



Q3 FY2014 Operating Results

February 5, 2015

DeNA Co., Ltd.

1. Financial results

2. Strategy and initiatives

3. Guidance

4. Reference data

Q3 FY2014 Consolidated Financial Results

- For Social Media business (mainly games), revenue increased and operating profit was sequentially flat QoQ

(billion yen)

Item	FY2013		FY2014				
	Q3	Q4	Q1	Q2	Q3	YoY Change	QoQ Change
Revenue	41.7	39.8	35.8	36.0	34.4	-17%	-4%
Social Media	36.4	34.3	28.5	27.6	29.0	-20%	5%
E-commerce	4.8	5.0	4.5	4.7	4.7	-3%	0%
Others	0.5	0.5	2.8	3.7	0.8	47%	-80%
Baseball	0.5	0.5	2.8	3.6	0.6	14%	-84%
Operating profit	11.4	9.7	7.0	8.0	5.2	-55%	-35%
Operating profit margin	27%	24%	19%	22%	15%	-	-
Segment profit / loss	11.5	9.7	7.7	8.2	5.5	-53%	-33%
Social Media	12.7	11.3	8.1	7.7	7.7	-39%	0%
E-commerce	1.0	0.8	0.7	0.9	0.7	-32%	-20%
Others	-1.1	-1.1	0.3	0.5	-2.1	-	-
Baseball	-1.1	-1.1	0.3	0.9	-1.6	-	-
Adjustments	-1.1	-1.3	-1.3	-0.9	-0.9	-	-
Other income / expenses (net)*	-0.1	0.0	-0.8	-0.2	-0.3	-	-

Segment Social Media: Games, Entertainment Services (Everystar, Manga Box, Showroom, etc.)

E-commerce: DeNA Shopping, DeNA Travel, Mobaoku, Paygent, etc.

Others: Baseball (The baseball season is from April through September. October through March is the off season.),
Healthcare, Curation Platform, etc.

*Includes non-extraordinary gains and losses under Japanese GAAP. (e.g. Loss on sales / retirement of tangible / intangible assets)

Q3 FY2014 Cost and Expense Breakdown

- Commission fees, in cost of sales and SG&A, were in line with the coin consumption trend
- Invested in scaling new hit titles while carefully managing overall sales promotion & advertising expenses

(billion yen)

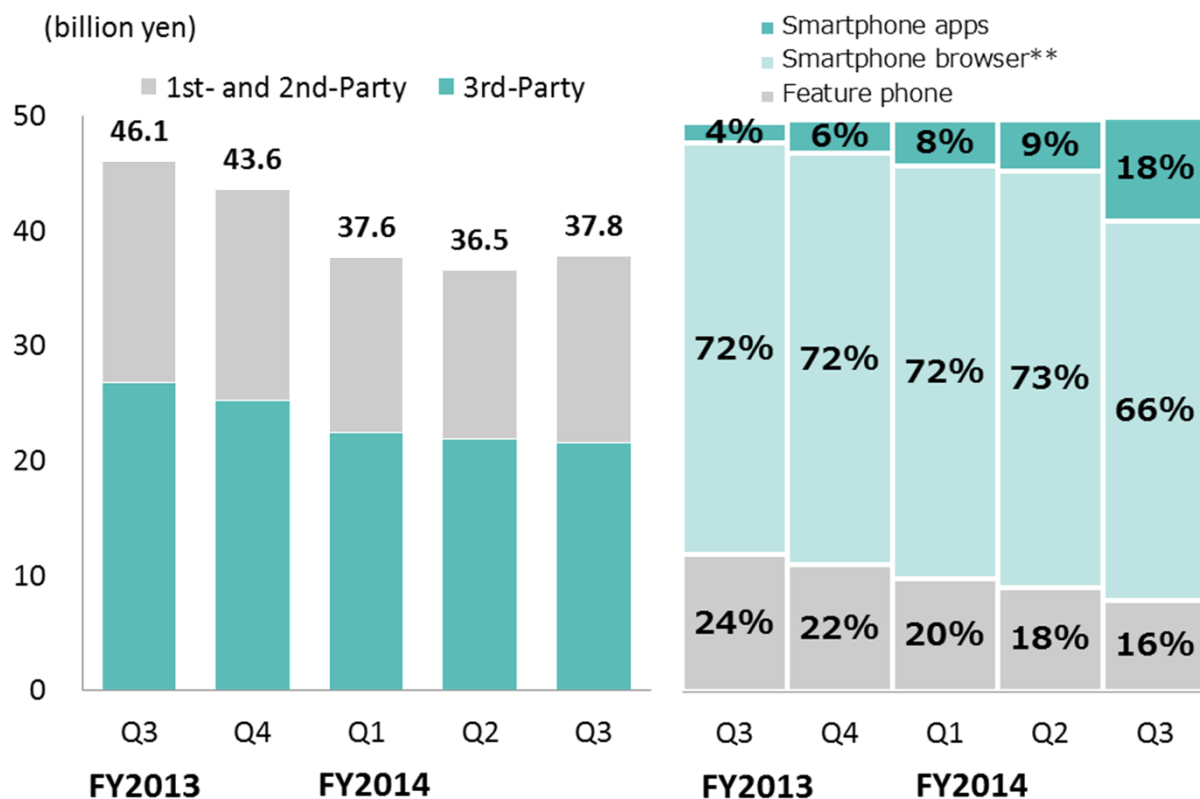
Item	FY2013		FY2014				
	Q3	Q4	Q1	Q2	Q3	YoY Change	QoQ Change
Cost of Sales	14.3	14.2	13.7	13.8	14.4	0%	4%
Personnel Expenses	1.2	1.1	1.3	1.2	1.4	15%	20%
Depreciation and amortization	1.9	2.0	2.1	2.2	2.4	28%	7%
Outsourcing expenses	2.4	2.4	2.5	2.7	2.7	11%	-2%
Commission fees	7.7	7.5	6.2	5.9	6.4	-17%	8%
Others	1.2	1.2	1.7	1.8	1.5	32%	-16%
Selling, general, and administrative expenses	15.9	15.9	14.4	14.0	14.6	-8%	5%
Personnel Expenses	2.9	3.1	3.3	3.2	3.3	12%	1%
Sales promotion & Advertising expenses	3.7	3.9	3.0	3.0	3.1	-17%	2%
Outsourcing expenses & Commission fees	7.3	7.1	6.3	6.0	6.5	-11%	9%
Others	1.9	1.8	1.9	1.8	1.8	-8%	-1%
Other income/ expenses (net)*	-0.1	0.0	-0.8	-0.2	-0.3	-	-
Consolidated employee headcount	2,168	2,197	2,312	2,389	2,420	12%	1%

