

# **Q1 FY2018 Operating Results**

**August 9, 2018**

**DeNA Co., Ltd.**

# Financial Results Summary

- Q1 financial performance in line with expectations for full year guidance

(billion yen)	FY2017				FY2018			FY2017	FY2018		
	Q1	Q2	Q3	Q4	Q1	QoQ change	YoY change		(Forecast)	YoY change	(Progress)
Revenue (IFRS)	36.5	36.9	32.8	33.3	33.9	2%	-7%	139.4	150.0	8%	23%
Operating profit (IFRS)	6.4	7.3	12.6	1.3	5.1	303%	-20%	27.5	15.5	-44%	33%
Operating profit (Non-GAAP)*	7.4	7.2	2.3	1.2	4.6	293%	-38%	18.1	15.5	-14%	30%
Profit before tax	8.1	8.0	13.1	1.2	7.5	521%	-7%	30.4			
Profit for the period attributable to owners of the parent	5.3	5.0	12.4	0.2	5.2	2446%	-2%	23.0	11.0	-52%	48%
EPS (Yen)	36.67	34.61	85.64	1.41	36.03	2452%	-2%	158.34	75.78	-52%	48%
(Reference) Financial results excl. highly seasonal Sports											
Revenue	30.1	30.7	30.1	31.6	27.2	-14%	-10%	122.5			
Operating profit (Non-GAAP)*	5.2	5.1	3.3	2.7	2.2	-20%	-58%	16.3			

\*For full reconciliation of GAAP to Non-GAAP metrics, please see the reference materials at the end of the presentation.

# Financial Results by Segment (IFRS)

- Game business operating profit and growth investment into new businesses both in line with plan
- Sports business showing good performance

(billion yen)	FY2017				FY2018		
	Q1	Q2	Q3	Q4	Q1	QoQ change	YoY change
<b>Revenue</b>	<b>36.5</b>	<b>36.9</b>	<b>32.8</b>	<b>33.3</b>	<b>33.9</b>	<b>2%</b>	<b>-7%</b>
Game	24.3	24.4	24.2	25.1	21.5	-14%	-11%
E-commerce	4.0	4.0	3.8	4.3	3.4	-21%	-15%
Sports	6.3	6.2	2.7	1.7	6.8	297%	7%
New Businesses and Others	2.1	2.4	2.4	2.4	2.5	2%	17%
Adjustments	-0.2	-0.2	-0.3	-0.2	-0.2	-	-
<b>Operating profit</b>	<b>6.4</b>	<b>7.3</b>	<b>12.6</b>	<b>1.3</b>	<b>5.1</b>	<b>303%</b>	<b>-20%</b>
Operating profit margin	18%	20%	38%	4%	15%	-	-
Segment profit / loss	6.5	7.0	2.9	1.7	5.8	232%	-11%
Game	7.3	6.1	5.7	6.0	5.3	-11%	-27%
E-commerce*	-0.5	0.4	0.2	0.4	0.2	-48%	-
Sports	2.2	2.2	-1.0	-1.6	2.4	-	7%
New Businesses and Others	-1.4	-1.1	-1.2	-1.8	-1.7	-	-
Overhead costs and Adjustments	-1.2	-0.6	-0.8	-1.3	-0.4	-	-
Other income**	0.3	0.4	10.8	1.0	0.5	-46%	88%
Other expenses**	0.4	0.1	1.0	1.4	1.2	-18%	223%

# Cost and Expense Breakdown (IFRS)

- Managing costs in accordance with topline performance in the Game business, and fixed costs & others were down QoQ
- Continuing to refine title lineup, and decided to cancel the scheduled summer launch of new title *World of Demons*, recognizing retirement of game assets under Other expenses

