



**Q3 FY2018  
Operating Results**

**February 7, 2019**

**DeNA Co., Ltd.**

# Financial Results Summary

(billion yen)	FY2017		FY2018					FY2017	FY2018		
	Q3	Q4	Q1	Q2	Q3	QoQ change	YoY change		Previous Forecast	Revised Forecast	Percentage change
Revenue (IFRS)	32.8	33.3	33.9	34.3	26.4	-23%	-19%	139.4	150.0	125.8	-16%
Operating profit (IFRS)	12.6	1.3	5.1	5.6	-2.1	-	-	27.5	15.5	13.6	-12%
Operating profit (Non-GAAP)*	2.3	1.2	4.6	5.4	-1.5	-	-	18.1	15.5	8.7	-44%
Profit before tax	13.1	1.2	7.5	6.7	-2.5	-	-	30.4			
Profit for the period attributable to owners of the parent	12.4	0.2	5.2	4.4	-1.7	-	-	23.0	11.0	10.5	-5%
EPS (Yen)	85.64	1.41	36.03	30.51	-11.43	-	-	158.34	75.78	72.26	-5%
(Reference) Financial results excl. highly seasonal Sports											
Revenue	30.1	31.6	27.2	26.4	25.3	-4%	-16%	122.5			
Operating profit (Non-GAAP)*	3.3	2.7	2.2	2.4	0.9	-62%	-72%	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)

- The Game business underperformed compared to initial expectations
- The Sports business was impacted by the different match schedule and post-season events on a year-on-year basis, but there is no significant change from our initial forecasts for the full fiscal year performance

(billion yen)	FY2017		FY2018				
	Q3	Q4	Q1	Q2	Q3	QoQ change	YoY change
<b>Revenue</b>	<b>32.8</b>	<b>33.3</b>	<b>33.9</b>	<b>34.3</b>	<b>26.4</b>	<b>-23%</b>	<b>-19%</b>
Game	24.2	25.1	21.5	21.2	19.8	-7%	-18%
E-commerce	3.8	4.3	3.4	2.7	2.9	6%	-24%
Sports	2.7	1.7	6.8	7.9	1.2	-85%	-56%
New Businesses and Others	2.4	2.4	2.5	2.7	2.8	4%	16%
Adjustments	-0.3	-0.2	-0.2	-0.2	-0.2	-	-
<b>Operating profit</b>	<b>12.6</b>	<b>1.3</b>	<b>5.1</b>	<b>5.6</b>	<b>-2.1</b>	-	-
Operating profit margin	38%	4%	15%	16%	-	-	-
Segment profit / loss	2.9	1.7	5.8	5.9	-1.3	-	-
Game	5.7	6.0	5.3	4.7	3.1	-34%	-45%
E-commerce	0.2	0.4	0.2	0.4	0.3	-18%	66%
Sports	-1.0	-1.6	2.4	3.0	-2.4	-	-
New Businesses and Others	-1.2	-1.8	-1.7	-1.8	-1.9	-	-
Overhead costs and Adjustments	-0.8	-1.3	-0.4	-0.5	-0.5	-	-
Other income*	10.8	1.0	0.5	0.1	0.1	49%	-99%
Other expenses*	1.0	1.4	1.2	0.4	0.9	152%	-9%

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

# Cost and Expense Breakdown (IFRS)

- Continuing growth investments to build new business pillars in line with our strategy, while working to improve our overall lean cost structure

