



# **Q2 FY2015 Operating Results**

**November 11, 2015**

**DeNA Co., Ltd.**

1. Financial Results

2. Strategy and Initiatives

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# Q2 FY2015 Consolidated Financial Results

- Operating profit exceeded our guidance, driven by solid performance of Japan game business

(billion yen)

Item*	FY2014			FY2015			
	Q2	Q3	Q4	Q1	Q2	YoY Change	QoQ Change
<b>Revenue</b>	<b>36.0</b>	<b>34.4</b>	<b>36.1</b>	<b>37.7</b>	<b>37.1</b>	<b>3%</b>	<b>-2%</b>
Game	26.9	28.3	29.8	28.3	27.5	2%	-3%
E-commerce	5.1	5.1	5.2	5.0	4.9	-4%	-2%
Sports	3.6	0.6	0.7	3.7	4.0	10%	7%
New Businesses and Others	0.8	0.9	0.9	1.1	1.2	57%	8%
Adjustments	-0.4	-0.4	-0.6	-0.4	-0.4	-	-
<b>Operating profit</b>	<b>8.0</b>	<b>5.2</b>	<b>4.6</b>	<b>4.0</b>	<b>7.4</b>	<b>-8%</b>	<b>84%</b>
Operating profit margin	22%	15%	13%	11%	20%	-	-
Segment profit / loss	8.2	5.5	5.1	6.8	6.8	-17%	1%
Game	7.8	7.6	6.4	6.8	6.4	-18%	-6%
E-commerce	0.6	0.5	0.6	0.6	0.6	-3%	9%
Sports	0.8	-1.6	-0.9	0.9	1.0	25%	20%
New Businesses and Others	-1.2	-1.1	-1.0	-1.1	-1.3	-	-
Adjustments	0.1	0.0	-0.1	-0.3	0.0	-85%	-
Other income / expenses (net)**	-0.2	-0.3	-0.5	-2.8	0.6	-	-

\*All FY2014 figures have been restated in accordance with the changes to the reportable segments made in Q1 FY2015. The restated revenue and profit breakdown for FY2014 are before auditing. Note that segment revenue now represents revenue before elimination of intersegment revenue.

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

## Q2 FY2015 Cost and Expense Breakdown

- Sales promotion and advertising expenses were carefully managed based on ROI
- Recognized 1.2 billion yen gain from sale of DeNA BtoB Market in Other income line

(billion yen)

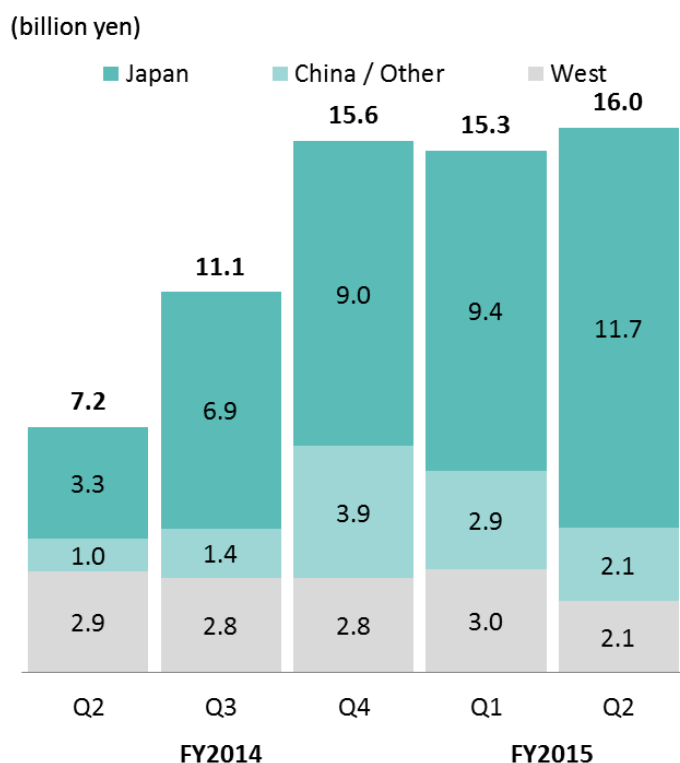
Item	FY2014			FY2015			
	Q2	Q3	Q4	Q1	Q2	YoY Change	QoQ Change
<b>Cost of Sales</b>	<b>13.8</b>	<b>14.4</b>	<b>14.7</b>	<b>16.1</b>	<b>15.2</b>	<b>10%</b>	<b>-6%</b>
Personnel Expenses	1.2	1.4	1.3	1.7	1.5	24%	-15%
Depreciation and amortization	2.2	2.4	2.5	2.6	2.3	4%	-10%
Outsourcing expenses	2.7	2.7	2.0	2.4	2.5	-7%	3%
Commission fees	5.9	6.4	7.1	6.9	6.4	9%	-8%
Others	1.8	1.5	1.8	2.4	2.5	36%	3%
<b>Selling, general, and administrative expenses</b>	<b>14.0</b>	<b>14.6</b>	<b>16.3</b>	<b>14.8</b>	<b>15.1</b>	<b>8%</b>	<b>2%</b>
Personnel Expenses	3.2	3.3	3.3	3.5	3.3	1%	-7%
Sales promotion & Advertising expenses	3.0	3.1	4.0	2.5	3.1	4%	22%
Outsourcing expenses & Commission fees	6.0	6.5	6.9	6.9	6.9	16%	0%
Others	1.8	1.8	2.1	1.9	1.9	4%	0%
<b>Other income/ expenses (net)*</b>	<b>-0.2</b>	<b>-0.3</b>	<b>-0.5</b>	<b>-2.8</b>	<b>0.6</b>	<b>-</b>	<b>-</b>
<b>Consolidated employee headcount</b>	<b>2,389</b>	<b>2,420</b>	<b>2,424</b>	<b>2,411</b>	<b>2,444</b>	<b>2%</b>	<b>1%</b>