(billion yen)	FY2017				FY2018		
	Q1	Q2	Q3	Q4	Q1	QoQ change	YoY change
<b>Cost of Sales</b>	<b>15.0</b>	<b>14.2</b>	<b>14.2</b>	<b>14.3</b>	<b>13.9</b>	<b>-3%</b>	<b>-7%</b>
Personnel Expenses	1.1	0.9	0.9	1.0	1.0	4%	-10%
Depreciation and amortization	2.1	2.2	2.5	2.6	2.4	-8%	13%
Outsourcing expenses	2.8	3.2	3.4	3.0	3.1	1%	9%
Commission fees	5.8	5.9	5.6	5.5	5.2	-5%	-10%
Others*	3.1	2.0	1.8	2.2	2.2	3%	-30%
<b>Selling, general, and administrative expenses</b>	<b>15.0</b>	<b>15.7</b>	<b>15.8</b>	<b>17.3</b>	<b>14.2</b>	<b>-17%</b>	<b>-5%</b>
Personnel Expenses	4.1	3.6	3.6	3.9	3.6	-6%	-12%
Sales promotion & Advertising expenses	2.6	3.3	3.5	3.6	2.6	-30%	-2%
Outsourcing expenses & Commission fees	6.3	6.7	6.6	6.9	6.0	-13%	-5%
Others	1.9	2.1	2.2	2.8	2.0	-29%	4%
<b>Other income**</b>	<b>0.3</b>	<b>0.4</b>	<b>10.8</b>	<b>1.0</b>	<b>0.5</b>	<b>-46%</b>	<b>88%</b>
<b>Other expenses**</b>	<b>0.4</b>	<b>0.1</b>	<b>1.0</b>	<b>1.4</b>	<b>1.2</b>	<b>-18%</b>	<b>223%</b>
<b>Consolidated employee headcount</b>	<b>2,441</b>	<b>2,344</b>	<b>2,387</b>	<b>2,475</b>	<b>2,306</b>	<b>-7%</b>	<b>-6%</b>

# FY2018 Approach and Progress

## 1. Ensure healthy profitability in core Game Business

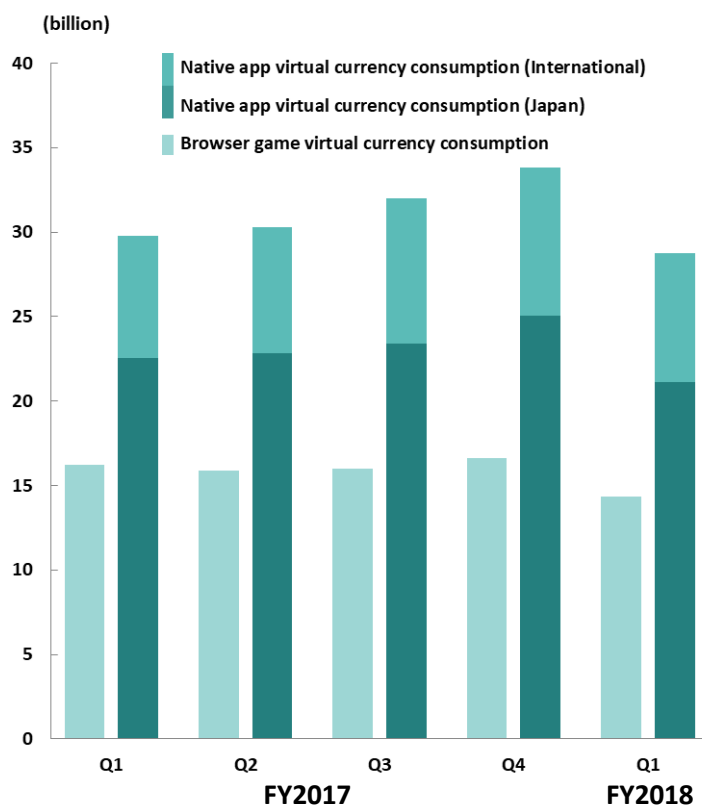
- Managing costs in accordance with topline performance to maintain profit at least at the level of FY2017
- Steadily progressing with development of future titles, including globally-popular IP titles, and aim to create future hits

## 2. Pursue proactive investment in TaxiBell, insurance integrated with wellness programs, and Social Live Streaming to create new business pillars