*Includes non-extraordinary gains and losses under Japanese GAAP. (e.g. Loss on sales / retirement of tangible / intangible assets)

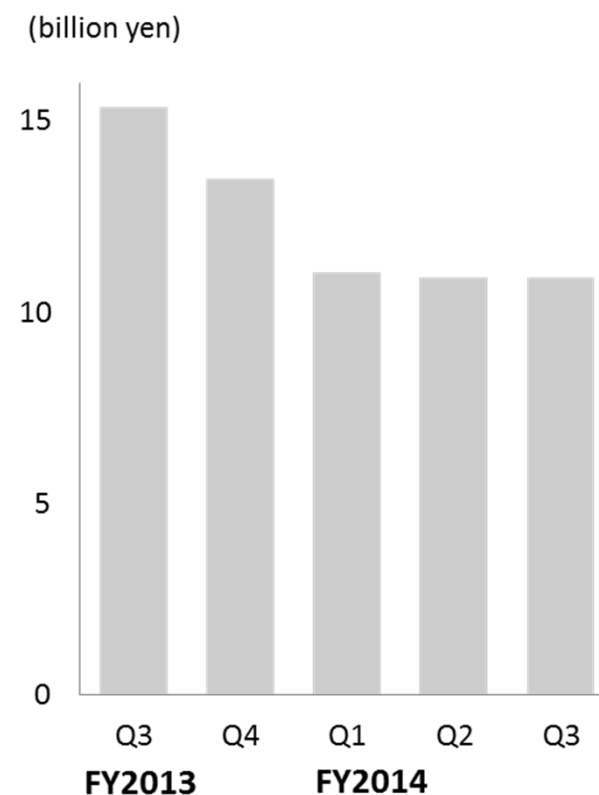
Social Media: Japan Game Business

- Coin consumption grew QoQ to 37.8 billion yen and operating profit was sequentially flat for three consecutive quarters
- Native apps significantly contributed to increase in 1st- and 2nd-party coin consumption
- 3rd-party titles performed well, with Cygames' *Granblue Fantasy* reaching record-high coin consumption in December

Japan Coin Consumption* and Breakdown



**Japan Game Business
Operating Profit*****



*Includes coin consumption, monthly membership service fees, and ticket sales. Includes consumption of virtual currency on mixi Games from Q2 FY2013