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

# Key Metrics: Game Business

- Total native app coin consumption remained stable at over 15 billion yen per quarter
- Coin consumption in Japan: 1st- and 2nd-party titles were stable and a 3rd-party title *Granblue Fantasy* from Cygames showed strong performance in both app and browser

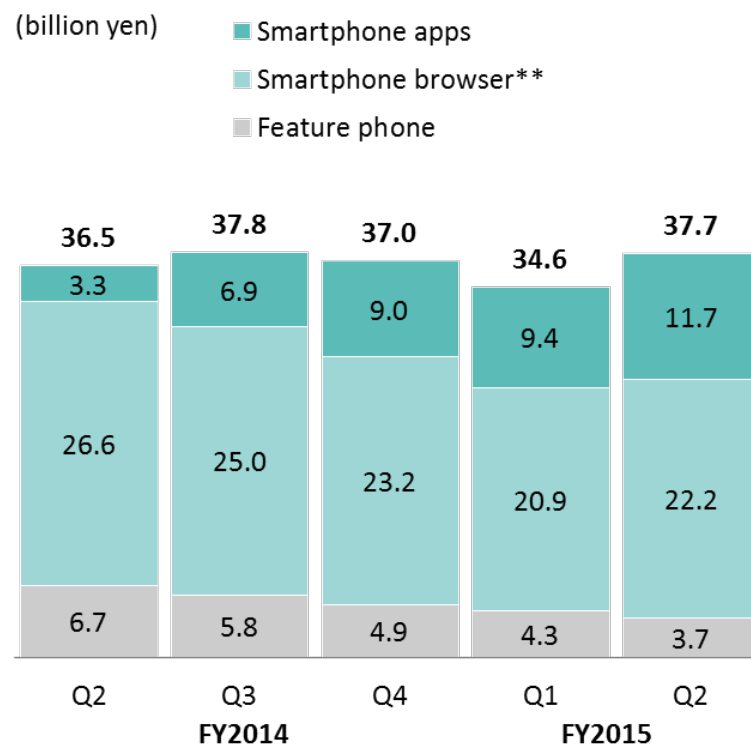
## Native App Coin Consumption by Region



Exchange rates at the end of each quarter:

(Unit :yen)	FY2014			FY2015	
	Q2	Q3	Q4	Q1	Q2
1 USD	110	119	120	122	120
1 RMB	18	19	19	20	19

## Coin Consumption in Japan by Type of Device and Business\*



\*Includes coin consumption, monthly membership service fees, and ticket sales.

Includes consumption of virtual currency in mixi Games from Q2 FY2013

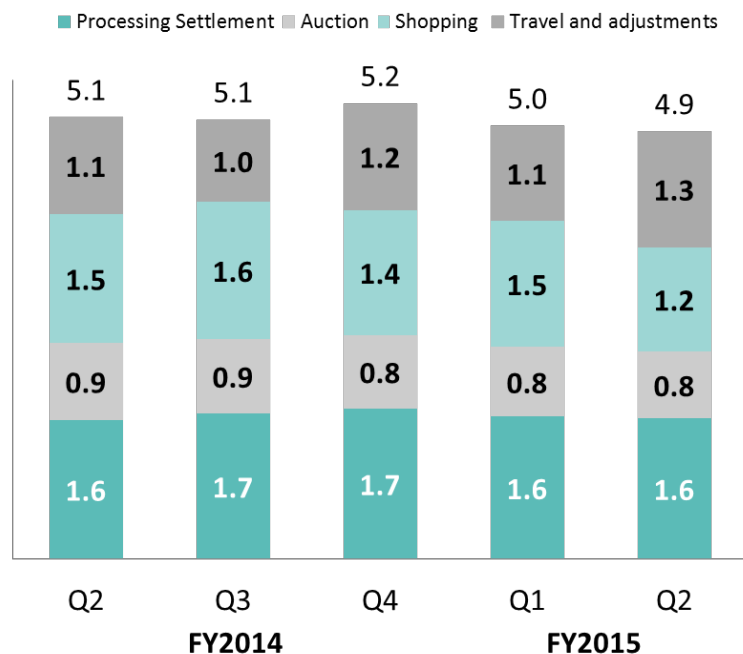
\*\*Includes Yahoo! Mobage

# Key Metrics: E-commerce Business

- Segment revenue remained consistent at around 5 billion yen per quarter
- Transaction volume of groceries and daily consumables continued to grow in Shopping\*
- \*DeNA BtoB Market figures are excluded beginning Q2 FY2015
- Transaction volume in Travel grew steadily with enhanced competitiveness in online airline ticket market

