



**Q4 FY2015  
Operating Results**

**May 11, 2016**

**DeNA Co., Ltd.**

# 1. Financial Results

## 2. Strategy and Initiatives

## 3. Guidance

## 4. Reference

# FY2015 Consolidated Financial Results (IFRS)

- Year-on-year revenue growth in FY2015
- Q4 revenue and operating profit were both in line with guidance

(billion yen)

Item*	FY2014	FY2015					YoY Change	QoQ Change	FY2014	FY2015	
	Q4	Q1	Q2	Q3	Q4				YoY Change		
<b>Revenue</b>	<b>36.1</b>	<b>37.7</b>	<b>37.1</b>	<b>33.8</b>	<b>35.0</b>	<b>-3%</b>	<b>3%</b>	<b>142.4</b>	<b>143.7</b>	<b>1%</b>	
Game	29.8	28.3	27.5	27.3	26.6	-11%	-2%	113.0	109.6	-3%	
E-commerce	5.2	5.0	4.9	4.8	5.2	0%	8%	20.2	19.9	-2%	
Sports	0.7	3.7	4.0	0.7	1.5	103%	123%	7.8	9.9	27%	
New Businesses and Others	0.9	1.1	1.2	1.4	2.0	114%	36%	3.1	5.7	84%	
Adjustments	-0.6	-0.4	-0.4	-0.3	-0.2	-	-	-1.8	-1.5	-	
<b>Operating profit</b>	<b>4.6</b>	<b>4.0</b>	<b>7.4</b>	<b>3.3</b>	<b>5.1</b>	<b>11%</b>	<b>55%</b>	<b>24.8</b>	<b>19.8</b>	<b>-20%</b>	
Operating profit margin	13%	11%	20%	10%	15%	-	-	17%	14%	-	
Segment profit / loss	5.1	6.8	6.8	3.5	4.9	-4%	39%	26.5	22.0	-17%	
Game	6.4	6.8	6.4	6.0	6.6	4%	10%	29.9	25.9	-13%	
E-commerce	0.6	0.6	0.6	0.7	0.7	17%	4%	2.3	2.6	13%	
Sports	-0.9	0.9	1.0	-1.8	-1.1	-	-	-1.4	-1.0	-	
New Businesses and Others	-1.0	-1.1	-1.3	-1.3	-1.0	-	-	-4.1	-4.7	-	
Adjustments	-0.1	-0.3	0.0	-0.1	-0.4	-	-	-0.3	-0.8	-	
Other income **	0.1	0.1	1.3	0.1	2.3	1479%	1450%	0.7	3.9	455%	
Other expenses**	0.6	2.9	0.8	0.3	2.1	235%	492%	2.4	6.0	151%	

\*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)

# FY2015 Cost and Expense Breakdown (IFRS)

- Sales promotion and advertising expenses were carefully managed based on ROI
- Intangible assets from previous game development strategy were retired resulting in a larger than normal retirement expense in Q4 FY2015

(billion yen)

Item	FY2014	FY2015						FY2014	FY2015	
	Q4	Q1	Q2	Q3	Q4	YoY Change	QoQ Change			YoY Change
<b>Cost of Sales</b>	<b>14.7</b>	<b>16.1</b>	<b>15.2</b>	<b>14.0</b>	<b>14.3</b>	<b>-3%</b>	<b>2%</b>	<b>56.6</b>	<b>59.6</b>	<b>5%</b>
Personnel Expenses	1.3	1.7	1.5	1.5	1.4	6%	-9%	5.2	6.2	18%
Depreciation and amortization	2.5	2.6	2.3	2.2	2.2	-12%	0%	9.2	9.4	2%
Outsourcing expenses	2.0	2.4	2.5	2.2	2.1	4%	-5%	9.9	9.2	-7%
Commission fees	7.1	6.9	6.4	6.2	6.2	-13%	0%	25.5	25.7	1%
Others	1.8	2.4	2.5	1.9	2.4	35%	27%	6.8	9.2	35%
<b>Selling, general, and administrative expenses</b>	<b>16.3</b>	<b>14.8</b>	<b>15.1</b>	<b>16.3</b>	<b>15.8</b>	<b>-3%</b>	<b>-3%</b>	<b>59.3</b>	<b>62.1</b>	<b>5%</b>
Personnel Expenses	3.3	3.5	3.3	3.3	3.4	4%	4%	13.0	13.5	3%
Sales promotion & Advertising expenses	4.0	2.5	3.1	4.1	3.1	-22%	-25%	13.0	12.8	-1%
Outsourcing expenses & Commission fees	6.9	6.9	6.9	7.0	7.0	0%	-1%	25.7	27.8	8%
Others	2.1	1.9	1.9	1.9	2.4	11%	25%	7.6	8.0	6%
<b>Other income*</b>	<b>0.1</b>	<b>0.1</b>	<b>1.3</b>	<b>0.1</b>	<b>2.3</b>	<b>1479%</b>	<b>1450%</b>	<b>0.7</b>	<b>3.9</b>	<b>455%</b>
<b>Other expenses*</b>	<b>0.6</b>	<b>2.9</b>	<b>0.8</b>	<b>0.3</b>	<b>2.1</b>	<b>235%</b>	<b>492%</b>	<b>2.4</b>	<b>6.0</b>	<b>151%</b>
<b>Consolidated employee headcount</b>	<b>2,424</b>	<b>2,411</b>	<b>2,444</b>	<b>2,410</b>	<b>2,435</b>	<b>0%</b>	<b>1%</b>	<b>2,424</b>	<b>2,435</b>	<b>0%</b>

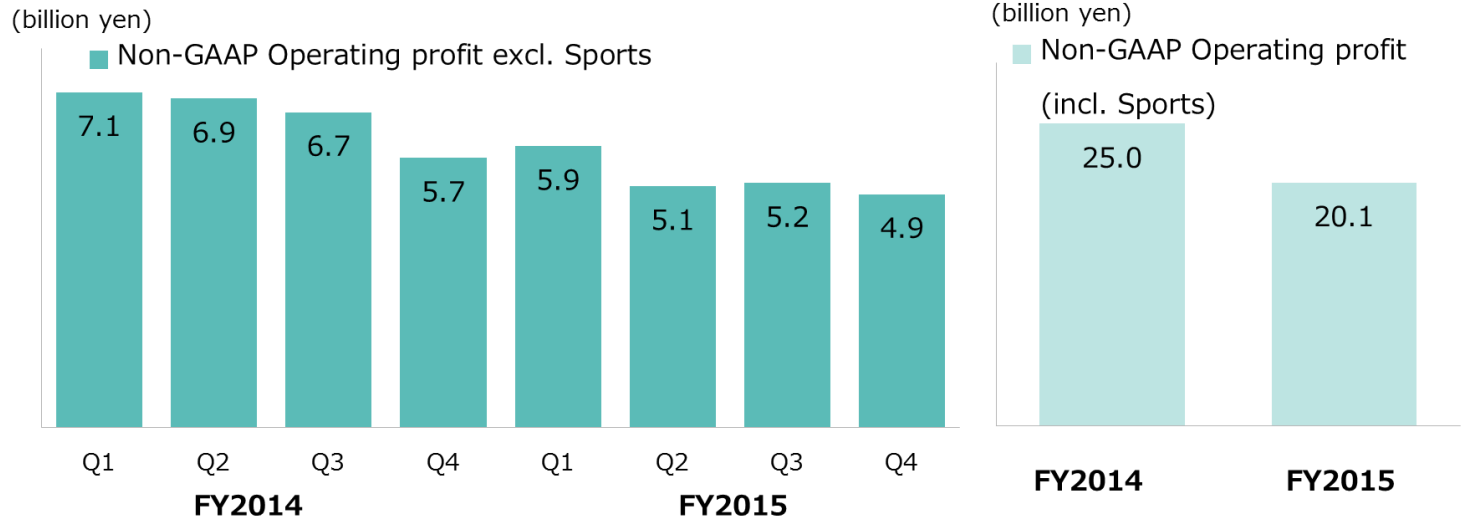
\*Includes non-extraordinary gains and losses under Japanese GAAP. (e.g. Loss on sales / retirement of tangible / intangible assets)