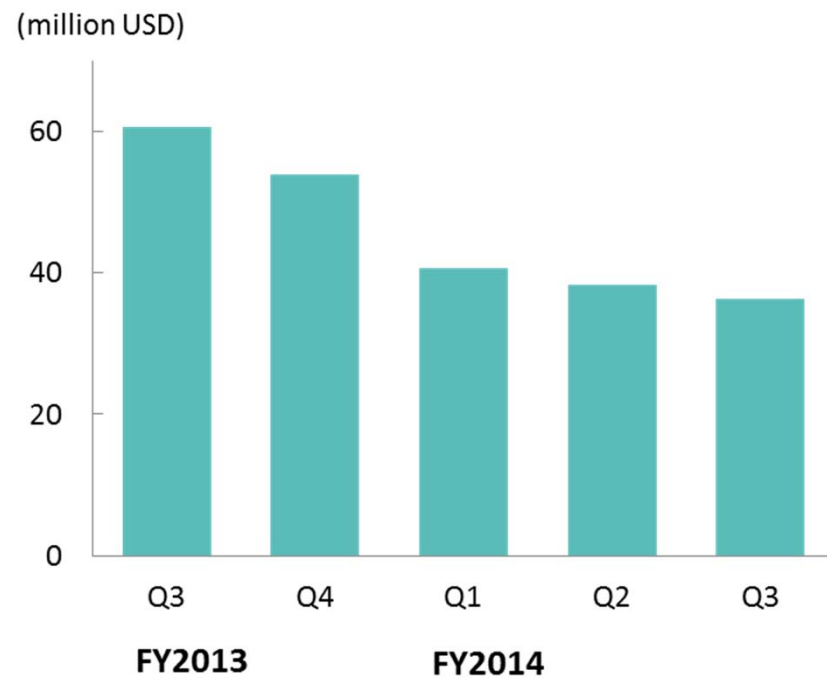
**Includes Yahoo! Mobage

*** The numbers are based on management accounting

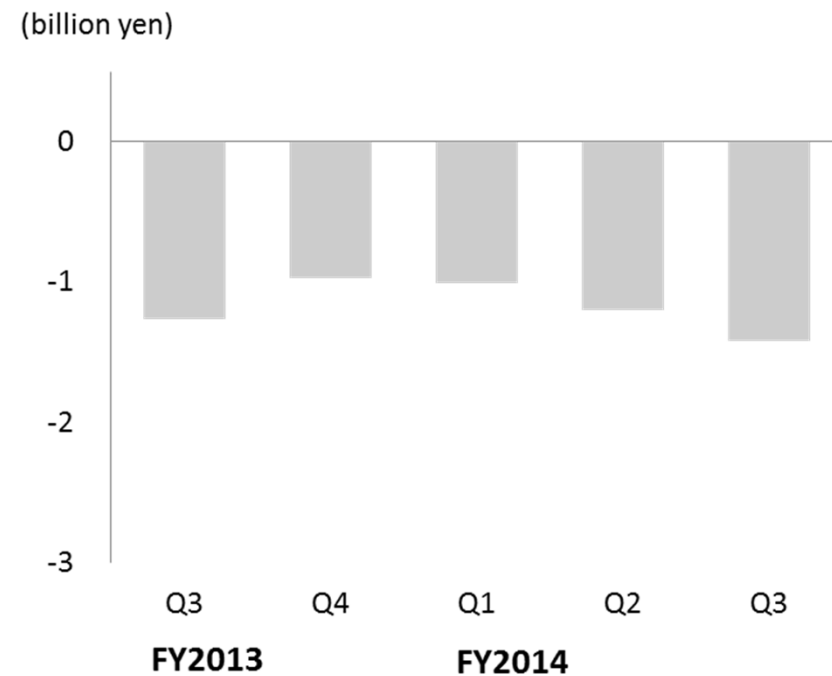
Social Media: International Game Business

- International coin consumption exceeded 35 million USD
 - Overall result slightly declined QoQ; coin consumption in China increased due to contribution from new titles while legacy titles in the West declined
- Aggressive marketing investment in China to further grow coin consumption in Q4
- Launching multiple new promising titles in the West

International Coin Consumption



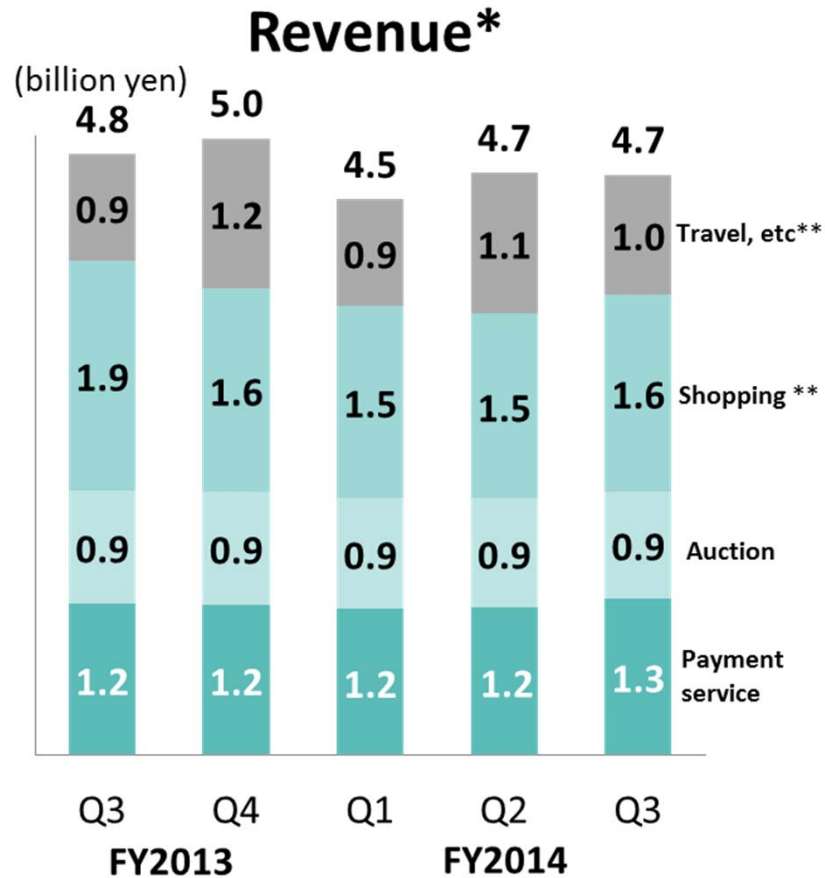
International Operating Loss*



* The numbers are based on management accounting

E-commerce Business

- Segment revenue was 4.7 billion yen (-3% YoY)



Key indicators in the E-commerce business*

- **Travel, etc.****
 - DeNA Travel Q3 transaction volume: 10.6 billion yen (+17% YoY)
- **Shopping****
 - Shopping Q3 transaction volume: 17.3 billion yen (+11% YoY)
 - Strengthened focus on groceries and daily consumables contributed to growth of overall transaction volume
 - Numbers of retail stores on DeNA Shopping: 4,143*** (as of December 31, 2014, -601 YoY)
- **Auction**
 - Number of paid members on Mobaoku: 890,000 (as of December 31, 2014)
- **Payment service**
 - Transaction volume at DeNA-operated e-commerce services and other member stores increased
 - Transaction volume related to Japan game business decreased

*Key brands in each sub-segment:

