,990	6,298
Total current liabilities	31,887	30,265
Non-current liabilities		
Lease liabilities	-	7,735
Non-current provisions	1,024	1,000
Other non-current financial liabilities	668	912
Deferred tax liabilities	5,536	20,029
Other non-current liabilities	480	206
Total non-current liabilities	7,707	29,883
Total liabilities	39,595	60,148
Equity		
Common stock	10,397	10,397
Capital surplus	10,971	14,970
Retained earnings	217,973	161,927
Treasury stock	(11,498)	(31,532)
Other components of equity	23,894	39,174
Total equity attributable to owners of the parent	251,737	194,936
Non-controlling interests	5,129	8,134
Total equity	256,865	203,069
Total liabilities and equity	296,460	263,217

(2) Condensed Consolidated Income Statement

	(Millions of yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Revenue	94,646	91,162
Cost of sales	(42,192)	(43,661)
Gross profit	52,454	47,502
Selling, general and administrative expenses	(42,088)	(44,308)
Other income	719	4,219
Other expenses	(2,502)	(51,574)
Operating profit (loss)	8,583	(44,161)
Finance income	1,892	3,259
Finance costs	(563)	(435)
Share of profit (loss) of associates accounted for using the equity method	1,683	2,126
Profit (loss) before tax	11,595	(39,212)
Income tax expense	(3,167)	(11,183)
Profit (loss) for the period	8,428	(50,395)
Attributable to:		
Owners of the parent	8,007	(50,179)
Non-controlling interests	422	(216)
Profit (loss) for the period	8,428	(50,395)
		(Yen)
Earnings (loss) per share attributable to owners of the parent:		
Basic earnings (loss) per share	55.11	(351.87)
Diluted earnings (loss) per share	55.03	(351.87)

(3) Condensed Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit (loss) for the period	8,428	(50,395)
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	(21,911)	14,995
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	(21,911)	14,995
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax	274	196
Other	(3)	(1)
Total other comprehensive income that may be reclassified to profit or loss, net of tax	271	195
Other comprehensive income, net of tax	(21,641)	15,189
Total comprehensive income for the period	(13,212)	(35,206)
Attributable to:		
Owners of the parent	(13,579)	(34,968)
Non-controlling interests	367	(238)
Total comprehensive income for the period	(13,212)	(35,206)

(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 (loss) for the period	-	-	8,007	-	-	8,007	422	8,428
Other comprehensive income	-	-	-	-	(21,586)	(21,586)	(54)	(21,641)
Total comprehensive income for the period	-	-	8,007	-	(21,586)	(13,579)	367	(13,212)
Dividends recognized as distributions to owners	-	-	(4,645)	-	-	(4,645)	(693)	(5,338)
Increase (decrease) through treasury stock transactions	-	(397)	-	512	(164)	(49)	-	(49)
Increase (decrease) through share-based payment transactions	-	139	-	-	160	299	-	299
Transfer to capital surplus from retained earnings	-	117	(117)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	(212)	-	-	-	(212)	207	(6)
Increase (decrease) through transfers and other changes	-	0	(18)	-	-	(18)	362	344
As of December 31, 2018	10,397	10,983	213,270	(11,498)	21,928	245,080	8,108	253,188

(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 (loss) for the period	-	-	(50,179)	-	-	(50,179)	(216)	(50,395)
Other comprehensive income	-	-	-	-	15,211	15,211	(22)	15,189
Total comprehensive income for the period	-	-	(50,179)	-	15,211	(34,968)	(238)	(35,206)
Dividends recognized as distributions to owners	-	-	(5,814)	-	-	(5,814)	(520)	(6,334)
Increase (decrease) through treasury stock transactions	-	(260)	-	(20,034)	-	(20,294)	-	(20,294)
Increase (decrease) through share-based payment transactions	-	44	-	-	119	163	-	163
Transfer to capital surplus from retained earnings	-	54	(54)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	4,524	-	-	-	4,524	3,598	8,122
Increase (decrease) through transfers and other changes	-	(363)	44	-	(51)	(370)	165	(205)
As of December 31, 2019	10,397	14,970	161,927	(31,532)	39,174	194,936	8,134	203,069

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Operating activities		
Profit (loss) before tax	11,595	(39,212)
Depreciation and amortization	8,277	9,962
Gain on sales of shares of subsidiaries and associates	-	(3,621)
Impairment loss	1,005	50,755
Interest and dividend income	(1,234)	(1,733)
Interest expenses	19	29
Share of loss of entities accounted for using equity method	(1,683)	(2,126)
Decrease (increase) in trade and other current receivables	2,278	4,900
Increase (decrease) in trade and other current payables	(3,845)	(1,247)
Increase (decrease) in deposits received	6,438	111
Increase (decrease) in advances received	(973)	(4,366)
Other, net	(1,444)	(1,701)
Subtotal	20,434	11,752
Dividends received	1,100	1,675
Interest paid	(19)	(14)
Interest received	85	65
Income tax paid	(2,003)	(1,366)
Income tax refund	523	277
Net cash flows from (used in) operating activities	20,120	12,389
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)	-
Proceeds from sales of shares of associates	-	2,892
Purchase of shares of associates	-	(1,870)
Proceeds from sales and redemption of investment securities	2,204	5,012
Purchases of investment securities	(45)	(865)
Acquisition of property and equipment	(2,134)	(2,151)
Acquisition of intangible assets	(10,731)	(10,214)
Other, net	70	(92)
Net cash flows from (used in) investing activities	(11,264)	(7,202)
Financing activities		
Proceeds from borrowings	1,200	150
Repayments of borrowings	-	(150)
Repayments of lease liabilities	(1)	(1,789)
Cash dividends paid	(4,642)	(5,814)
Proceeds from share issuance to non-controlling interests	-	6,800
Proceeds from sale of subsidiary interests to non-controlling interests	-	1,322
Cash dividends paid to non-controlling shareholders	(653)	(520)
Proceeds from disposition of treasury stock	74	49
Purchase of treasury stock	(0)	(20,245)
Net cash flows from (used in) financing activities	(4,021)	(20,196)
Net increase (decrease) in cash and cash equivalents	4,836	(15,008)
Cash and cash equivalents at beginning of period	103,668	101,386
Effect of exchange rate changes on cash and cash equivalents	459	27
Cash and cash equivalents at end of period	108,963	86,404