# Introduction of Non-GAAP Earnings Disclosure

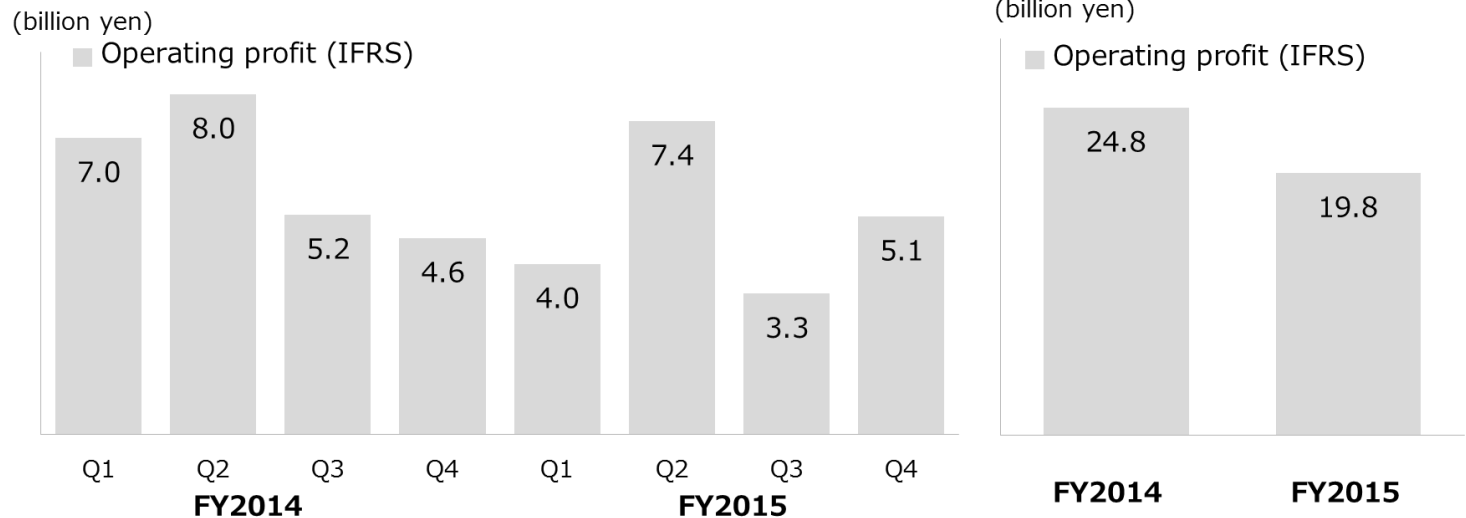
- To provide better clarity for DeNA's consolidated quarterly financial performance, non-GAAP metrics, adjusted for seasonality and one-time factors, have been introduced

## Non-GAAP

\*Please see next page for detailed adjustments from IFRS



## IFRS



# Reference: IFRS to Non-GAAP Reconciliation

## Notes on adjustment calculation

- No adjustments were made at the revenue level as fluctuations are limited. For seasonality of the sports business, please see segment information.
- As profit and loss from the Sports business fluctuate significantly during the April – September baseball season and October – March off-season, Non-GAAP metrics that exclude Sports business is disclosed additionally.
- Accounting expenses related to allowances for paid-holidays, taxes and dues have been proportionally reallocated to each reported quarter

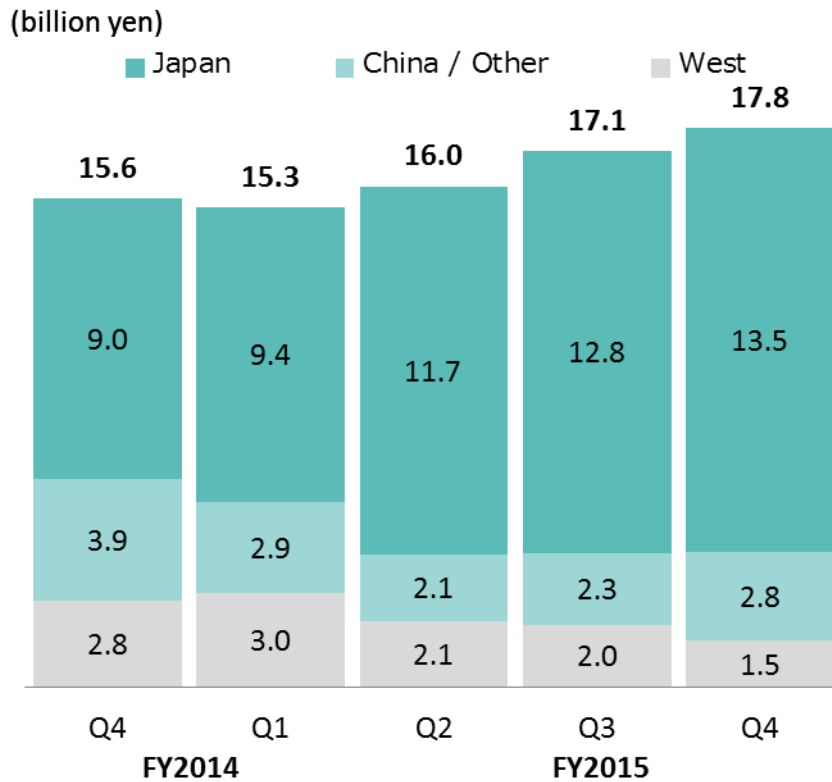
(billion yen)

Item	Calc.	FY2014				FY2015				YoY Change	QoQ Change	FY2014	FY2015		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				YoY Change	YoY Change	
<b>IFRS</b>															
Operating profit	A	7.0	8.0	5.2	4.6	4.0	7.4	3.3	5.1	11%	55%	24.8	19.8	-20%	
<b>Reconciliation</b>															
Exclusion of seasonality	Profit/loss from seasonal sports business	B	+0.2	+0.8	-1.6	-0.9	+0.9	+1.0	-1.8	-1.1	-	-	-1.4	-1.0	-
	Accounting adjustments (True-up of annual vacation accrual, tax and dues)	C	-0.3	+0.2	+0.2	-0.1	-0.3	+0.2	+0.2	-0.1	-	-	-0.0	+0.0	-
Exclusion of one-time factors	Acquisition and restructuring related expenses	D	-	-0.0	-0.1	-0.1	-2.5	-0.2	-0.2	-0.6	-	-	-0.2	-3.6	-
	Sale and disposition related gains	E	-	-	-	-	-	+1.2	-	+2.0	-	-	-	+3.2	-
<b>Non-GAAP</b>															
Non-GAAP Operating profit	A-C-D-E	7.3	7.8	5.1	4.8	6.8	6.1	3.4	3.9	-20%	-45%	25.0	20.1	-19%	
Non-GAAP Operating profit excl. Sports	A-B-C-D-E	7.1	6.9	6.7	5.7	5.9	5.1	5.2	4.9	-13%	-5%	26.4	21.1	-20%	
<b>Reconciliation</b>															
Depreciation and amortization	F	-2.5	-2.6	-2.8	-2.9	-3.2	-2.8	-2.7	-2.6	-9%	-3%	-10.8	-11.3	4%	
Retirement of fixed assets (excl. one-time factors)	G	-1.0	-0.3	-0.3	-0.6	-0.4	-0.7	-0.2	-1.3	121%	-70%	-2.3	-2.7	21%	
<b>Non-GAAP</b>															
Non-GAAP EBITDA	A-C-D-E-F-G	10.8	10.7	8.2	8.3	10.4	9.7	6.3	7.8	-6%	-35%	38.1	34.2	-10%	
<b>Supplementary information on one-time factors</b>															
						Reorganiza- tion of the West	Sale of DeNA B to B Market business		TOB of Yokohama Stadium						

# Key Metrics: Game Business

- Quarterly native app coin consumption grew steadily, approaching 18 billion yen
- Coin consumption in Japan was softer than expected due to a temporary impact on *Granblue Fantasy* by Cygames in Q4 FY2015