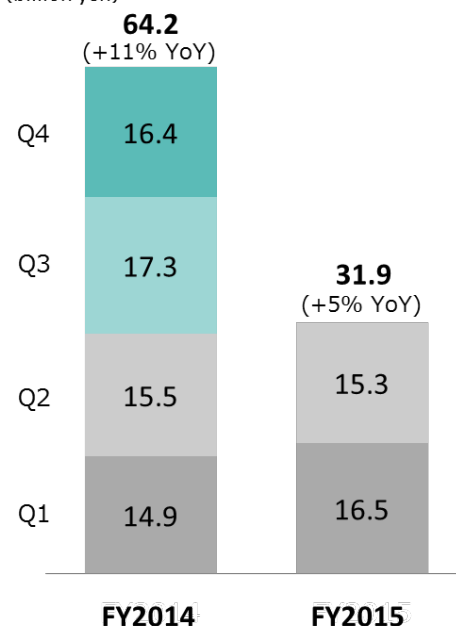
## Revenue\*\*

(billion yen)



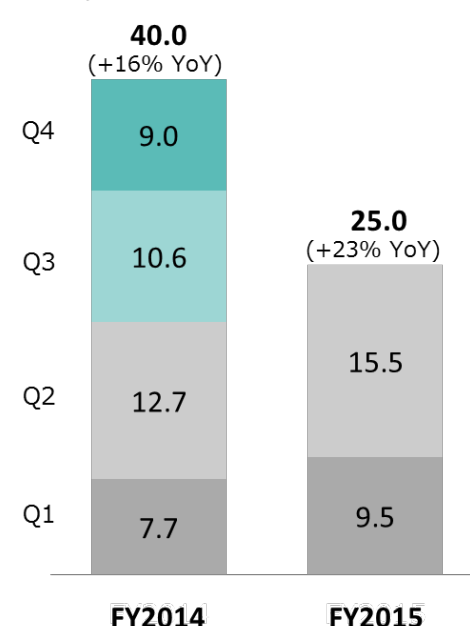
## Shopping Transaction Volume

(billion yen)



## Travel Transaction Volume

(billion yen)



\*\*Key brands in each sub-segment:

-Travel and adjustments: DeNA Travel, Shumee-to Club

-Shopping: DeNA Shopping, au Shopping Mall, DeNA BtoB market(-Q1 FY2015), SEIYU.com, etc.