- Travel, etc.: DeNA Travel
- Auction: Mobaoku, au Mobaoku
- Shopping: DeNA Shopping, au Shopping Mall, EVERYMART, SEIYU.com, Sundrug.com, COSME SELECTION
- Payment service: Paygent

***We revised categorization of "Travel, etc." and "Shopping" beginning Q1 FY2014. All FY2013 figures have been restated in accordance with this change

***Definition has changed beginning Q1 FY2014

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Game business is and will continue to be DeNA's core business

Gaming has the potential for explosive growth

⇒ Gaining momentum in three key regions

Proactive entry to new businesses with structural advantages for mid- to long-term growth

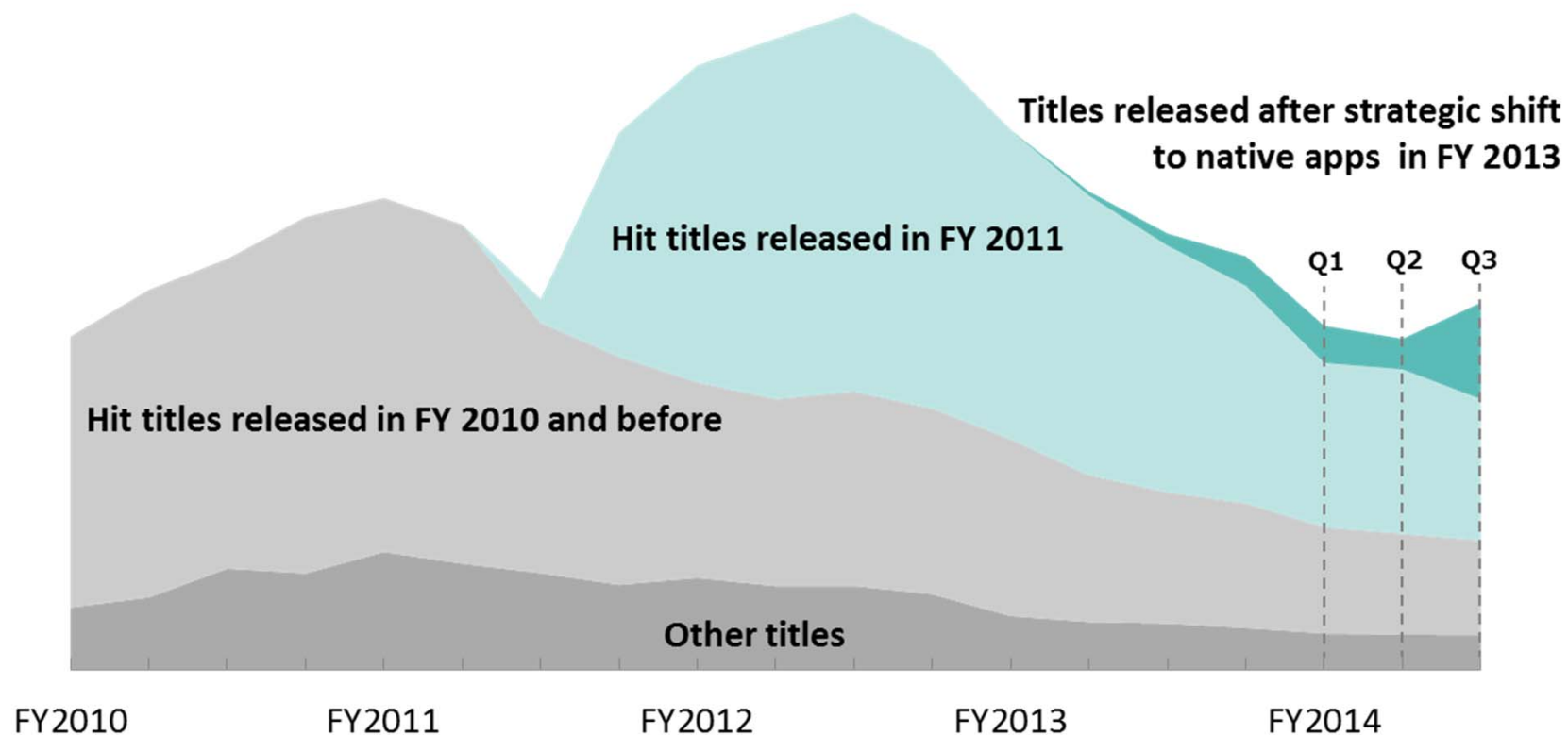
⇒ IP-generating platforms building strong user base

⇒ Executed multiple initiatives to bring digital innovation to traditional, established industries

Japan Game Business Trend and Strategy

- Starting to build the third mountain with our growing native app game business

Coin Consumption Trends of 1st and 2nd-Party Titles (Q1 FY2010 – Q3 FY2014)



Japan Native App Game Strategy

Japan Strategy and Pipeline in FY2014 H2 and FY2015 H1

1. Maximize hit titles

- Maximize *Final Fantasy Record Keeper* (FFRK) potential in Japan through updates, events and acquisition of light users
- FFRK for Western markets is in development



FFRK achieved 5 million downloads!