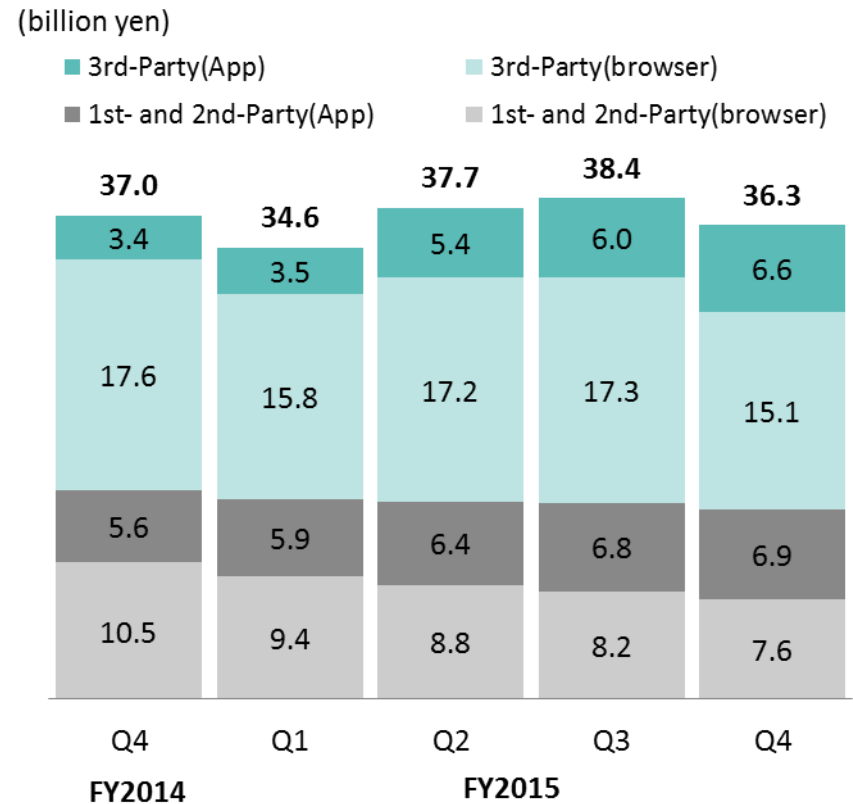
### Native App Coin Consumption by Region



Exchange rates at the end of each quarter:

(Unit:Yen)	FY2014		FY2015			
	4Q	1Q	2Q	3Q	4Q	
1 USD	120	122	120	120	112	
1 RMB	19	20	19	19	17	

### Coin Consumption in Japan by Business\*

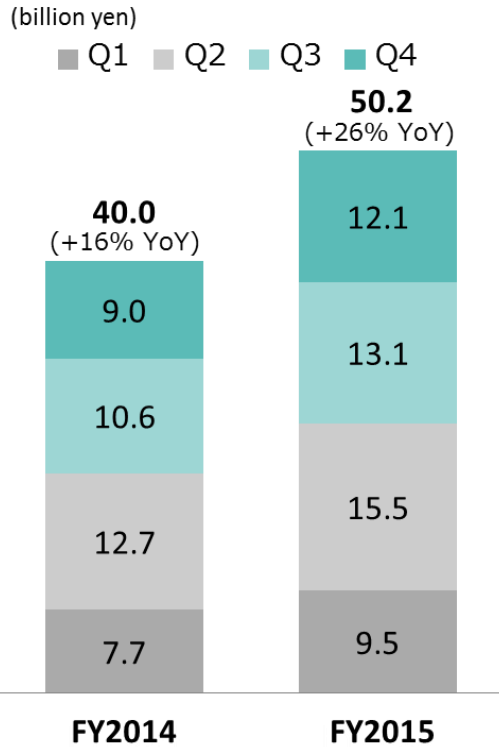


\*Note: For more detail on the accounting relationship between Japan Game business revenue and Japan coin consumption, see page 23

# Key Metrics: E-commerce Business

- Accelerated growth in gross travel transaction value through enhanced competitiveness in online airline ticket

**Travel**  
**Gross Transaction Value**

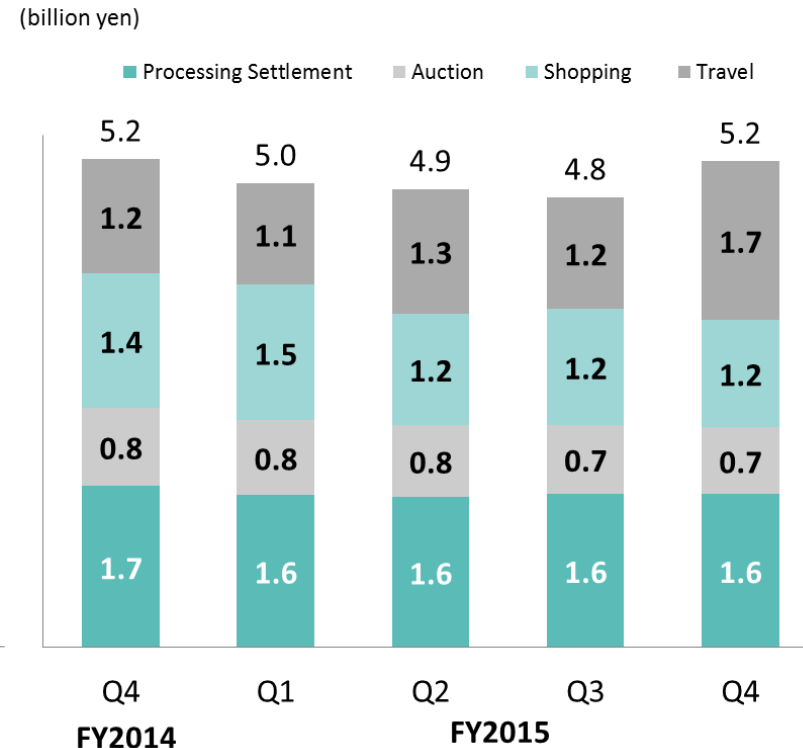


**Shopping**  
**Gross Transaction Value\***



\*DeNA BtoB market is not included in Shopping Gross Transaction Value

**Revenue\*\***



\*\*Key brands in each sub-segment are as follows. DeNA BtoB market figures are excluded beginning Q2 FY2015.

- Travel and adjustments: DeNA Travel, Shumee-to Club
- Shopping: DeNA Shopping, au Shopping Mall, DeNA BtoB market(-Q1 FY2015), SEIYU.com, etc.
- Auction: Mobaaku
- Processing Settlement: Paygent