-Auction: Mobaoku

-Processing Settlement: Paygent

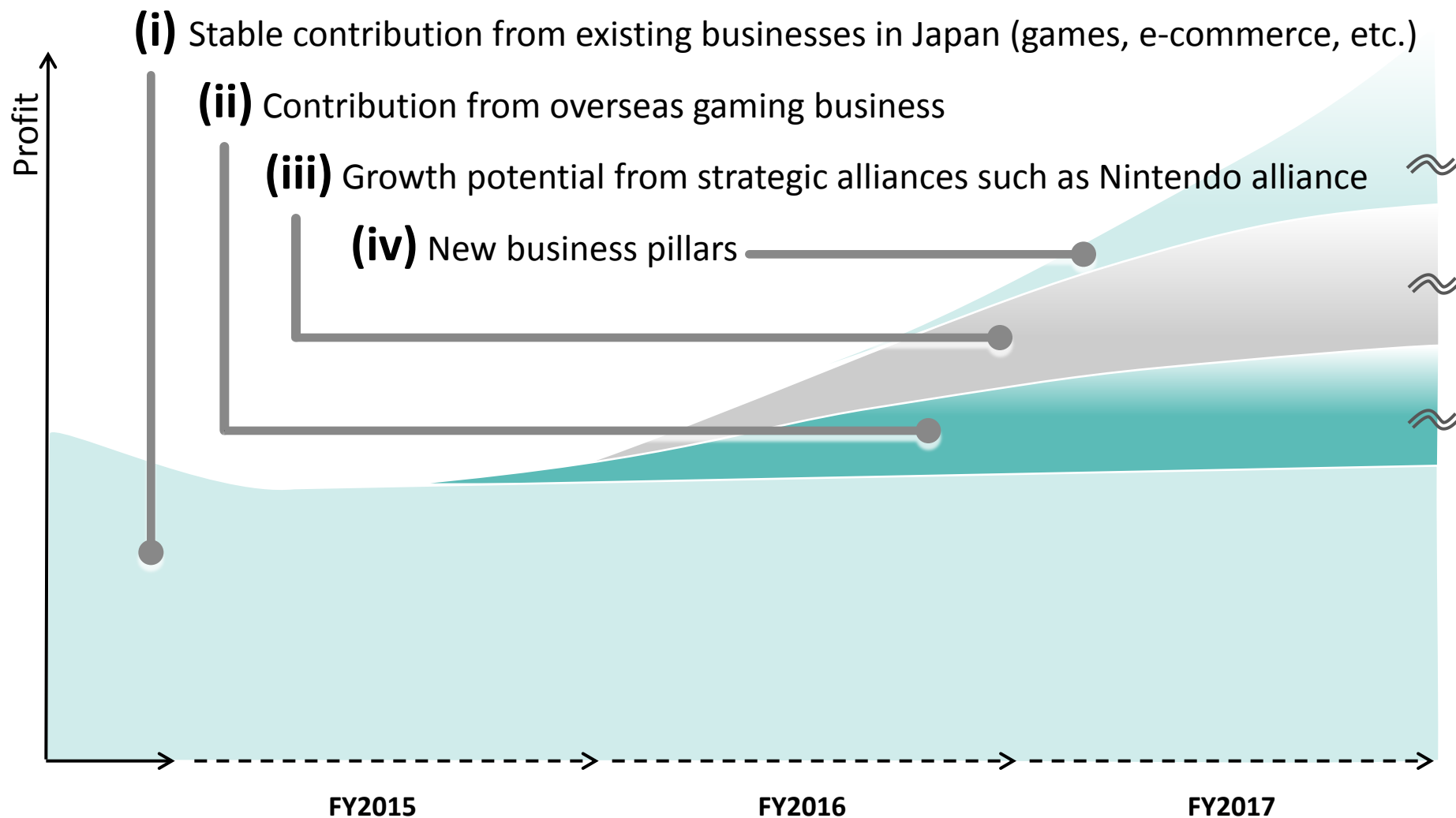
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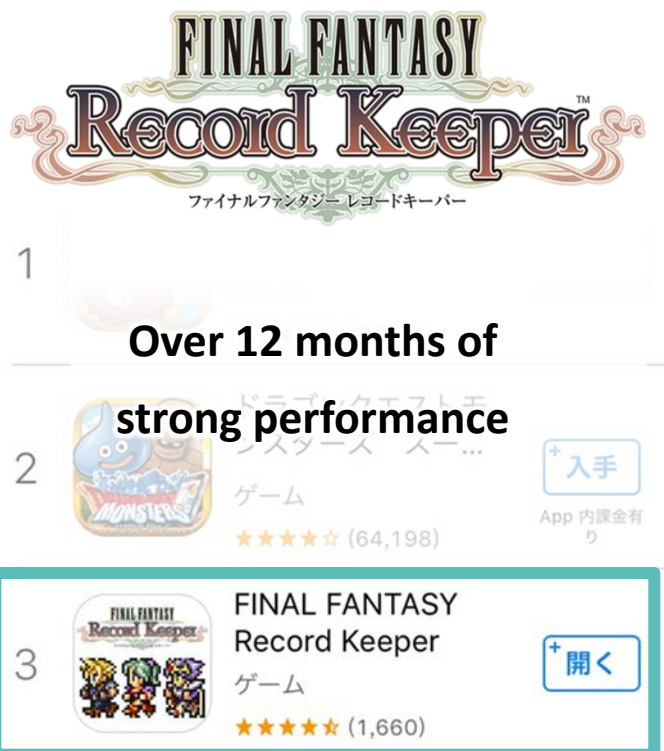
# Corporate Value Creation





## (i) Japan Game Business: 1st- and 2nd-party Native Apps

- Proactively launch premium IP titles with engaging live operations to stabilize medium- to long-term coin consumption
- Aim to create DeNA-original hits by building technical expertise and know-how



(Japan App Store's top grossing chart, September 25, 2015)

©SQUARE ENIX CO., LTD. ©DeNA Co., Ltd.



Launched on October 15, becoming a promising title

© SOTSU, SUNRISE  
Game provided by: BANDAI NAMCO Entertainment Inc.



Launch planned in CY2016

© Eiichiro Oda/Shueisha, Toei Animation  
© BANDAI NAMCO Entertainment Inc.  
Game provided by: BANDAI NAMCO Entertainment Inc.