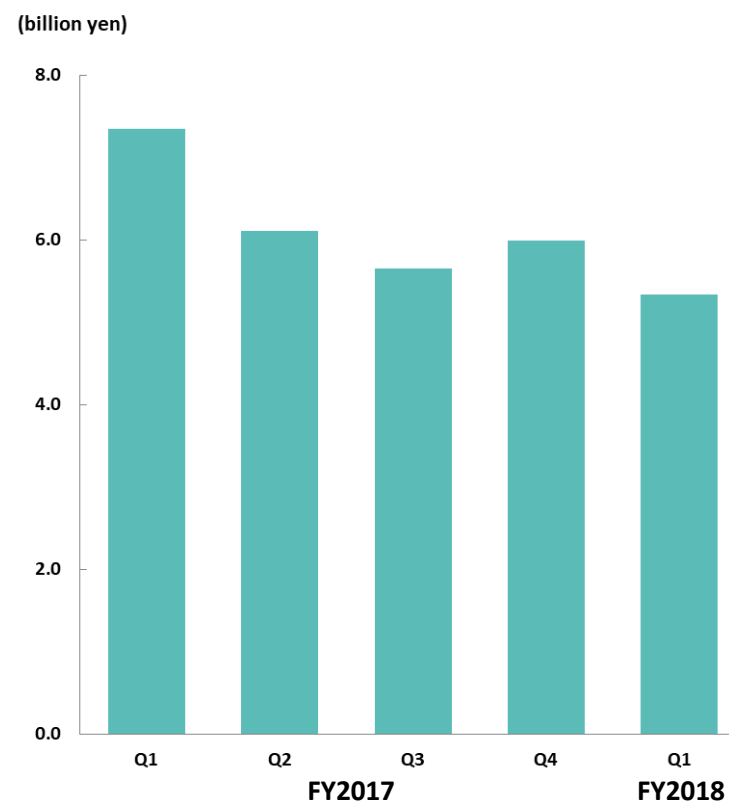
# Game Business: Quarterly Results

- Virtual currency consumption was down QoQ due to seasonality of existing games, including key 3P games
- Managing costs in accordance with topline performance to maintain profit at least at the level of FY2017

## Virtual Currency Consumption\*



## Game Business Segment Operating Profit

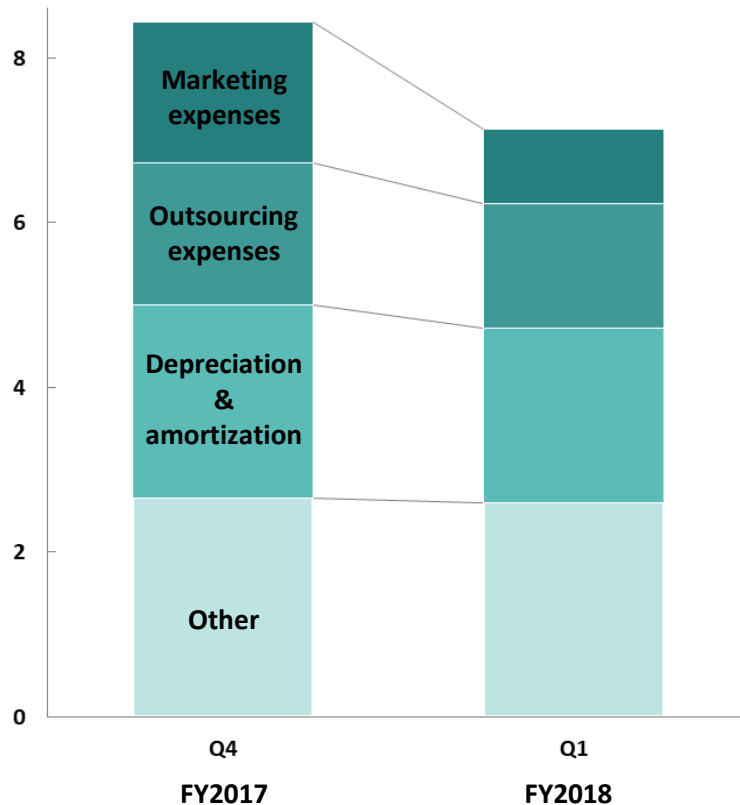


\*Includes consumption of free virtual currency.

# Game Business: Initiatives to Ensure Healthy Profitability

## Fixed Costs & Others in Game Business

(billion yen)



Proactively optimizing fixed costs from Q1 to maintain operating profit for FY2018 and secure a return to growth in the Game Business in FY2019

- **Marketing expenses**
  - ➡ Managing costs in accordance with topline performance, and reviewing & enhancing ROI standards for each title with higher precision
- **Outsourcing expenses**
  - ➡ Ensuring appropriate use of outsourcing expenses by refining and reviewing the team structure for game operations and new title launches
- **Other fixed costs**
  - ➡ Continuing to optimize costs like infrastructure expenses and pursuing further cost reductions