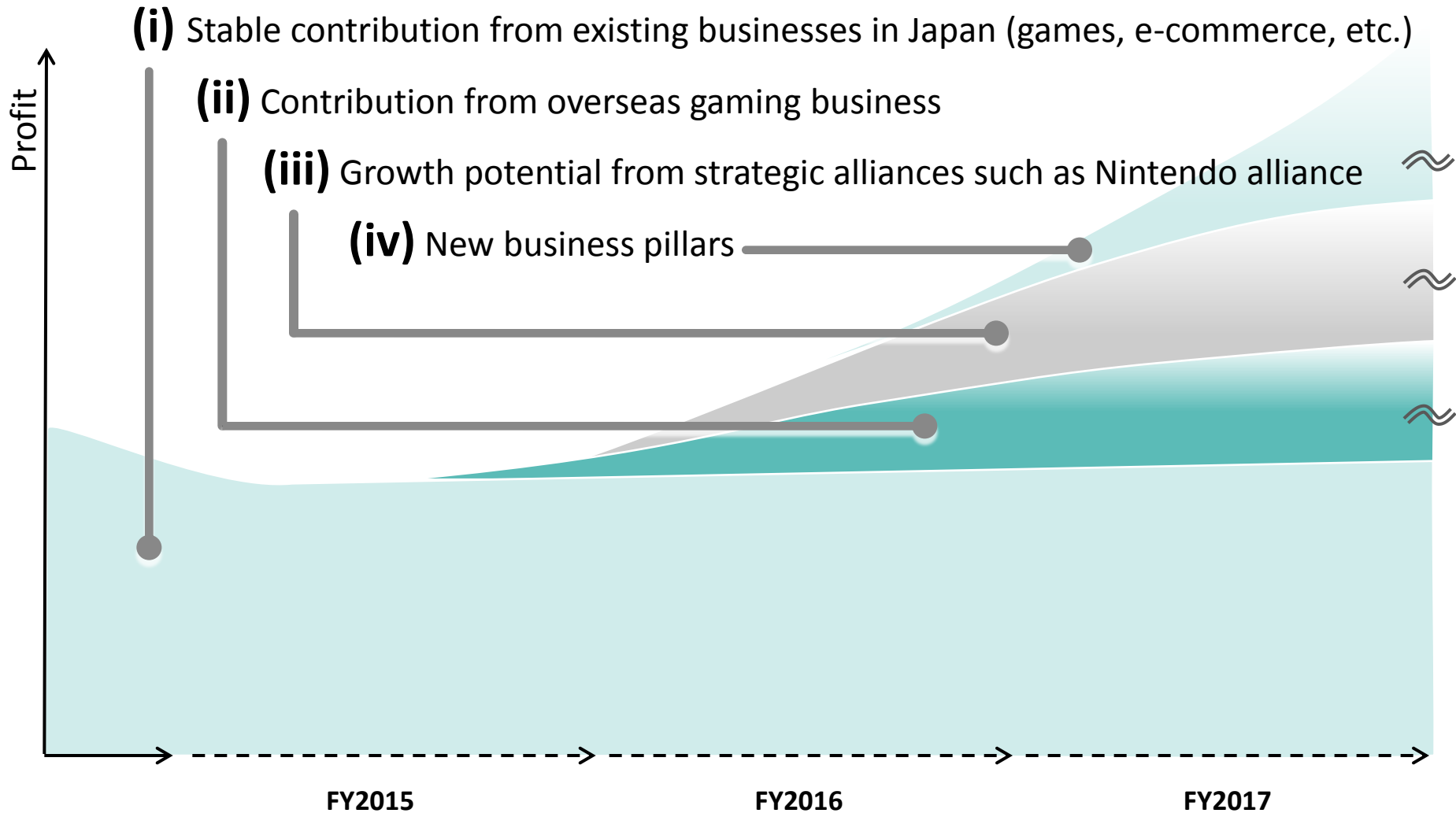
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# Corporate Value Creation



# FY2016 Outlook

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Positioned well to achieve YoY profit growth in FY2016.

## **(1) Stable contribution from existing businesses in Japan**

- Twin-track approach: Strengthen game operations of existing titles and build up new titles
- Expecting to stably generate around 9 billion yen of operating profit from Japan game business

## **(2) Contribution from overseas gaming business**

- Improve the bottom line by more than one billion yen YoY by targeting revenue growth while carefully managing costs

## **(3) Growth potential from strategic alliances such as the Nintendo alliance**

- Following the first game app *Miitomo*, multiple new titles are slated to be launched in FY2016 including ones based on the *Fire Emblem* and *Animal Crossing* franchises

## **(4) New business pillars**

- Targeting to turn the Curation platform business profitable in 2H FY2016 and achieve quarterly operating profit of 1 billion yen by the end of FY2017

## **Others**

- The Sports business is strongly positioned to reach breakeven in FY2016, due to synergies gained between stadium and team operations

# Resource Allocation

- Maintain existing resource allocation priorities:
  - building up competitive advantages in the game industry
  - investing to accelerate promising new businesses

## Priorities in FY2016

1

### **Establish competitive advantages in game business**

Increase live ops resources for existing key titles while securing resources for new app development

2

### **Accelerate growth of promising business opportunities**

Increase resources for the Curation platform business to make meaningful profit contributions starting in FY2017. Strategies may include M&A for operational synergies

3

### **Create new business pillars with mid- to long-term growth**

Aim to make Healthcare and Automotive businesses new business pillars in the medium to long term while managing investment levels

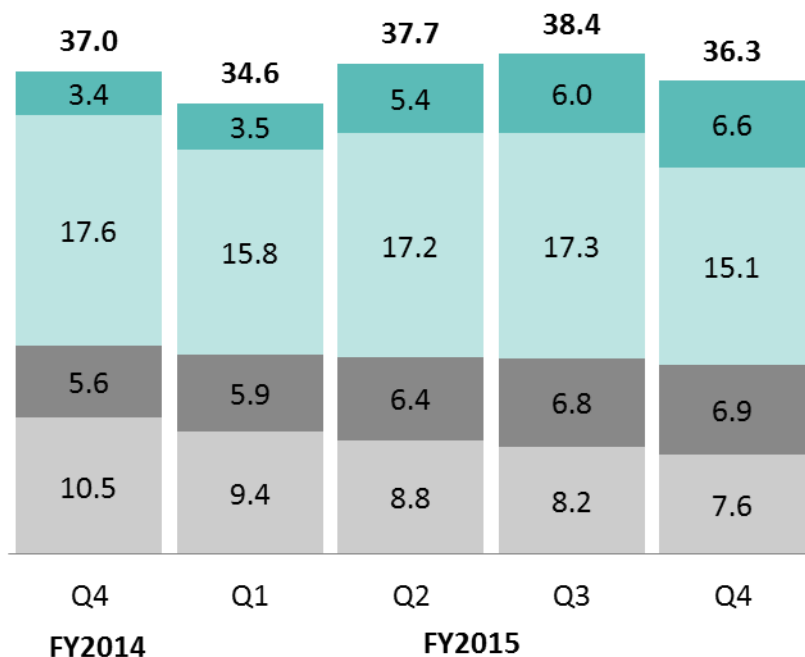
## (i) Japan Game Business: Overview

- 1st- and 2nd-party native apps in Japan grew steadily while a major 3rd-party title saw temporary softness in coin consumption
- In Q1 both coin consumption and Japan game business operating profit are expected to increase QoQ with new titles making a meaningful contribution

### Coin Consumption in Japan by Business

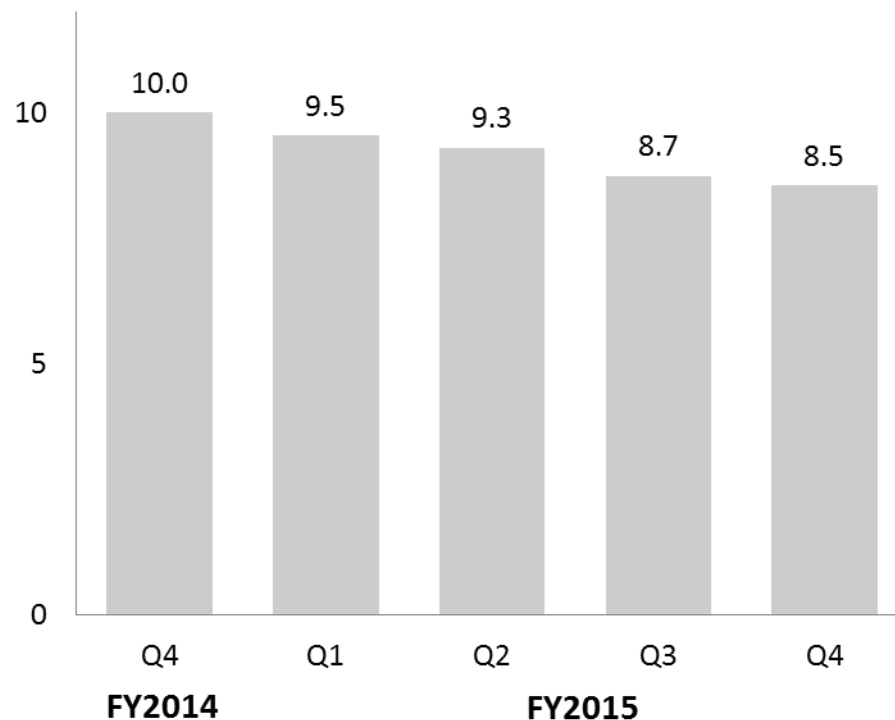
(billion yen)

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



### Operating Profit from Japan Game Business\*

(billion yen)