2. Create DeNA-original hits

- About 10 native apps are under development
- Promising titles to be launched Spring 2015
- Focusing on popular RPG genre while also evaluating new genres



*Screenshot are subject to change

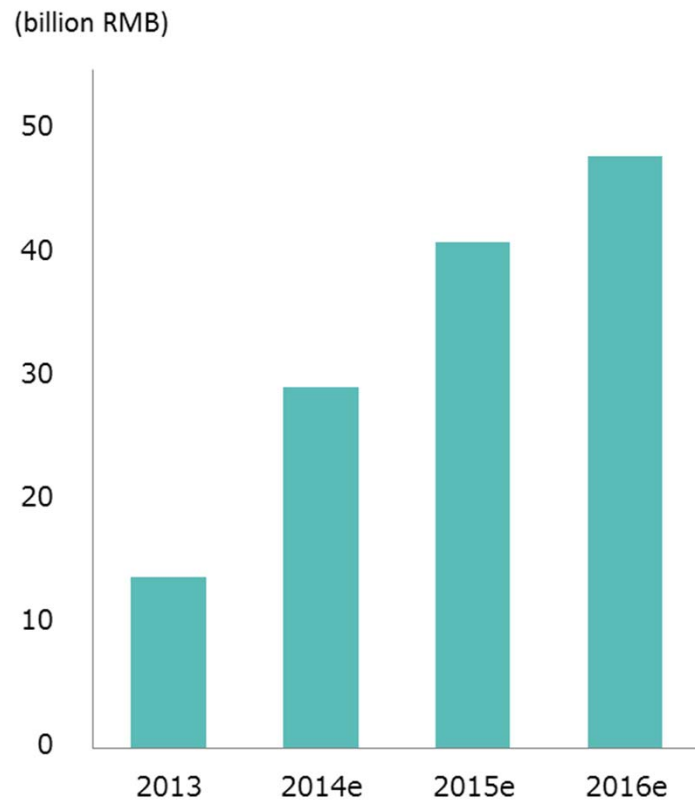
3. Launch premium IP titles

- Multiple titles in FY2015 pipeline

China's Mobile Gaming Market

- China's smartphone gaming market is rapidly growing and is comparable in size with Japan, with numerous titles generating over 1 billion yen per month
- Local expertise and China-specific strategies are crucial

Mobile Game Market in China



Characteristics of the Market

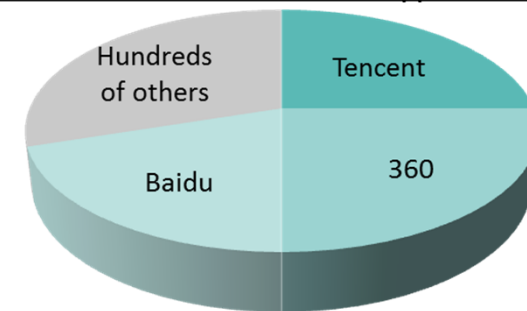
Title Strategy

- Many China-only hits and popular genres
- Competitive advantage of IP-based titles

Distribution

- Small unit-based market share for iOS with numerous Android app distributors

Market Share: Chinese Android App Distributors



User Engagement




- Game operations tailored for different distributors
- Close communication enhances user loyalty

Source: DeNA estimates based on TechWeb, iResearch, AppAnnie, CGIGC, etc.

China Native App Game Strategy

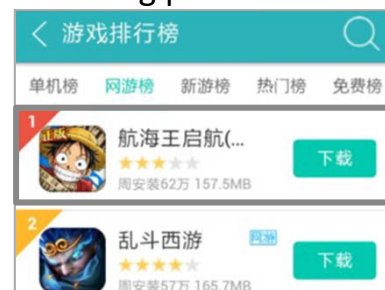
- Leverage access to premium IP licensors, game development capabilities and an established publishing network in China
- High success rate of new games that cater to the taste of local consumers
- Launched *One Piece: Sailing On* (Chinese: *Hanghaiwang Qihang*), a promising title based on Japanese anime series, on January 28; more popular IP games to be launched over H1 FY2015

DeNA China's Strengths

Local operation	<ul style="list-style-type: none"> ■ Entered China market in 2006 ■ Over 400 employees with local development and marketing expertise
Track record of hits based on IP	<ul style="list-style-type: none"> ■ Optimal partnership structure for maximizing DeNA's and partners' strengths <div>     </div> <p>© Takehiko Inoue/ I.T. Planning, Toei Animation</p> <p>© Masami Kurumada, Toei Animation Produced in collaboration with Bandai Namco Games Inc.</p>
Distribution network	<ul style="list-style-type: none"> ■ Developed strong alliances for distribution <div> <div>Baidu</div> <div>360</div> <div>Tencent</div> <div>Many others</div> </div>

One Piece: Sailing On

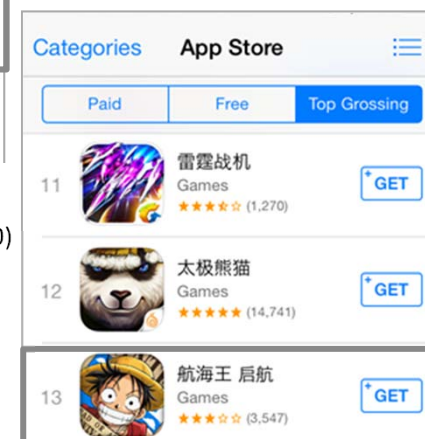
- Native app built from scratch for China market
- Strong performance across multiple channels



(360 Mobile Assistant, Net Game Ranking, as of January 30)



© Eiichiro Oda/Shueisha, Toei Animation
© BANDAI NAMCO Games Inc.
Game provided by Bandai Namco Games Inc.