(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 nine months ended December 31, 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 nine months ended December 31, 2018

(From April 1, 2018 to December 31, 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	62,458	15,683	99	1,576	14,829	—	94,646
Intersegment revenue	25	108	—	—	458	(591)	—
Total	62,483	15,792	99	1,576	15,286	(591)	94,646
Segment profit (loss)*1	13,199	3,025	(2,501)	(1,004)	(981)	(1,372)	10,366
Other income (expenses), net							(1,783)
Operating profit							8,583
Finance income (costs), net							1,329
Share of profit (loss) of associates accounted for using the equity method							1,683
Profit before tax							11,595

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

2 “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 nine months ended December 31, 2019
(From April 1, 2019 to December 31, 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	60,110	18,692	912	1,200	10,250	—	91,162
Intersegment revenue	9	158	3	—	42	(212)	—
Total	60,119	18,849	915	1,200	10,293	(212)	91,162
Segment profit (loss)*1	8,901	3,708	(5,265)	(1,230)	(1,904)	(1,016)	3,194
Other income (expenses), net							(47,355)
Operating loss							(44,161)
Finance income (costs), net							2,824
Share of profit (loss) of associates accounted for using the equity method							2,126
Loss before tax							(39,212)

(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 (loss) per share attributable to owners of the parent for the nine months ended December 31, 2018 and 2019 are as follows:

	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Profit (loss) for the period attributable to owners of the parent (Millions of yen)	8,007	(50,179)
Weighted average number of common shares outstanding during the period—basic (Shares)	145,288,382	142,606,829
Effect of dilutive potential common shares: Stock options, etc. (Shares)	203,071	—
Weighted average number of common shares outstanding during the period—diluted (Shares)	145,491,453	142,606,829
Earnings (loss) per share attributable to owners of the parent (Yen)		
Basic earnings (loss) per share	55.11	(351.87)
Diluted earnings (loss) per share	55.03	(351.87)

4. Impairment of assets

The Group recognized impairment losses, which are recorded under “other expenses” in the condensed consolidated income statement.

The breakdown of the impairment losses is as follows:

	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Property and equipment		
Buildings and structures	—	(177)
Tools, furniture and fixtures	—	(281)
Other	(62)	—
Right-of-use assets	—	(280)
Goodwill	—	(40,164)
Intangible assets		
Software	(943)	(9,849)
Other	—	(2)
Total	(1,005)	(50,755)

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

For the nine months ended December 31, 2018

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

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

For the nine months ended December 31, 2019

(From April 1, 2019 to December 31, 2019)

In certain services in the Game Business, an impairment loss of ¥1,383 million yen 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.

During the nine months ended December 31, 2019, the Company carried out a review of the business plans of the Game Business in general, in light of the latest result trends of the Game Business and the business environment. For the impairment determination, the future cash flow is calculated based on the business plans formulated with conservative assumptions for the period of up to the next five years approved by management during the nine months ended December 31, 2019, and based on the conservative view of expected future trends related to the Game Business for the period of up to the next five years. The pre-tax discount rate of 12.2%, calculated from the weighted average cost of capital, was used to discount the future cash flow from the Game Business to calculate the present value.

As a result, the value in use, which is the recoverable amount, was ¥9,565 million yen, and this fell short of its carrying amount and an impairment loss of ¥46,916 million was recorded. The Company recognizes the overall Game Business as a cash generating unit, and with regard to the ¥46,916 million in the impairment loss recorded in the Game Business, the carrying amount of goodwill was first written down, followed by the carrying amounts of software and others.

5. Other income

During the nine months ended December 31, 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. As a result, the Company recorded 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 the "Other income" line in the Condensed Consolidated Income Statement.

6. Significant subsequent events

(Absorption-type split)

DeNA Co., Ltd., Nihon Kotsu Holdings Co., Ltd., and its subsidiary JapanTaxi Co., Ltd. announced the decision to merge their businesses related to taxi dispatch apps, etc. and have these businesses continue under a new structure. This merger is expected to be conducted through an absorption-type company split, with JapanTaxi to succeed to the businesses related to taxi dispatch apps, etc. operated by DeNA. A basic agreement regarding this matter has been concluded to this effect as of February 4, 2020.