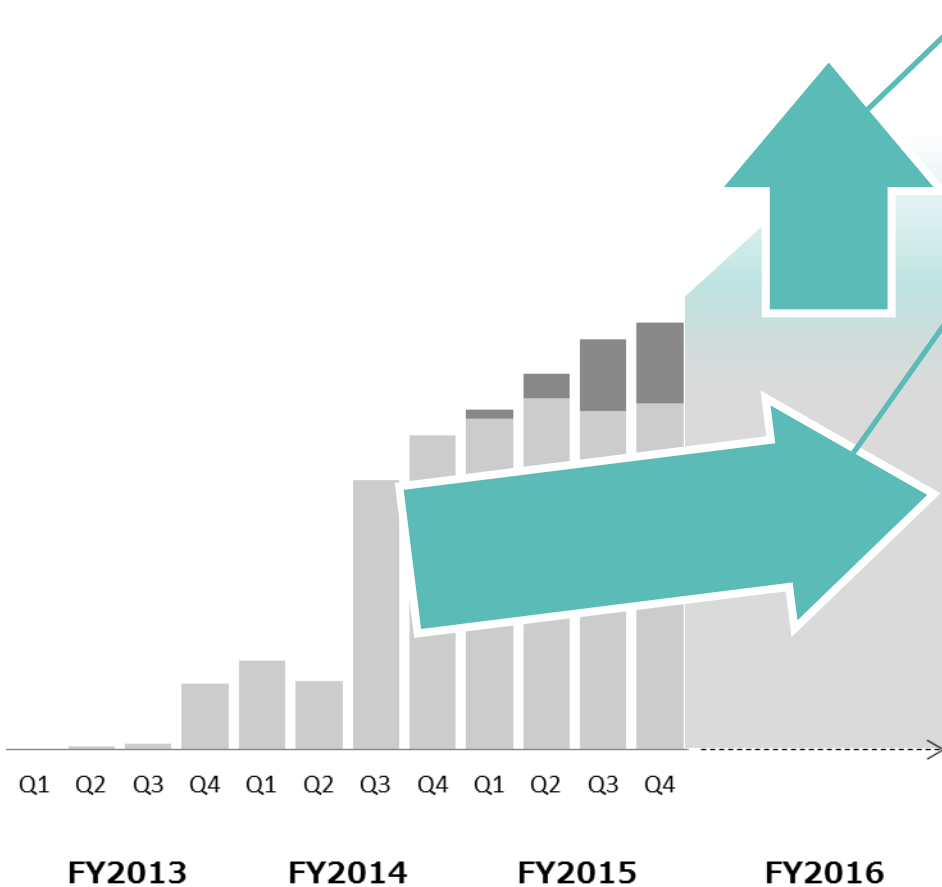
\*Figures are based on management accounting

# (i) Japan Game Business: 1st- and 2nd-Party Native App Games

- Strengthen game operations for existing key apps while continuing to launch new native apps

## Growth Strategies for 1st- and 2nd-Party Native App Games

- Coin consumption from 1st- & 2nd-party apps launched in FY2015
- Coin consumption from 1st- & 2nd-party apps launched before FY2014



### Build up New Titles

*ONE PIECE: Thousand Storm*\* exceeded 2 million downloads with significant contribution expected

### Strengthen Game Operations

- Strengthen resources and increase live operations
- Non-megahits are also making significant contribution due to healthy market growth
- Increasing number of DeNA titles are making significant long-term contribution through efficient live ops

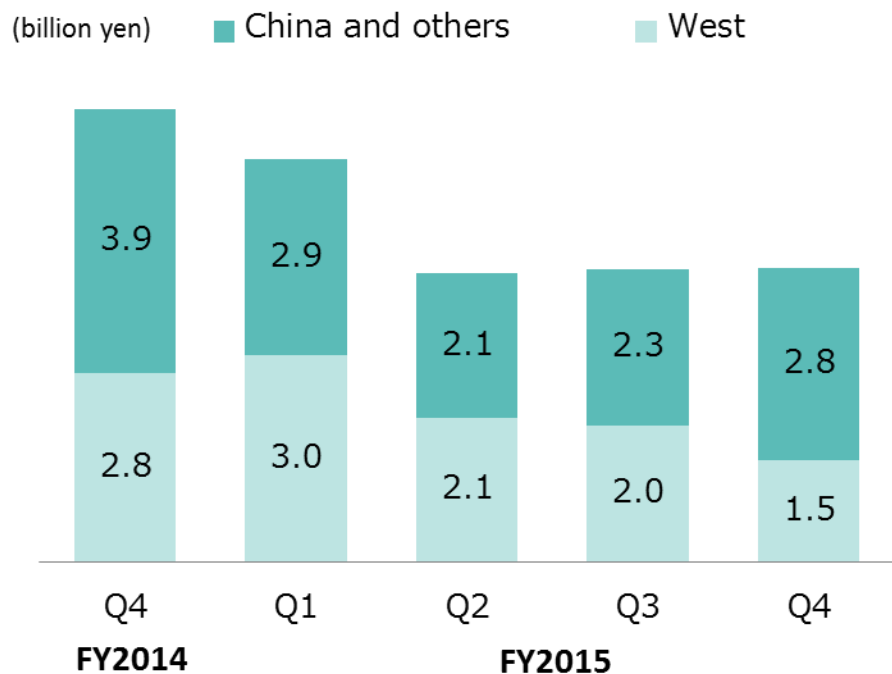
Top 10	<b>FINAL FANTASY Record Keeper</b> (Sep. 2014-)	<b>ONE PIECE: Thousand Storm</b> (Apr. 2016-)
	<b>Sangokushi Royale</b> (Nov. 2013-)	<b>Sentama</b> (May 2015-)
Top 100	<b>Kinniku-man: Muscle Shot</b> (Mar. 2015-)	<b>Super Gundam Royale*</b> (Oct. 2015-)
	<b>Kingdom: Lineage of Heroes</b> (Mar. 2015-)	<b>Gyakuten Othellonia</b> (Feb. 2016-)

\*Game provided by: BANDAI NAMCO Entertainment Inc.

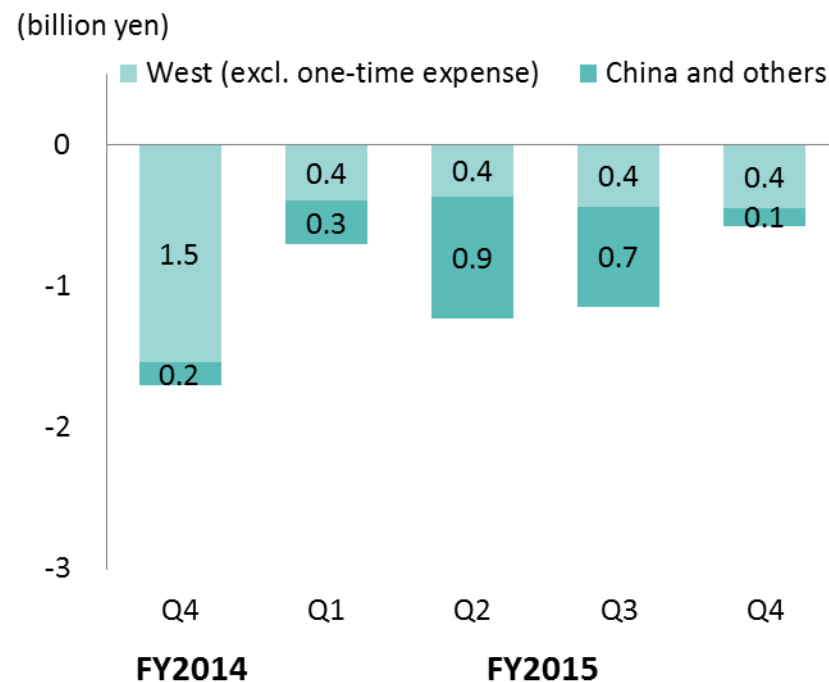
## (ii) International Game Business

- China: New titles made significant contribution in addition to the stable performance of existing key titles during Q4. Launching new titles with popular IP in FY2016. In Q1 new titles, including *Gintama*, will launch which will require upfront marketing investment.
- West: Continued to manage bottom line carefully, new titles are scheduled to launch beginning in Q1