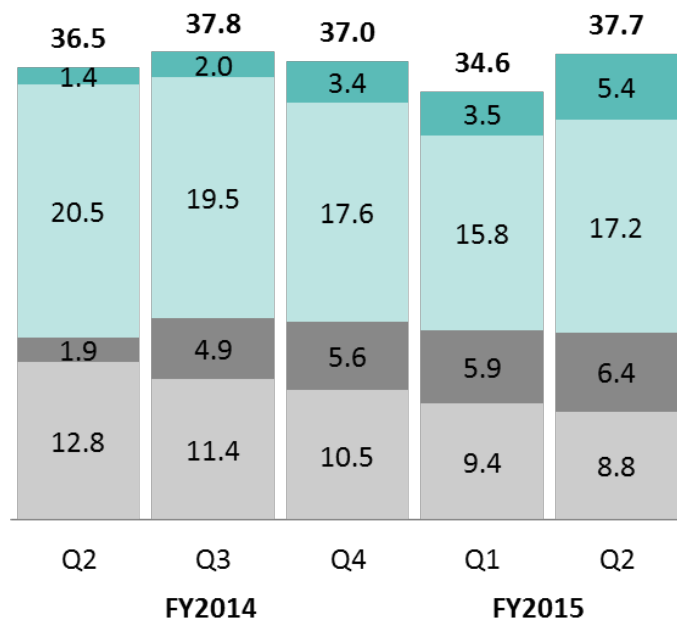
## (i) Japan Game Business: Overview

- 1st- and 2nd-party titles: Coin consumption from native app games is steadily growing and offsetting decline in browser
- 3rd-party titles: Coin consumption is strong primarily due to a hit title. As a result, the proportion of native app coin consumption from 3rd-party titles has increased (3rd-party native apps have lower margin per coin consumed than 1st- and 2nd-party apps)

### Coin Consumption in Japan by Business

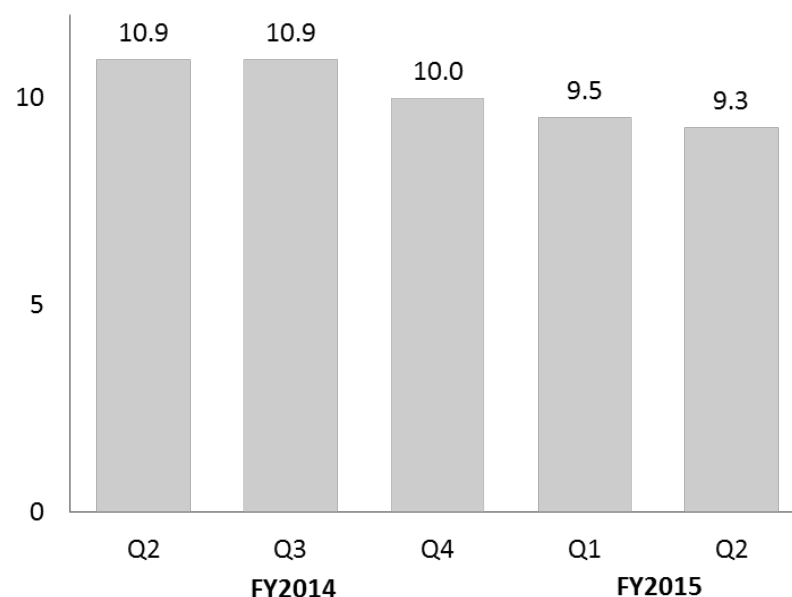
(billion yen)

■ 3rd-Party(App)      ■ 3rd-Party(browser)  
■ 1st- and 2nd-Party(App)      ■ 1st- and 2nd-Party(browser)



### Operating Profit from Japan Game Business\*

(billion yen)



\*Figures are based on management accounting

## (ii) International Game Business

### ■ West

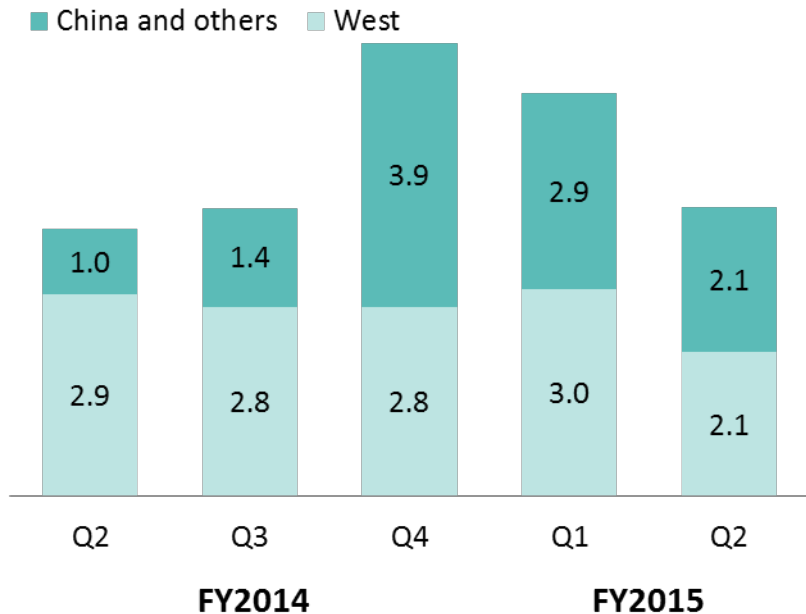
- Successfully managed the bottom line following studio and game portfolio optimization in Q1

### ■ China

- Coin consumption decreased due to the performance of key titles and delayed new title contribution
- Upfront investments were made for new titles which are expected to contribute in the second half of FY2015 onwards
- Planning to launch a number of titles based on popular IP in China as previously announced