# Game Business: Strategy Progress

## 1. Nintendo Alliance

- We continue to service existing smart-device applications
- Plan to release *Mario Kart Tour* during FY2018



© 2016 Nintendo



© 2017 Nintendo / INTELLIGENT SYSTEMS



© 2017 Nintendo



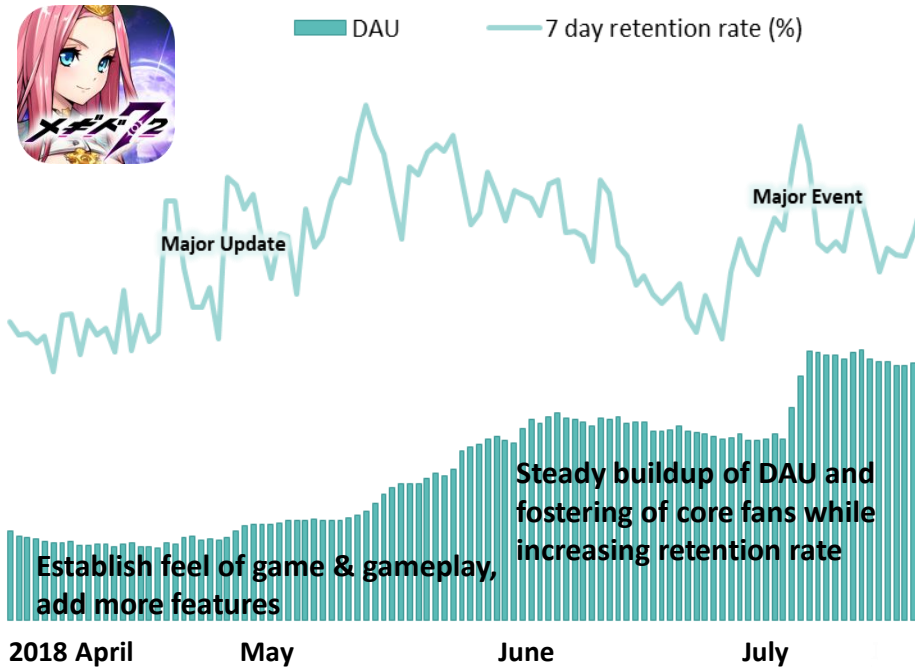
© 2018 Nintendo



# Game Business: Strategy Progress

## 2. Creating original new hits

- Creating new hits by further enhancing game quality and providing a stronger supporting structure for game launch and post-launch operations
- Going forward, plan to strengthen marketing and game operations for *Megido 72*



## 3. Future initiatives using major IP

1

Steadily progressing with development of future titles, including globally-popular IP titles, and aim to create future hits

2

Using core competence in game operations and business development to bring major Chinese titles to Japan

# FY2018 Approach and Progress

## 1. Ensure healthy profitability in core Game Business

- Managing costs in accordance with topline performance to maintain profit at least at the level of FY2017
- Steadily progressing with development of future titles, including globally-popular IP titles, and aim to create future hits

## 2. Pursue proactive investment in TaxiBell, insurance integrated with wellness programs, and Social Live Streaming to create new business pillars

# Solid Progress in Key Growth Investment Areas for FY2018

## TaxiBell

- Off to solid start, with number of dispatches and other usage metrics in line with expectations
- Seeing good results in initial service areas, and expanding into new service areas



## Insurance integrated with wellness programs

- Accumulating solid evidence base about correlations between lifelog data and illness, as well as driving user behavior changes through services
- Product and service launch preparations are on schedule



## Social Live Streaming services

- Good performance of paid UUs, no. of performers, and other KPI for each service
- SHOWROOM has generated excitement through events by top performers and other measures