### International Coin Consumption



### International Operating Loss\*



\*Figures are based on management accounting

## (iii) Nintendo Partnership Update

- The goal is to achieve sustained, medium-to-long-term growth and profit contribution through:
  - 1) Continued launches and live operations of game apps;
  - 2) Increasing the user base of *My Nintendo*

### Alliance Initiative 1: Joint development and operation of Nintendo-IP game apps

- ✓ Developing game app lineup with enjoyment tailored for smart devices

#### **Miitomo** (Launched in March 2016)

IP, combined with social aspects, that appeals to broad audiences across different age/gender groups, countries and regions

#### **Fire Emblem** (Launch planned in fall 2016)

Simulation RPG with character customization and tactical elements, globally loved by fans since the first launch in 1990

#### **Animal Crossing** (Launch planned in fall 2016)

Popular series among consumers especially female and young people, with over 10 million units sold for both DS and 3DS

**Future titles are based on familiar IP that fans around the world have been enjoying**

### Alliance Initiative 2: Joint development of *My Nintendo* service operation platform

- ✓ Build user base with strong loyalty and engagement
- ✓ Connects all Nintendo experiences across devices

**First milestone:  
100 million global users**

- Continuous improvement of value-added services
- Connectivity with game apps



### (iii) Partnership with Nintendo (Summary)

#### Future Plans

- Following *Miitomo*, titles based on the *Fire Emblem* and *Animal Crossing* franchises are planned to be launched in fall 2016
- Game details and launch dates will be announced with consumer-oriented communications as the top priority
- Planning to launch approximately five carefully selected titles by the end of fiscal year ending March 2017

#### Role Division/ Revenue Share

- Primary roles
  - Nintendo: Front-end (ex. IP, art, user interface, etc.) , marketing
  - DeNA: Back-end (ex. server-side development, infrastructure building, analytics, quality assurance, etc.)
- Revenue will be shared based on each party's role and responsibility
  - Apps will be published by Nintendo and revenue from apps will be recognized on a net basis by DeNA
  - Marketing expenses will primarily be covered by Nintendo

#### Monetization

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

## (iv) New Businesses Pillars

- Take monetization measures and make growth investments based on the phase for each business/service
- Focusing on Curation Platform business in short to medium term

### Monetize

#### IP-Generating Platforms

(Manga Box, EveryStar, MyAnimeList, etc.)

Maintain segment profitability while pursuing synergies with game business

### Growth Driver in 2-3 Years

#### Curation Platforms

(MERY, iemo, Find Travel, etc.)

Continue growing top line, aiming to achieve profitability in 2H FY2016 and generate quarterly operating profit of 1 billion yen by the end of FY2017

### Long-Term Prospects

#### Big Industries + Internet

**Healthcare**

**Automotive**

Aiming for long-term business growth while managing investment levels

### Incubation

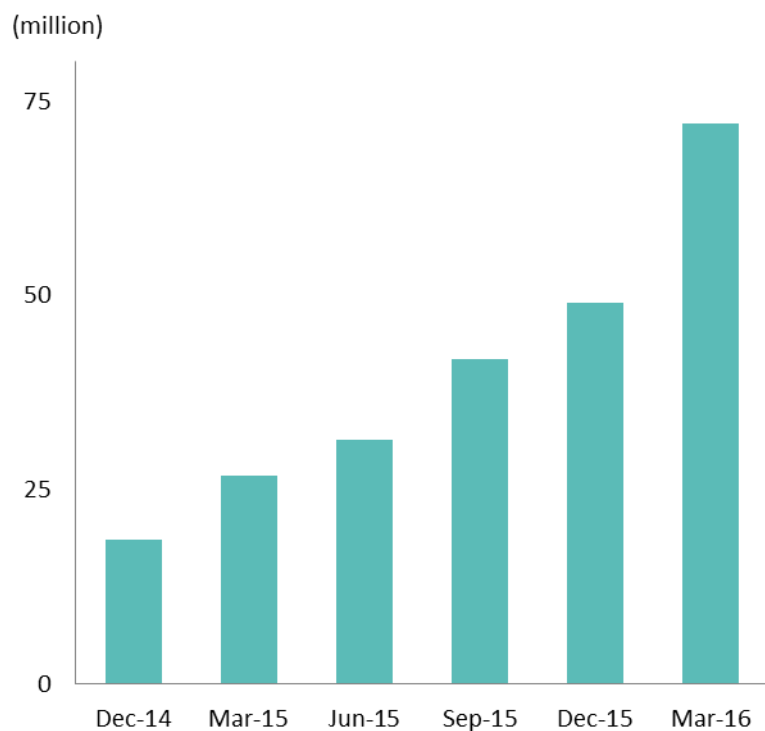
#### Mobile Social Incubation (SHOWROOM, Mirrativ, etc.)

Continuously search for new growth potential utilizing lean teams; continue nurturing services with promising metrics

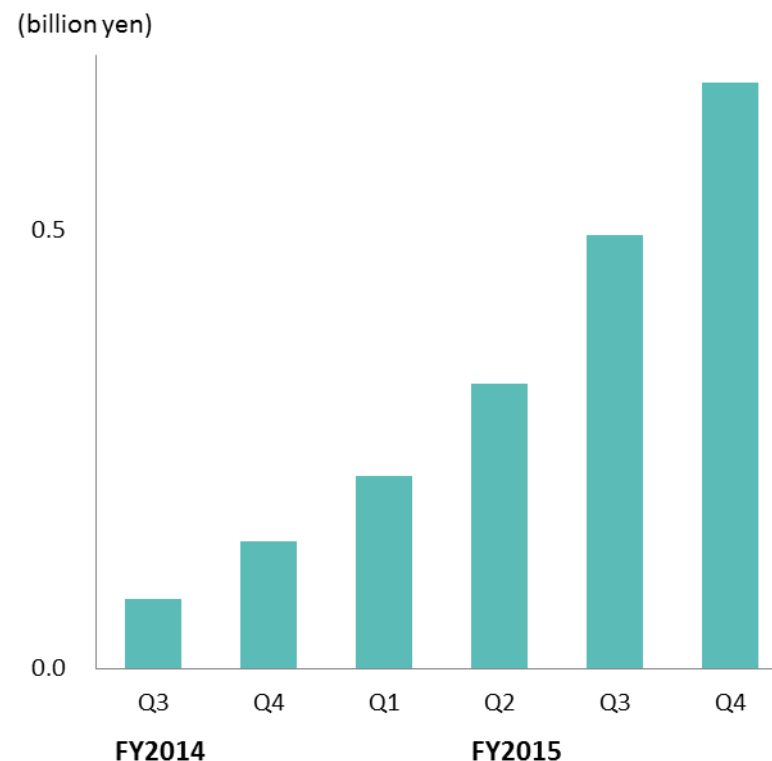
## (iv) New Businesses Pillars (Curation Platform Business)

- In addition to MERY (women's fashion), iemo (interior/home décor), Find Travel (travel), welq (healthcare) and JOOY (men's fashion) are also growing, increasing the size of the overall curation business
- Advertisement business is off to a strong start