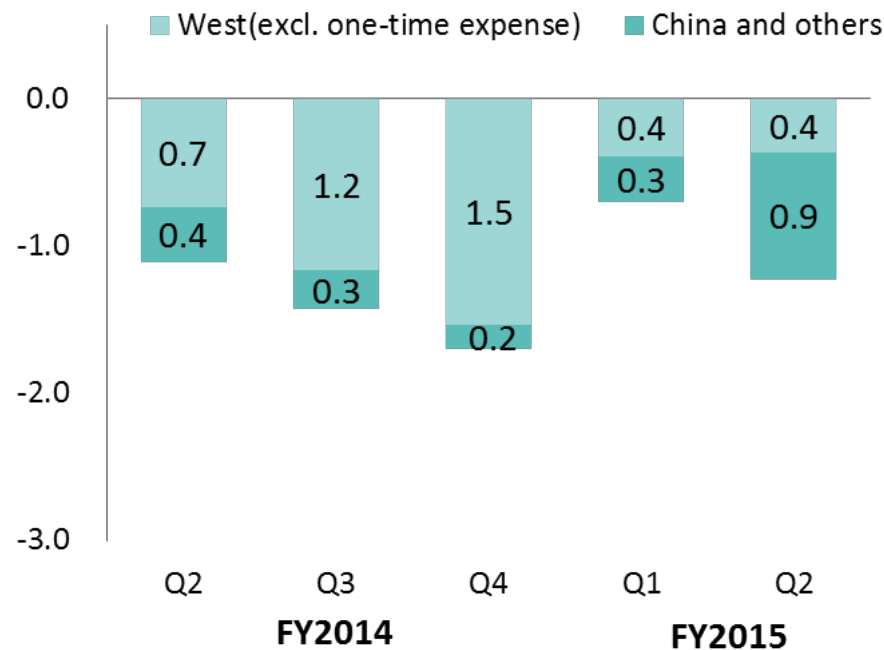
**International Coin Consumption**

(billion yen)



**International Operating Loss\***

(billion yen)



\*Figures are based on management accounting

### (iii) Partnership with Nintendo (Strategic Goals)

#### ■ Progress of collaboration

- 1) Joint development and operation of Nintendo-IP game apps: *Miitomo* is the first title
- 2) Joint development of Nintendo's new membership service: *My Nintendo* based on Nintendo Account
- Both *Miitomo* and *My Nintendo* will be launched globally in 8 languages in 100 countries

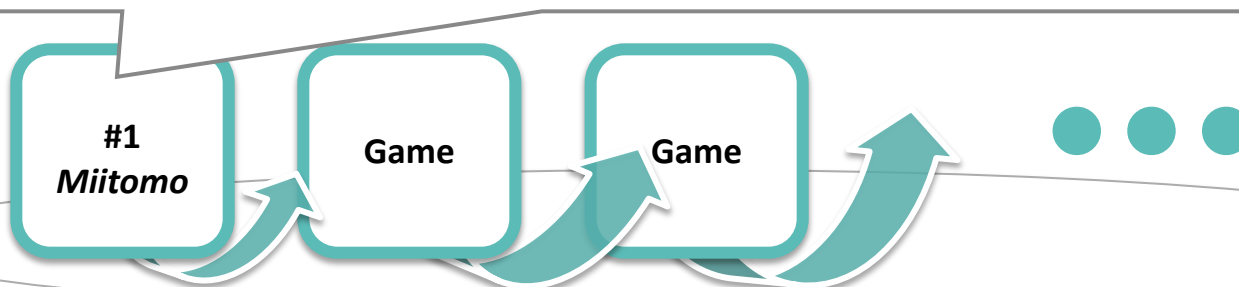
- #### ■ We strategically 1) selected IP and 2) decided to launch *Miitomo* and *My Nintendo* simultaneously to build a foundation on which our users can enjoy multiple jointly-developed games over the long term

#### Reach

- ✓ Over 200 million\* Mii created worldwide
- ✓ IP that appeals to broad audience across different age/gender groups, countries and regions
- ✓ IP unaffected by interests in specific games

#### User Engagement

- ✓ Emotional attachment to avatars of the users and their friends
- ✓ Strong virality of Mii



#### ***My Nintendo* membership service connects all Nintendo experiences across devices**

- ✓ Builds active user base: "Friend" relations established through Mii
- ✓ Improves user loyalty: Recommendation, loyalty points, etc.
- ✓ Designed for easy, long-term use: Access from external accounts such as Facebook ID

\*Total of all Nintendo platforms

### (iii) Partnership with Nintendo (Outlook)

#### Future Plans

- Launch date for the first jointly developed app and membership service has been rescheduled to March 2016 to ensure *Miitomo*'s quality and optimal launch timing
- Planning to launch approximately five carefully selected titles by the end of the fiscal year ending March 2017 (unchanged)
- All IP, including major franchises, will be considered (unchanged)

#### Monetization

- The main objective is to produce multiple hit titles and make the collaborated business profitable on its own
- Contribution from this alliance is expected to start in FY2016 (unchanged)
  - *Miitomo* will be free to download with optional paid items. Monetization methods will be carefully decided based on user expectation and gameplay
  - The same approach will be applied to other jointly developed titles
- Goal is to achieve sustained, medium- to long-term profits based on strong user engagement