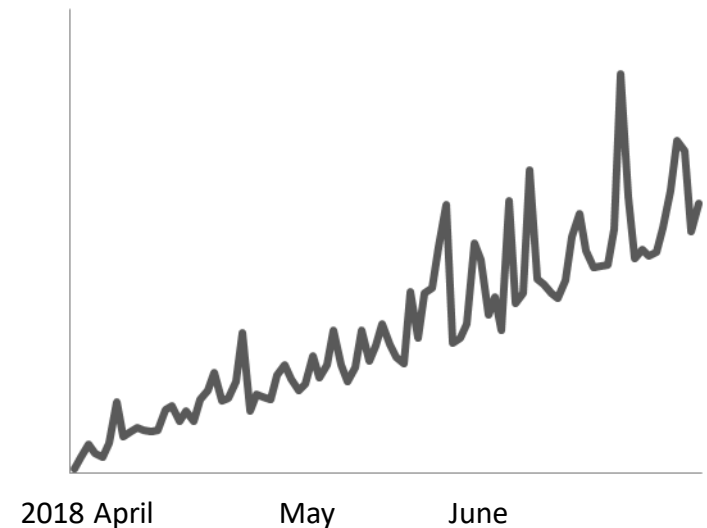


## TaxiBell

- In addition to initial offering in Yokohama and Kawasaki, expanded to cover most areas in Kanagawa Prefecture, aiming for nationwide rollout starting in fall 2018
- Conducting a variety of initiatives, such as service adoption campaigns for taxi companies and user acquisition marketing, to encourage adoption by both business operators and users
- Usage is increasing daily in existing service areas, seeing good progress after official service launch

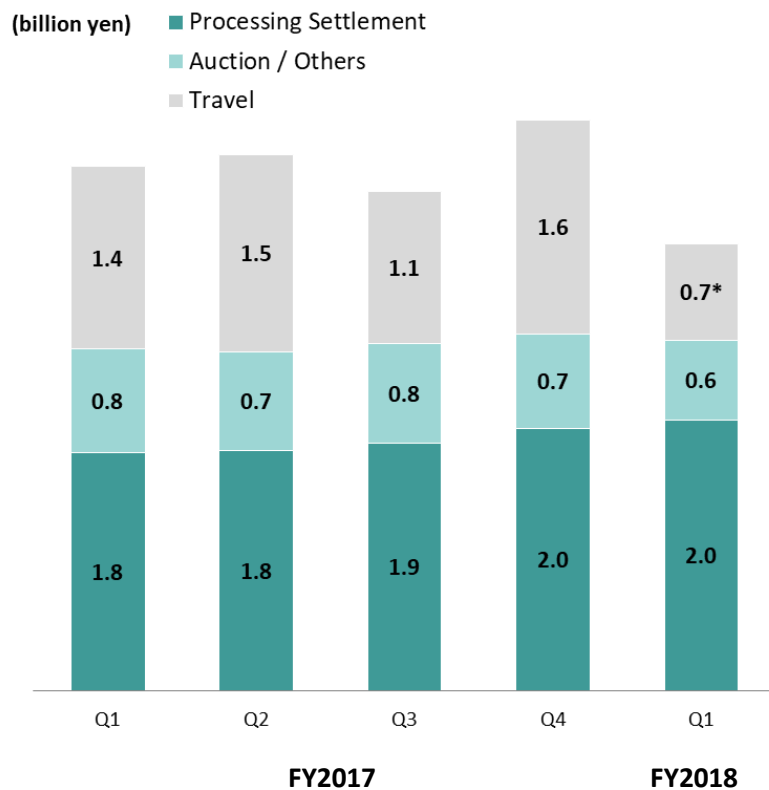
### Promoting adoption by business operators\*

### Dispatches per day rising



# E-Commerce Business

## Revenue



## Summary of DeNA Travel Co., Ltd. Sale

- Date of the share transfer: May 31, 2018
- Sale price: 1,200 million yen
- No. of shares held by DeNA after the change: 0 shares
- Operating results of DeNA Travel for the previous 3 fiscal years

(billion yen)	FY2015	FY2016	FY2017
Revenue	5.3	6.1	5.7
Operating profit	0.5	0.4	-2.0
Net profit	0.5	0.2	-1.9

# Sports Business: Focus Initiatives & Progress

## 1. Maximize business

- ➡ Performance above previous season level, reaching 1 million accumulated attendees at team-record speed
- ➡ Revenue per customer increasing, with higher sales of sponsorships & broadcast rights, in addition to strong ticket sales, merchandise sales, and concessions