Total monthly active users \*



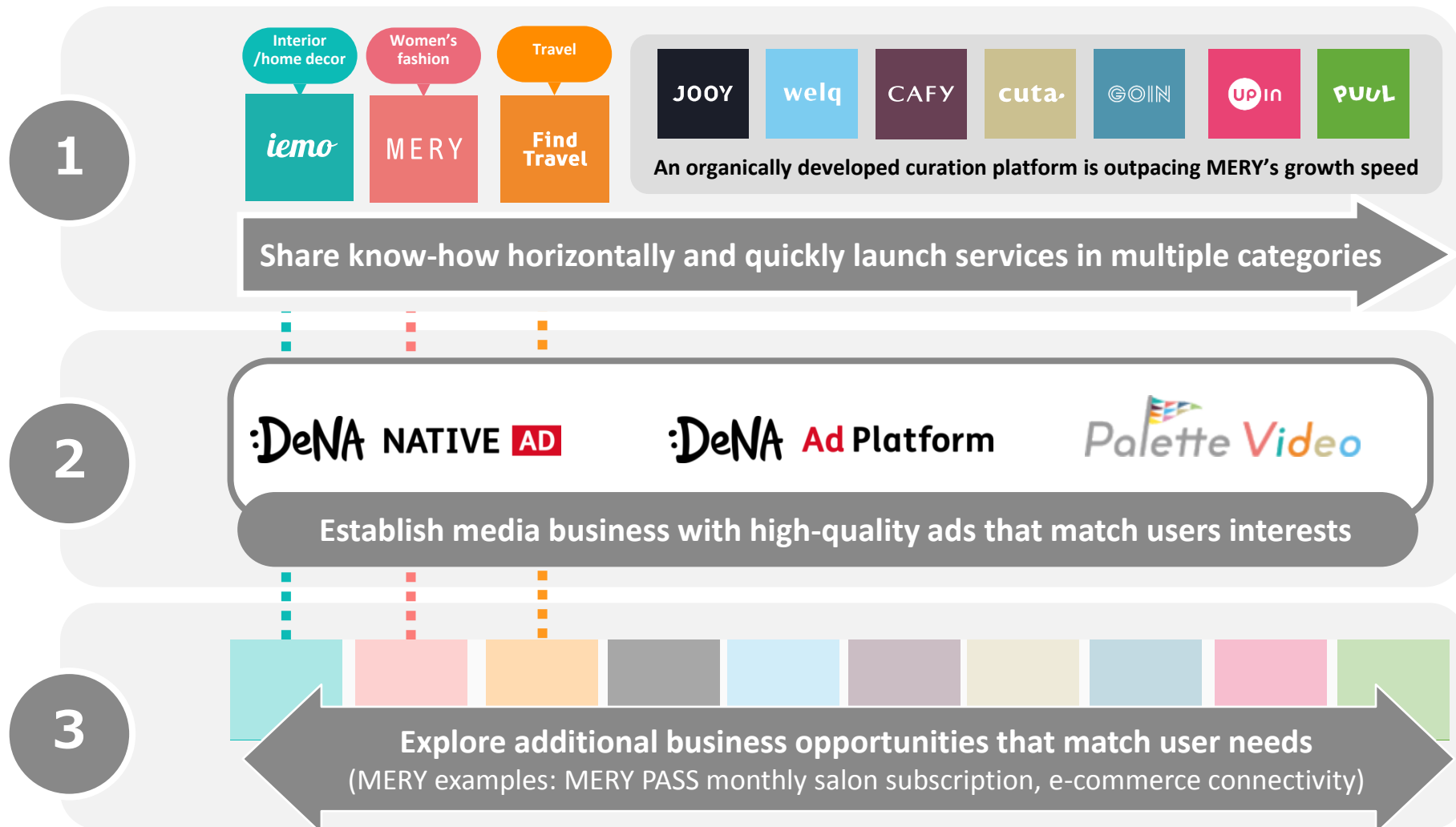
Revenue



\*Source: Google Analytics. Refers to the total number of monthly users for each service. Figures include users who access the same service across multiple devices, including smartphones and PC 18

## (iv) New Businesses Pillars (Curation Platform Business)

- Aim to achieve quarterly operating profit of 1 billion yen by the end of FY2017 through ad services while establishing structural advantages in user acquisition, retention and business operation
- Following the ad services, introduce additional monetization methods for further growth



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# Consolidated Financial Guidance for Q1 FY2016

- Key factors for QoQ change in non-GAAP operating profit excluding Sports
  - Japan coin consumption and profit are both expected to increase QoQ
  - Sales promotion and advertising expenses are expected to increase QoQ due to marketing planned for new game titles launched globally and new businesses
  - Write-off of intangible assets is expected to decrease QoQ

(billion yen)

Item	FY2015				FY2016		
	Q1 (Actual)	Q2 (Actual)	Q3 (Actual)	Q4 (Actual)	Q1 (Guidance)	YoY Change	QoQ Change
<b>Non-GAAP</b>							
Non-GAAP Operating profit excl. Sports	5.9	5.1	5.2	4.9	5.3	-10%	8%
<b>IFRS</b>							
Revenue	37.7	37.1	33.8	35.0	38.2	1%	9%
Operating profit	4.0	7.4	3.3	5.1	6.6	65%	29%
<b>Reference</b>							
<b>Sports business</b>							
Revenue	3.7	4.0	0.7	1.5	5.5	47%	270%
Segment profit / loss	0.9	1.0	-1.8	-1.1	1.7	96%	-
<b>Supplementary information on one-time factors</b>	Reorganization of the West	Sale of DeNA B to B Market business		TOB of Yokohama Stadium	N/A		

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# Game Business Revenue Recognition by Financial Accounting Rules

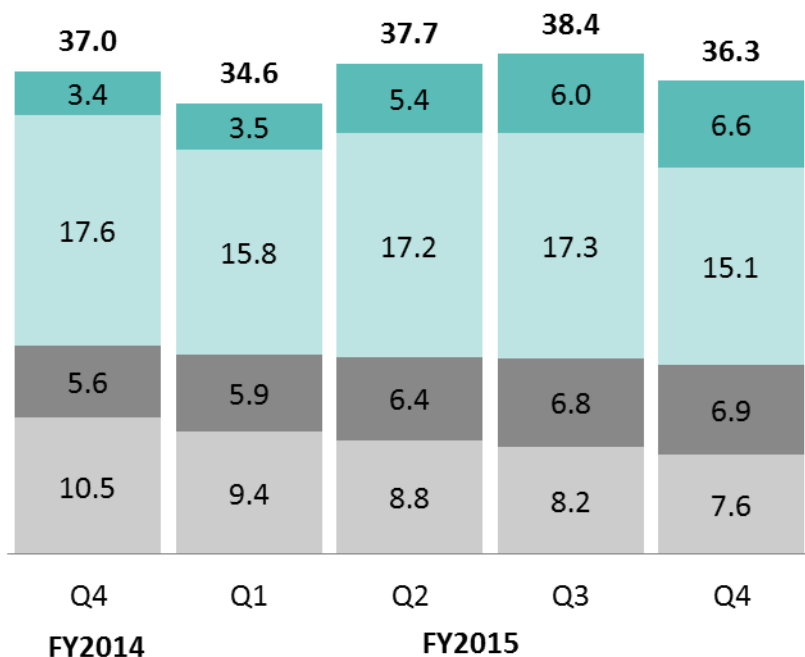
## Revenue recognition by game business segments in financial accounting

- 1st- and 2nd-party browser titles: total coin consumption is recognized as revenue (i.e. gross revenue recognition)
- 1st- and 2nd-party native app titles: revenue is recognized in one of two ways: gross revenue recognition, and net revenue recognition in which the partners' revenue is deducted from the gross revenue before being recognized. Net revenue recognition is expected to increase mainly among IP titles, but neither gross or net revenue recognition impacts profitability of the business.
- 3rd-party browser titles: net revenue recognition
- 3rd-party native app titles: net revenue recognition

### Coin Consumption in Japan by Business

(billion yen)

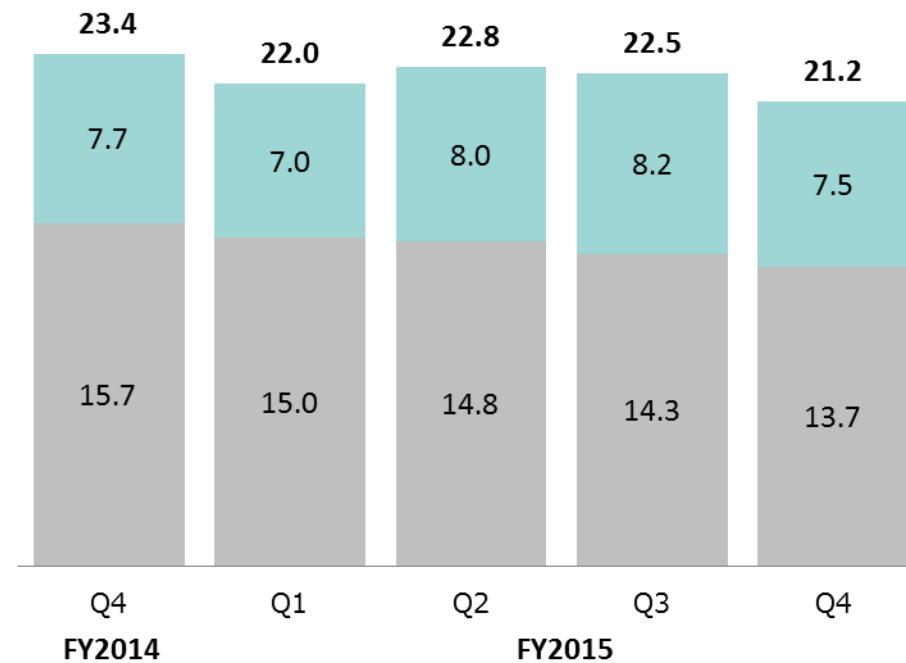
■ 3rd-Party(App)      ■ 3rd-Party(browser)  
■ 1st- and 2nd-Party(App)      ■ 1st- and 2nd-Party(browser)