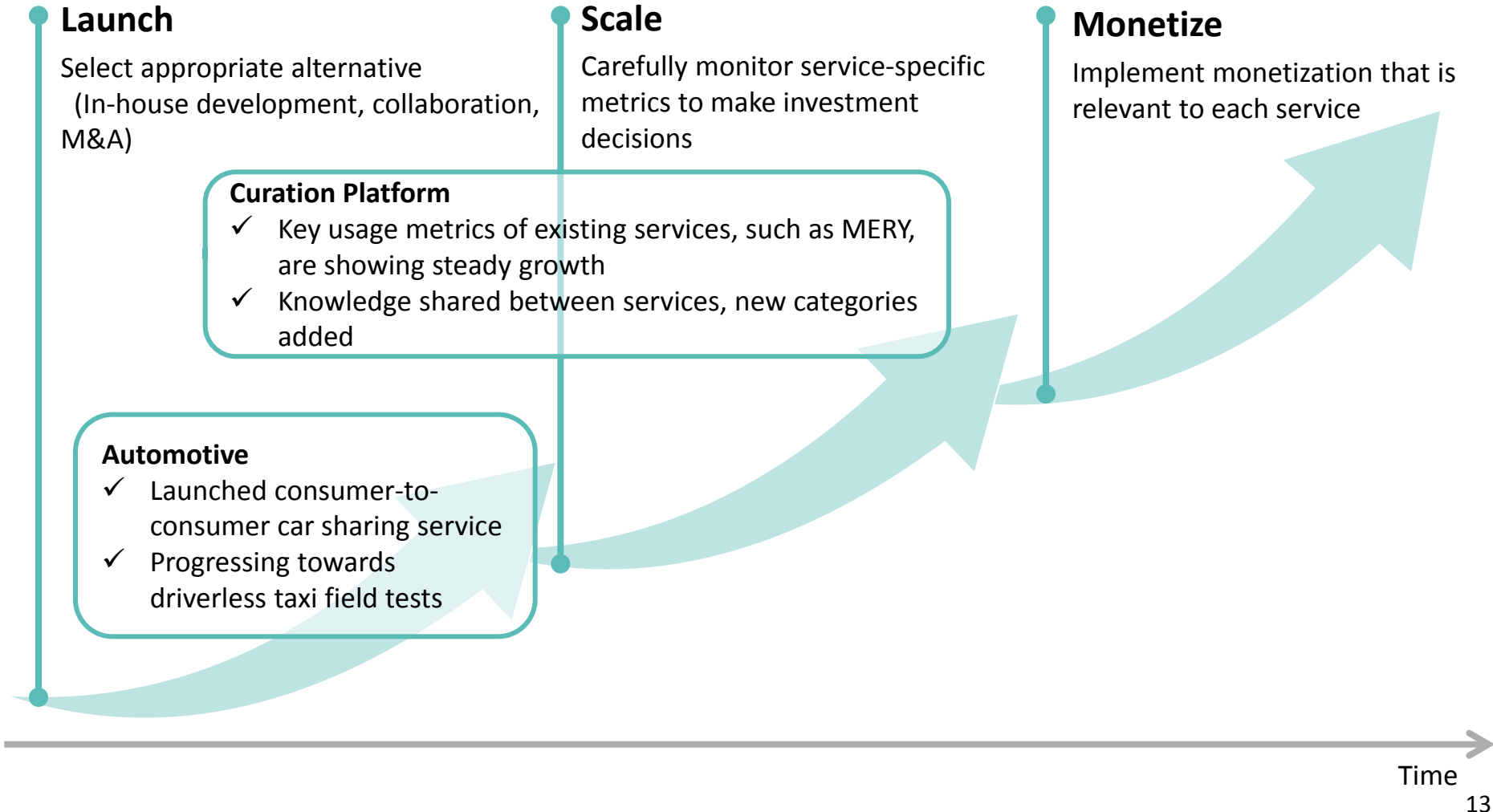
#### Role Division/ Revenue Share

- Primary role of Nintendo will be to manage the front end whereas DeNA will focus on back end for the apps (unchanged)
- Revenue will be shared based on each party's role and responsibility (unchanged)

## (iv) New Business Pillars

- Develop a well-balanced business portfolio by pursuing investments that enable growth and contribute towards profit in the medium- to long-term

### New Business Strategy Updates (April – November 2015)



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# Consolidated Financial Guidance for Q3 FY2015

## ■ Consolidated financial guidance for Q3 FY 2015 (October-December)

(billion yen)