(China App Store, as of February 2)

West Native App Game Strategy

- Q4 FY2014 pipeline includes *Blood Brothers 2*, *Transformers: Battle Tactics* and more
- Aiming to create new hit titles in Q4

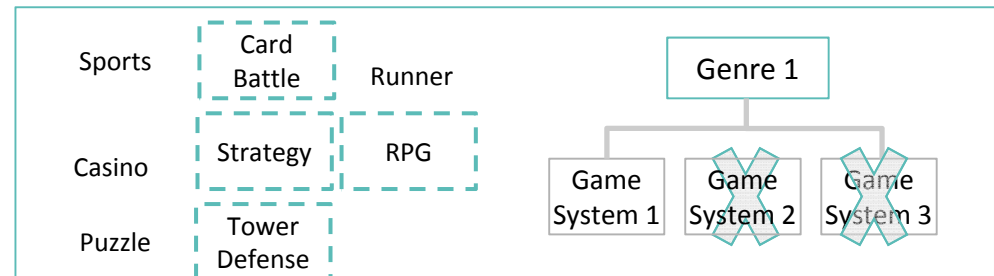
Blood Brothers 2 (Released on January 22)

- Sequel to *Blood Brothers*, a popular RPG title that achieved number one on Google Play's top grossing charts in 36 countries including the US and Canada
- Game system evolved from *Sangokushi Royale* and *D.O.T*, similar to *Final Fantasy Record Keeper*
- Comparable life time value, return rate and other KPIs with the original *Blood Brothers*

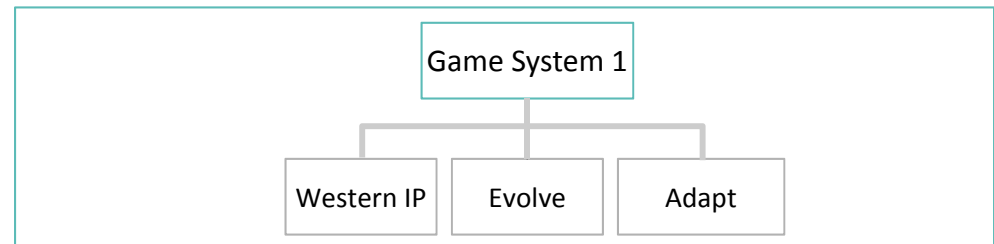


DeNA West Strategy

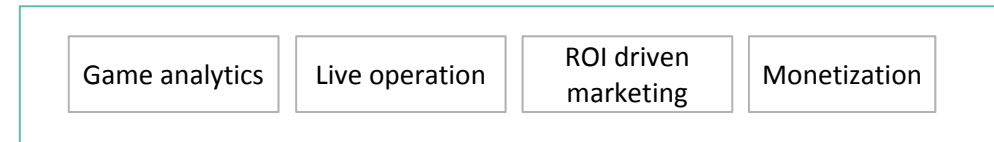
1. Select a promising genre and create a successful game system



2. Maximize business opportunity



3. Utilize our strengths to maximize player LTV



Our Strategy

Game business is and will continue to be DeNA's core business

Gaming has the potential for explosive growth

⇒ Gaining momentum in three key regions

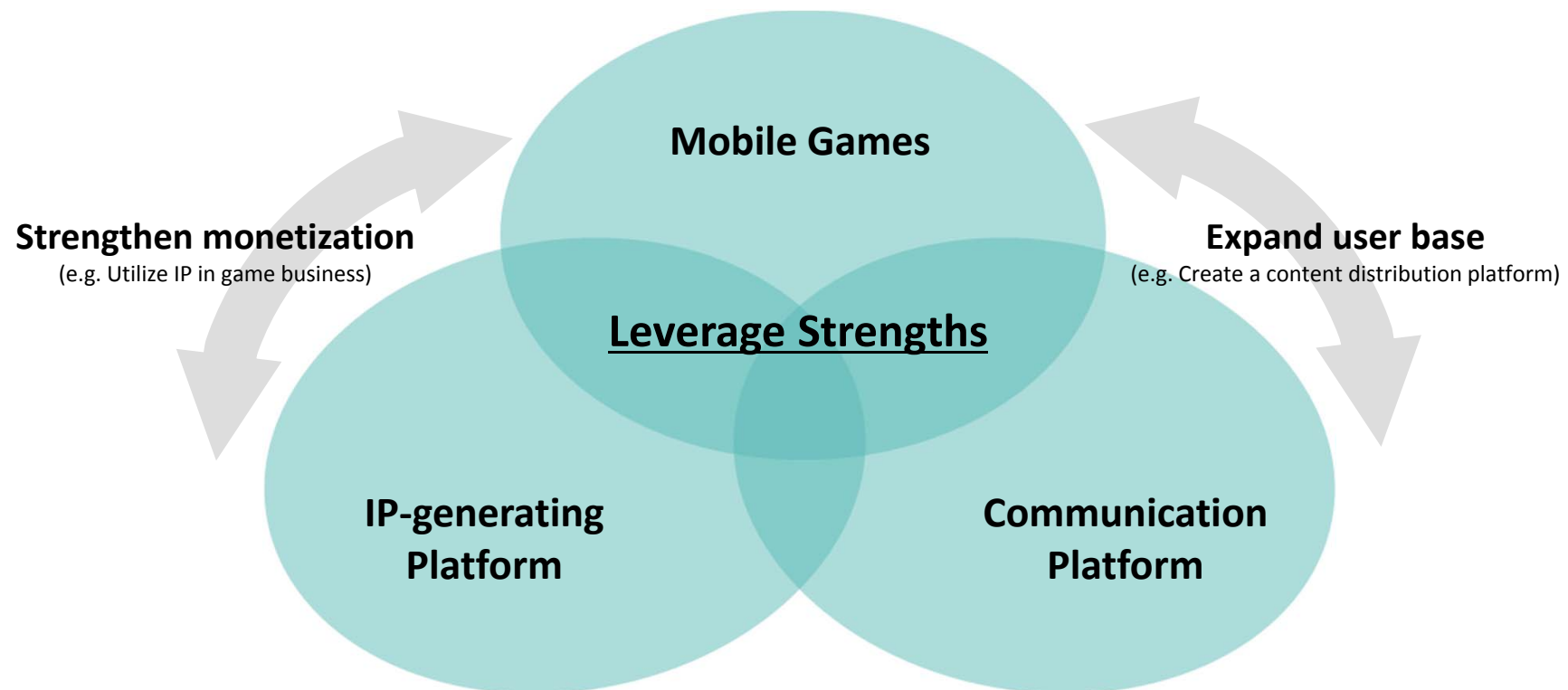
Proactive entry to new businesses with structural advantages for mid- to long-term growth