### Japan Game Business Revenue

(billion yen)

■ 1st- and 2nd- Party      ■ 3rd-Party





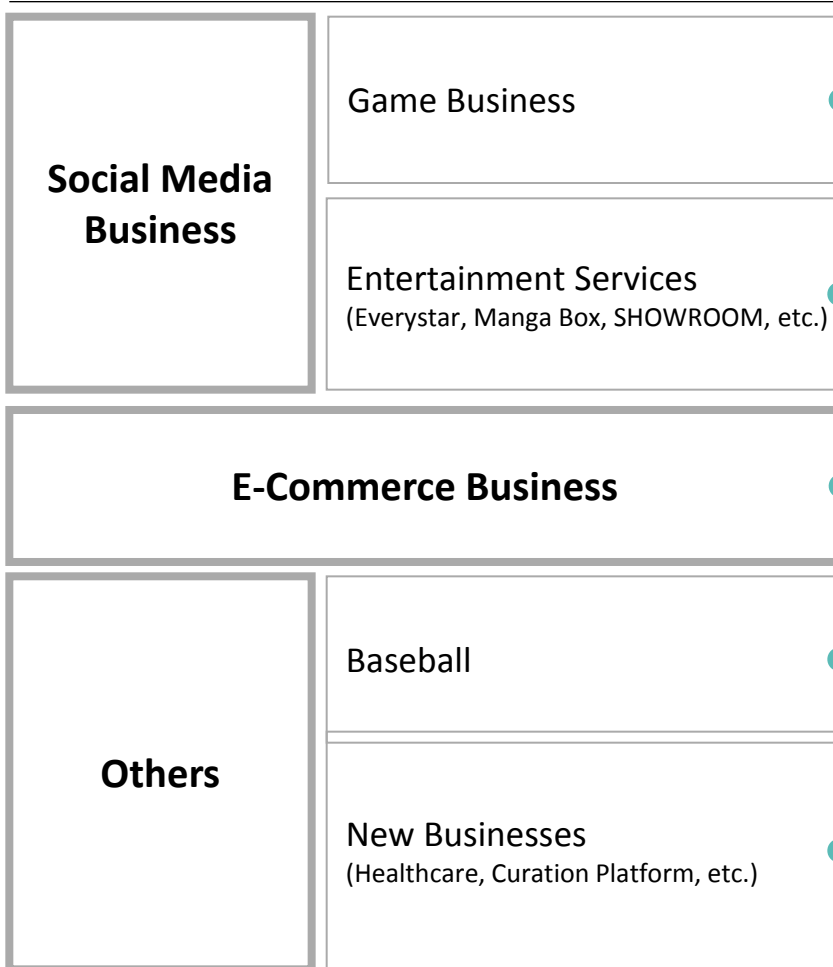
# Consolidated Cash Flow Overview

	(billion yen)	
	FY2014	FY2015
<b>Operating cash flow (A)</b>	<b>27.9</b>	<b>26.7</b>
Profit before tax	28.4	20.9
Depreciation and amortization	10.8	11.3
Income tax paid	-11.3	-7.8
Others	0.0	2.3
<b>Investing cash flow (B)*</b>	<b>-21.3</b>	<b>-40.0</b>
<b>Financing cash flow</b>	<b>-3.8</b>	<b>20.1</b>
Cash dividends paid	-4.8	-2.6
Disposition of Treasury Stock*	0.2	22.2
Others	0.8	0.6
<b>FCF ((A)+(B))</b>	<b>6.6</b>	<b>-13.3</b>
<b>Cash and cash equivalents (Consolidated)</b>	<b>68.7</b>	<b>75.2</b>
(Non-consolidated basis)	44.9	48.6

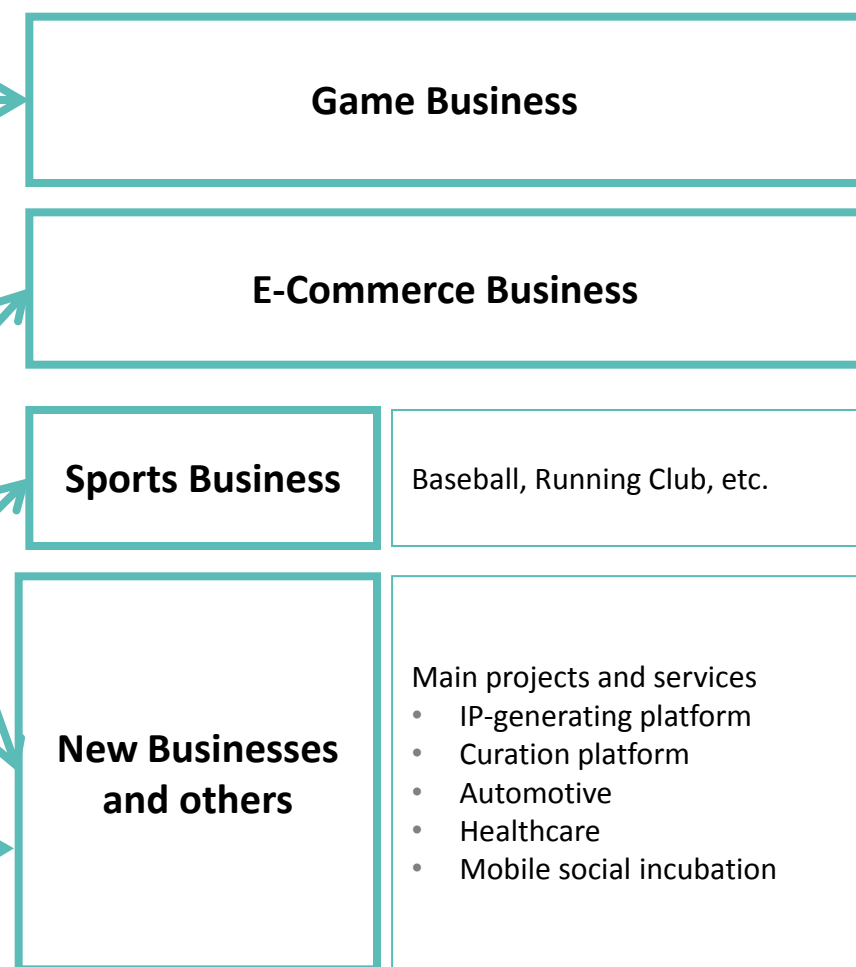
\* Impact from the business and capital alliance with Nintendo is reflected to investing cash flow and disposition of treasury stock in financing cash flow by approximately 22 billion yen respectively. Acquisition of Nintendo's treasury shares and disposition of our treasury stock were both effective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

# Changes to Reportable Segments

## Segments until Q4 FY2014



## Segments from Q1 FY2015



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In addition, any forward-looking statements contained in this presentation or these presentation materials are based on our opinions and information available as of May 11, 2016, and involve uncertainty. Please be aware that the actual performance data and similar information are subject to influence from diverse factors and may differ from the forecasts presented herein.

The logo for DeNA, featuring a stylized colon followed by the letters 'DeNA' in a bold, rounded, sans-serif font.

DeNA Co., Ltd.