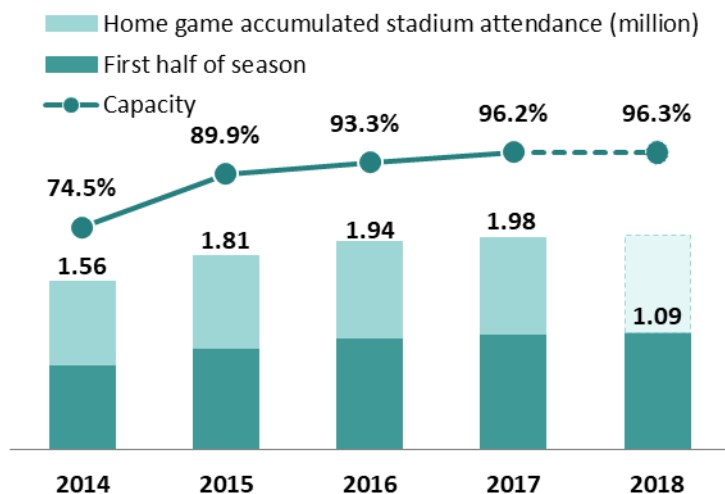
## 2. Expansion of Yokohama Stadium (Add about 6,000 seats by 2020)

- ➡ Plan to make some seats available for 2019 season (approx. 3,500 seats in private boxes and right field)

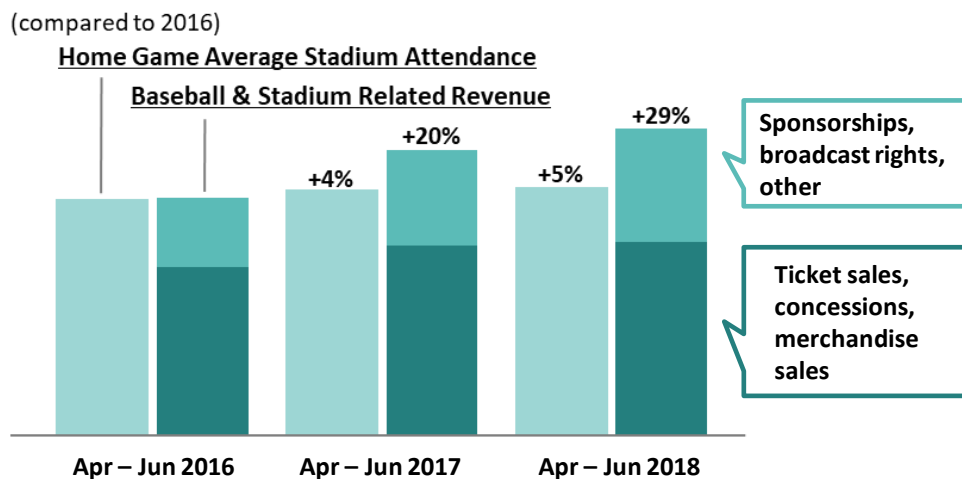
## 3. Groundwork to realize Smart Venue\* concept

- ➡ Various initiatives underway, such as the BAY live viewing program to allow public viewing outside the stadium and an official hotel program to encourage sports tourism