Item	Q1 Actual	Q2 Actual	Q3 Guidance	QoQ Change	QoQ Change(%)
<b>Revenue</b>	<b>37.7</b>	<b>37.1</b>	<b>33.3</b>	<b>-3.8</b>	<b>-10%</b>
excl. Sports	34.0	33.1	32.7	-0.4	-1%
<b>Operating Profit</b>	<b>4.0</b>	<b>7.4</b>	<b>3.0</b>	<b>-4.4</b>	<b>-59%</b>
excl. Sports	3.1	6.3	4.9	-1.4	-23%
One-time factors	<b>-2.7</b> Reorganization in the West	<b>1.2</b> Sales of DeNA B to B Market business	- N/A	-	-

## ■ Key factors for QoQ change other than Sports business which has seasonality of baseball

- Japan coin consumption\*: Expected to decrease slightly QoQ  
\*Revenue from some new 1st- and 2nd-party titles will be recognized on net basis
- International coin consumption: Expected to be essentially flat QoQ
- Sales promotion and advertising expenses are expected to increase due to marketing efforts for new titles and new businesses
- No one-time factor (negative impact of 1.2 billion yen QoQ on operating profit)



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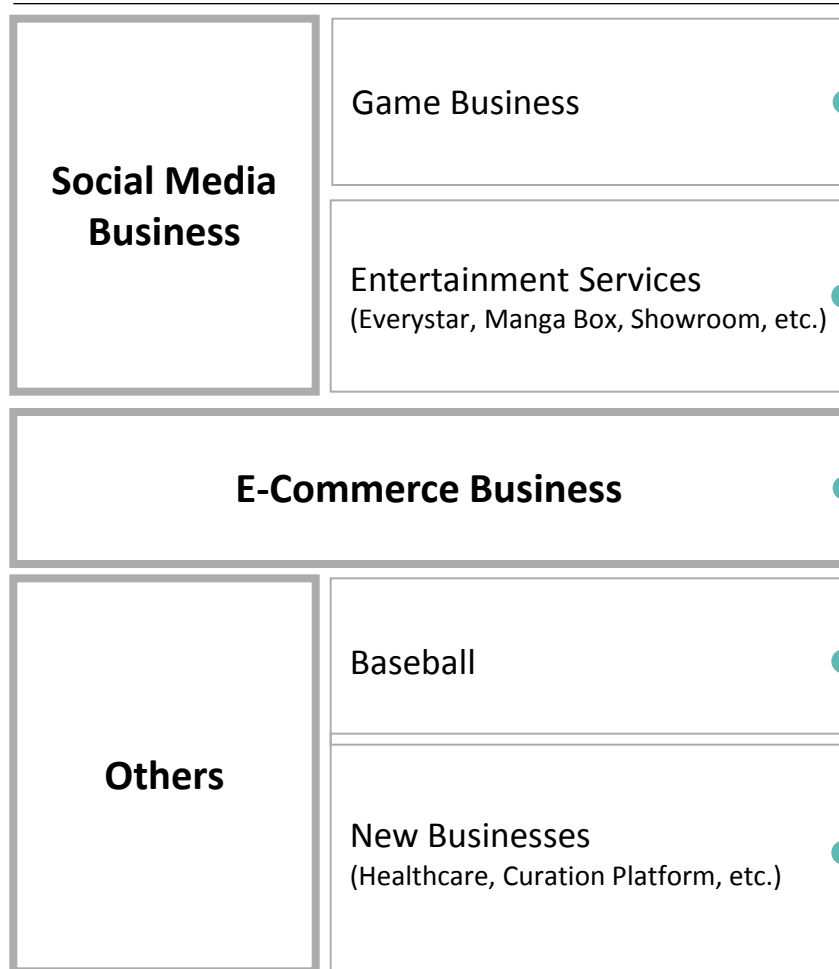
# Consolidated Cash Flow Overview

	(billion yen)		
	FY2014	FY2014 1H	FY2015 1H
<b>Operating cash flow (A)</b>	<b>27.9</b>	<b>23.2</b>	<b>16.5</b>
Profit before tax	28.4	15.9	12.0
Depreciation and amortization	10.8	5.1	5.9
Income tax paid	-11.3	-2.4	-2.5
Others	0.0	4.6	1.0
<b>Investing cash flow (B)*</b>	<b>-21.3</b>	<b>-12.4</b>	<b>-26.1</b>
<b>Financing cash flow</b>	<b>-3.8</b>	<b>-4.6</b>	<b>19.7</b>
Cash dividends paid	-4.8	-4.8	-2.6
Disposition of Treasury stock*	0.2	0.1	22.1
Others	0.8	0.1	0.2
<b>FCF ((A)+(B))</b>	<b>6.6</b>	<b>10.9</b>	<b>-9.7</b>
<b>Cash and cash equivalents (Consolidated)</b>	<b>68.7</b>	<b>72.0</b>	<b>78.7</b>
(Non-consolidated basis)	44.9	44.3	50.7

\* Impact from the business and capital alliance with Nintendo is reflected to investing cash flow and disposition of treasury stock in financing cash flow by approximately 22 billion yen respectively. Acquisition of Nintendo's treasury shares and disposition of our treasury stock were both effective April 2, 2015.

# Changes to Reportable Segments

## Segments until Q4 FY2014



## Segments from Q1 FY2015



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