⇒ IP-generating platforms building strong user base

⇒ Executed multiple initiatives to bring digital innovation to traditional, established industries

IP-Generating and Communication Platforms

- Manga Box (Digital manga magazine)
 - Reached 7 million downloads in December, with approximately 1.5 million weekly users
 - Original IP from Manga Box in the works following acceptance by the market as a new way to enjoy manga
- Showroom (Virtual live performance)
 - Activity of both performers and users is growing
 - Further expand content variety, such as the Yokohama DeNA Baystars channel



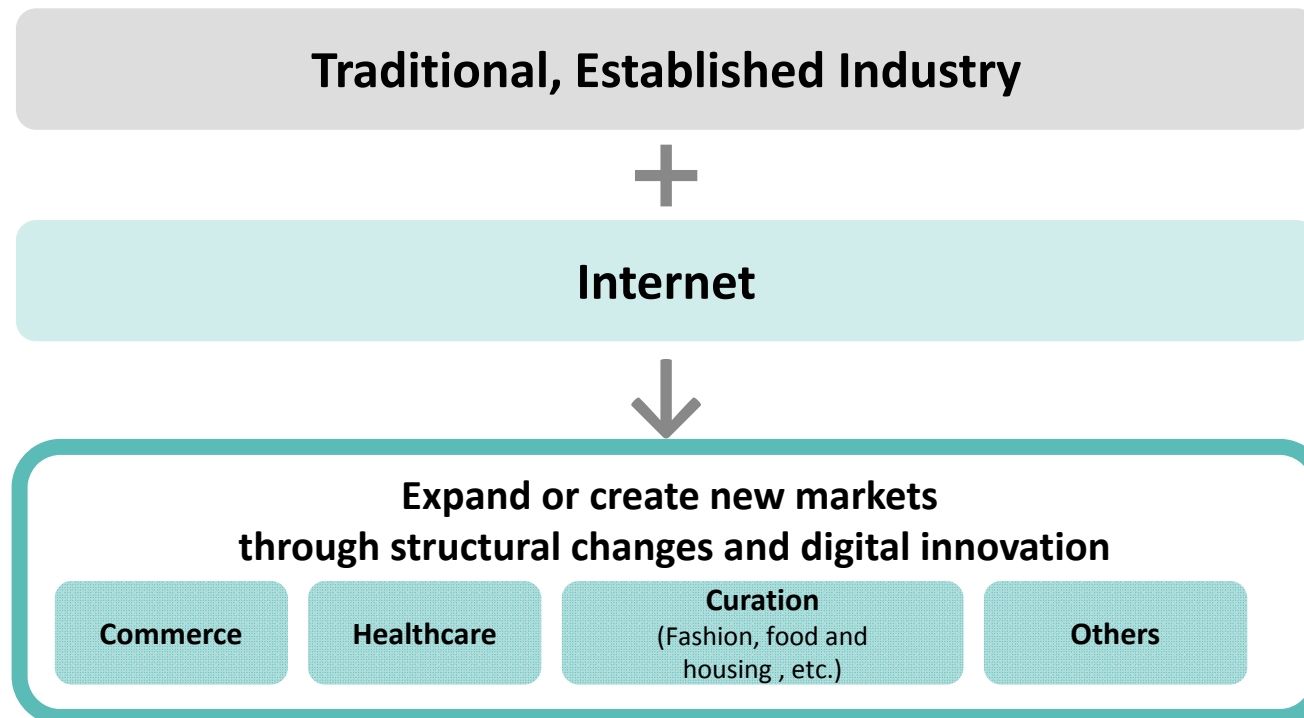
Digital Innovation in Traditional, Established Industries

■ Healthcare Business

- Expanding service portfolio in pursuit of preventive healthcare rather than “sick care”
- In addition to genetic testing service Mycode, plan to launch KenCoM in Japan, a new service for personalized health recommendations and tips, in April