### Stadium Attendance and Capacity\*\*

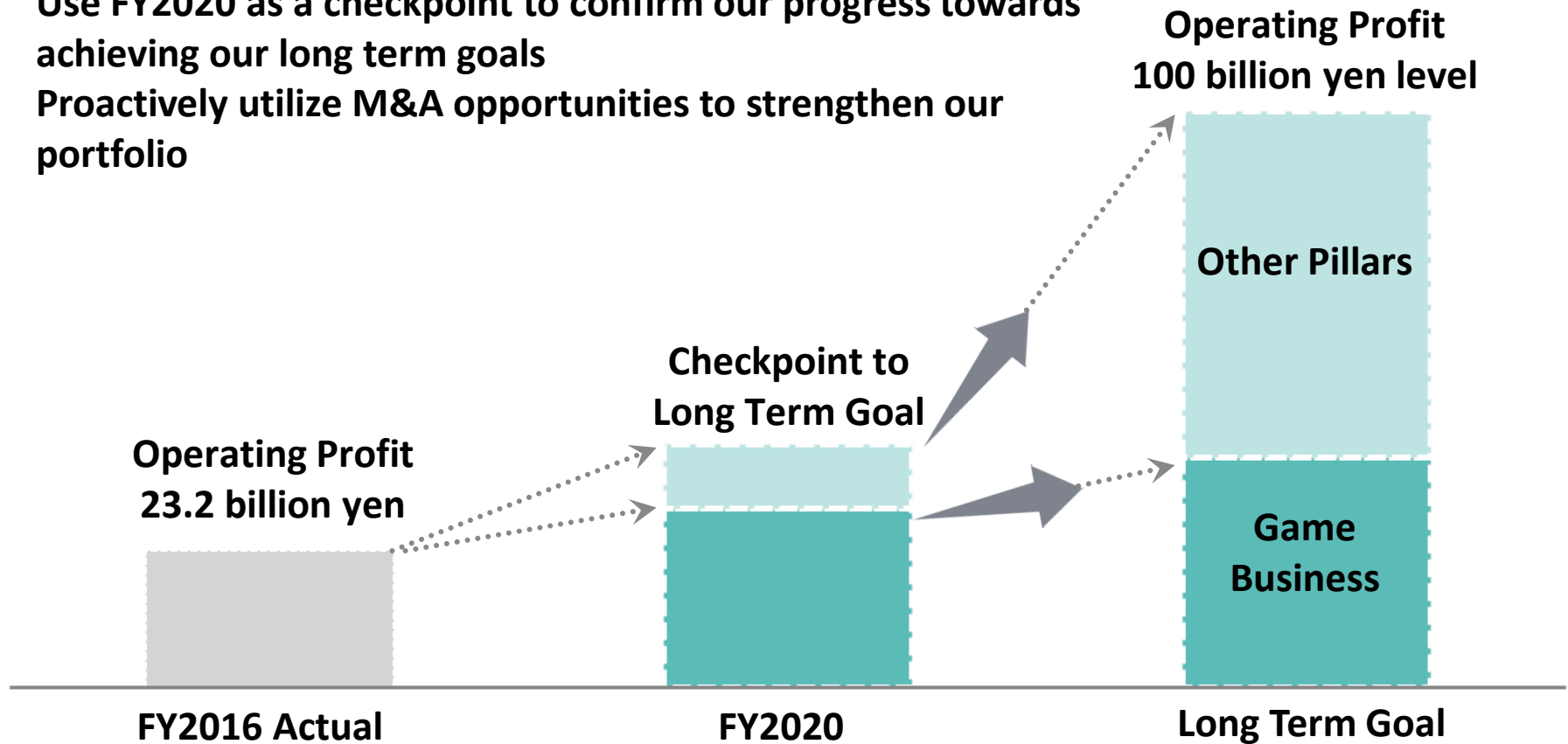


### Increased Revenue Source Diversity



# Strengthening Business Portfolio and View for Mid to Long Term Growth

- Continue to strengthen the core game business
- Over the long term, create multiple new business pillars
- Use FY2020 as a checkpoint to confirm our progress towards achieving our long term goals
- Proactively utilize M&A opportunities to strengthen our portfolio



# **Mission**

## **Delight and Impact the World**

# **Vision**

## **As an eternal venture, bring delight to the world using the internet and AI**

How DeNA defines eternal venture:

We define eternal venture as continuously challenging ourselves to provide new value, while also ensuring that social responsibility is a key priority



# Reference Materials

- IFRS to Non-GAAP reconciliation
- Consolidated cash flows
- Consolidated financial position
- Segment breakdown

# IFRS to Non-GAAP Reconciliation

(billion yen)	FY 2017				FY 2018
	Q1	Q2	Q3	Q4	Q1
<b>Reconciliation of Operating profit to Non-GAAP operating profit</b>					
Operating profit (IFRS)	6.4	7.3	12.6	1.3	5.1
Accounting adjustments related to seasonality, net	+0.1	-0.1	-0.2	+0.5	-0.2
Acquisition and restructuring related expenses	+0.9	+0.3	+0.5	+0.3	+0.0
Sales and disposition related gains	-	-0.1	-10.7	-0.9	-0.4
<b>Non-GAAP operating profit</b>	<b>7.4</b>	<b>7.2</b>	<b>2.3</b>	<b>1.2</b>	<b>4.6</b>
Profit (loss) from seasonal sports business	-2.2	-2.2	+1.0	+1.6	-2.4
<b>Non-GAAP operating profit excluding Sports</b>	<b>5.2</b>	<b>5.1</b>	<b>3.3</b>	<b>2.7</b>	<b>2.2</b>
(billion yen)	FY 2017				FY 2018
	Q1	Q2	Q3	Q4	Q1
<b>Reconciliation of Operating profit to Non-GAAP EBITDA</b>					
Operating profit (IFRS)	6.4	7.3	12.6	1.3	5.1
Accounting adjustments related to seasonality, net	+0.1	-0.1	-0.2	+0.5	-0.2
Acquisition and restructuring related expenses	+0.9	+0.3	+0.5	+0.3	+0.0
Sales and disposition related gains	-	-0.1	-10.7	-0.9	-0.4
Depreciation and amortization	+2.6	+2.7	+3.0	+3.1	+2.8
Retirement of fixed assets (excl. one-time factors)	+0.3	+0.0	+0.5	+0.1	+1.2
<b>Non-GAAP EBITDA</b>	<b>10.4</b>	<b>10.0</b>	<b>5.8</b>	<b>4.3</b>	<b>8.5</b>

# Consolidated Cash Flows

(billion yen)	FY2017	FY2017 Apr-Jun	FY2018 Apr-Jun
<b>Operating cash flow (A)</b>	<b>37.7</b>	<b>11.7</b>	<b>7.6</b>
Profit before tax	30.4	8.1	7.5
Depreciation and amortization	11.4	2.6	2.8
Income tax paid	-3.6	-2.1	-1.0
Others	-0.5	3.1	-1.7
<b>Investing cash flow (B)</b>	<b>-16.5</b>	<b>-3.1</b>	<b>-2.6</b>
<b>Financing cash flow</b>	<b>-5.4</b>	<b>-5.9</b>	<b>-3.8</b>
Cash dividends paid	-4.6	-4.5	-4.5
Cash dividends paid to non-controlling shareholders	-1.2	-1.2	-0.7
Others	0.4	-0.3	1.3
<b>FCF ((A)-(B))</b>	<b>21.2</b>	<b>8.6</b>	<b>5.0</b>
<b>Cash and cash equivalents (Consolidated)</b>	<b>103.7</b>	<b>90.8</b>	<b>105.1</b>
(Non-consolidated basis)	76.6	61.4	76.7

# Consolidated Financial Position

(billion yen)	As of Jun. 30, 2017	As of Mar. 31, 2018	As of Jun. 30, 2018
<b>Current assets</b>	<b>147.7</b>	<b>157.1</b>	<b>145.9</b>
Cash and cash equivalents	90.8	103.7	105.1
<b>Non-current assets</b>	<b>167.9</b>	<b>187.5</b>	<b>165.9</b>
Goodwill	46.8	46.3	46.0
Intangible assets	18.1	18.8	16.2
Investments accounted for using the equity method	14.5	16.5	17.7
Other non-current financial assets	84.9	99.6	80.1
<b>Total assets</b>	<b>315.6</b>	<b>344.6</b>	<b>311.8</b>
<b>Current liabilities</b>	<b>55.9</b>	<b>59.4</b>	<b>44.6</b>
<b>Non-current liabilities</b>	<b>7.9</b>	<b>14.1</b>	<b>8.0</b>
<b>Equity</b>	<b>251.8</b>	<b>271.1</b>	<b>259.3</b>
Total equity attributable to owners of the parent	244.8	263.3	251.4
<b>Total liabilities and equity</b>	<b>315.6</b>	<b>344.6</b>	<b>311.8</b>

# Segment Breakdown

Segments	Businesses
Game Business	Japan and international game businesses
E-commerce Business	Sub-segment names (Major service names in parenthesis) <ul style="list-style-type: none"> <li>• Processing Settlement (Paygent)</li> <li>• Auction (Mobaoku)</li> <li>• Travel (DeNA Travel)*</li> </ul>
Sports Business	Baseball, Running Club, etc.
New Businesses and Others	Sub-segment names (major service names in parenthesis) <ul style="list-style-type: none"> <li>• IP-generating platform (Manga Box, Everystar, MyAnimeList)</li> <li>• Healthcare (MYCODE, KenCoM, Aruite Otoku)</li> <li>• Automotive</li> <li>• Other internet services (SHOWROOM)</li> </ul>

The information and data contained within this presentation and these presentation materials have been determined based on information available as of August 9, 2018. The company disclaims any obligation to update or revise such information and data, whether as a result of new information, future events or otherwise.

In addition, any forward-looking statements contained in this presentation or these presentation materials are based on our opinions and information available as of August 9, 2018, 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.



DeNA Co., Ltd.