■ Curation Platform Business

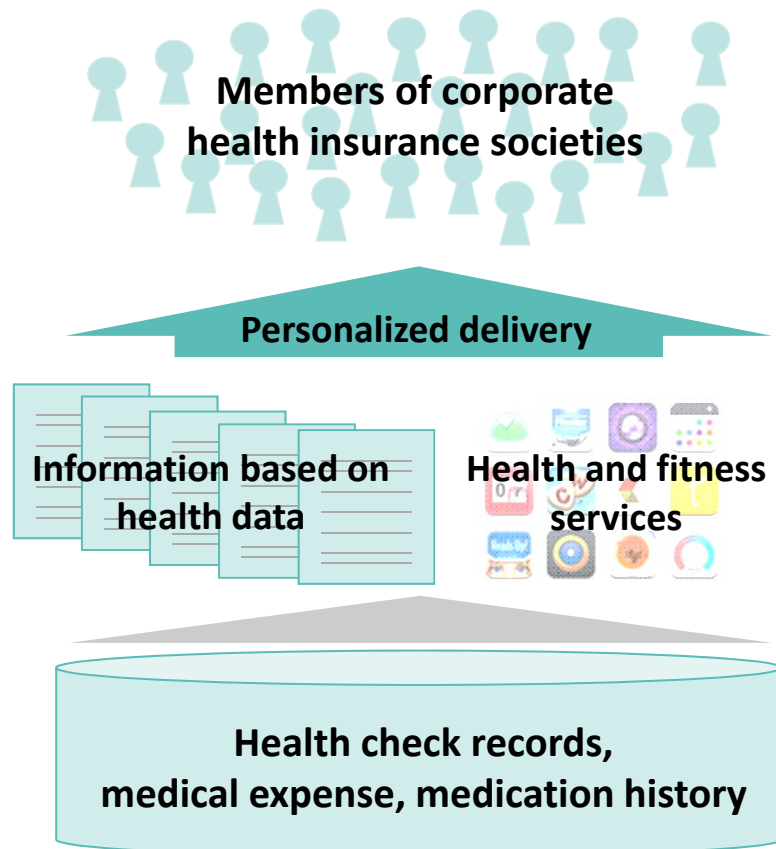
- Both iemo and MERY’s user base is growing steadily post acquisition
- Launched CAFY, new curation platform focused on food, in December



Healthcare Business: KenCoM

- Plan to establish a joint venture with Sumitomo Corporation to launch KenCoM, a new service for personalized health recommendations and tips based on users' health data

KenCoM Outline



Strengths

Data Health Plan

- Initiative by Ministry of Health, Labor and Welfare

- Government mandate for health insurance societies (HISs)
- HISs are required to plan and implement efficient health initiatives based on health check records and other digitized data



Joint venture with Sumitomo Corp

- Corporate sales capability
- Business expertise

- Combine Sumitomo Corporation's strength with DeNA's expertise in developing and operating Internet-based services



Price competitiveness

- Extra-low price
- High-quality service

- Extra-low price approach for broad acceptance by HISs with the goal to establish the de facto standard

Curation Platform Strategy

- Launched CAFY, new curation platform for food, shortly after integration of iemo and MERY to expand curation platform business to cover broad lifestyle topics
- iemo and MERY user bases are rapidly growing
- Building business models in parallel with the ultimate goal to bring changes in consumer behavior and innovation to lifestyle-related industries

New Curation Platform for Food: CAFY

- Solid growth since launch
- Utilized MERY's site development strength and other service aspects, iemo's editorial strength



Other Key Curation Platforms

MERY (Operated by Peroli)

- Category: Women's fashion
- MAU: Over 14 million (as of January 2015)



iemo

- Category: Housing and interior design
- MAU: Approx. 5 million (as of January 2015)



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Consolidated Financial Guidance for Q4 FY2014

- Consolidated financial guidance for Q4 FY2014 (January - March)
 - Revenue: 36.3 billion yen
 - Operating Profit: 4.7 billion yen
- QoQ growth expected in revenue
 - Significant QoQ growth in international coin consumption is expected due to contribution from new titles such as *One Piece: Sailing On* in China
 - Coin consumption in Japan is expected to decline slightly
 - Guidance does not include contribution from new titles in Q4 in Japan
- Cost items expected to increase QoQ
 - Higher sales promotion & advertising expenses due to proactive investments in new titles primarily in China
 - Commission fees, in cost of sales and SG&A, are expected to increase with native apps revenue growth in Japan and internationally
 - Year-end adjustments and other one-time costs

(billion yen)

Item	Q3 Actual	Q4 Guidance	QoQ Change
Revenue	34.4	36.3	5%
excl. Baseball	33.9	35.7	6%
Operating profit	5.2	4.7	-10%
excl. Baseball	6.7	6.1	-10%

Consolidated Financial Guidance for FY2014 and Dividends

- Consolidated financial guidance for FY2014
 - Revenue: 142.6 billion yen
 - Operating Profit: 24.8 billion yen
- Projected dividend payment: 17 yen per share
 - Consolidated payout ratio: 15% (37 yen, 15% in FY2013)
 - Dividend policy is related to operating results

(billion yen)

Item	FY2014 (Forecast)	FY2013 (Actual)	YoY change
Revenue	142.6	181.3	-21%
Operating profit	24.8	53.2	-53%
Profit for the year attributable to owners of the parent	14.4	31.7	-55%

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Consolidated Cash Flow Overview

	(billion yen)		
	FY2013	FY2013 Q3	FY2014 Q3
Operating cash flow (A)	28.1	-3.2	7.4
Profit before tax	54.9	12.7	6.5
Depreciation and amortization	8.2	1.9	2.8
Income tax paid	-38.2	-16.4	-8.9
Others	3.2	-1.4	6.9
Investing cash flow (B)	-15.3	-3.9	-4.9
Financing cash flow	-15.7	-0.3	0.2
Cash dividends paid	-6.7	0.0	0.0
Acquisition of treasury stock	-10.0	-	-
Others	1.0	-0.3	0.2
FCF ((A)+(B))	12.7	-7.1	2.5
Cash and cash equivalents (Consolidated)	65.4	57.8	75.1
(Non-consolidated basis)	44.2	37.3	40.6

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