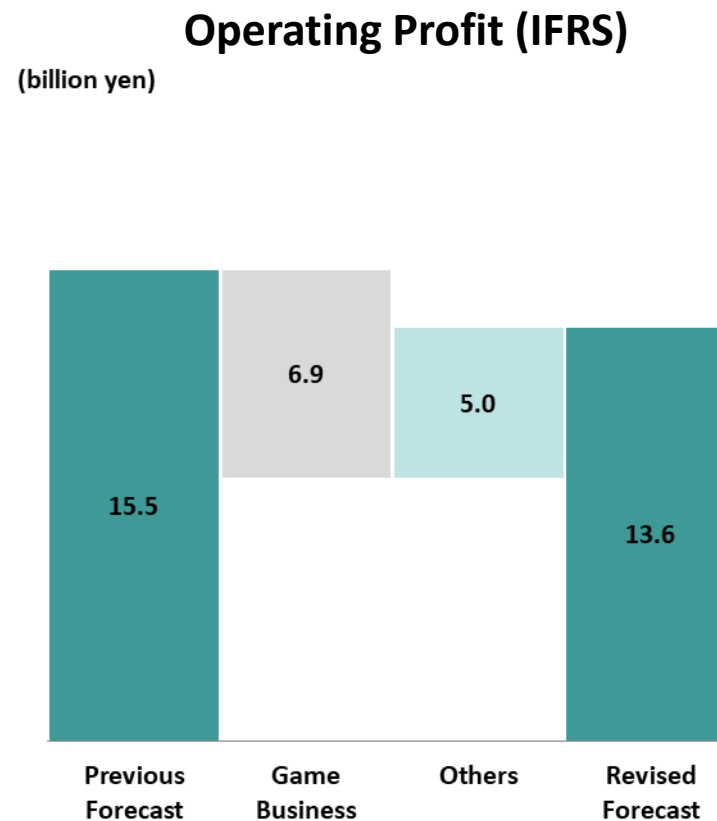
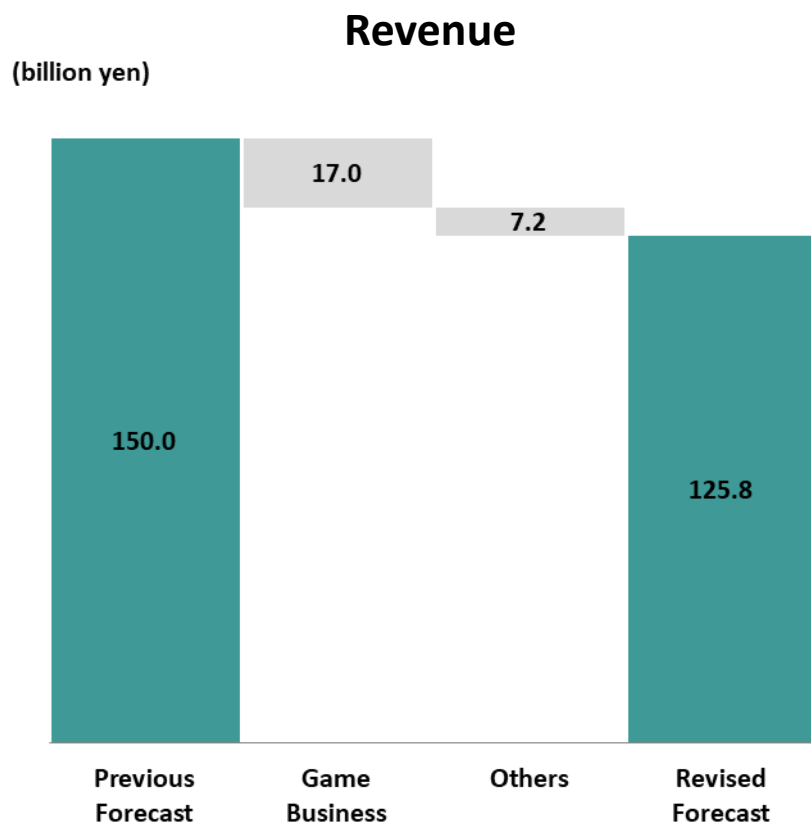
(billion yen)	FY2017		FY2018				
	Q3	Q4	Q1	Q2	Q3	QoQ change	YoY change
<b>Cost of Sales</b>	<b>14.2</b>	<b>14.3</b>	<b>13.9</b>	<b>14.7</b>	<b>13.6</b>	<b>-7%</b>	<b>-4%</b>
Personnel Expenses	0.9	1.0	1.0	1.0	1.0	-3%	11%
Depreciation and amortization	2.5	2.6	2.4	2.5	2.5	1%	1%
Outsourcing expenses	3.4	3.0	3.1	3.3	2.9	-11%	-12%
Commission fees	5.6	5.5	5.2	5.5	5.5	0%	-2%
Others	1.8	2.2	2.2	2.3	1.6	-31%	-10%
<b>Selling, general, and administrative expenses*</b>	<b>15.8</b>	<b>17.3</b>	<b>14.2</b>	<b>13.7</b>	<b>14.1</b>	<b>3%</b>	<b>-11%</b>
Personnel Expenses	3.5	3.7	3.6	3.4	3.5	3%	1%
Sales promotion & Advertising expenses	3.5	3.6	2.6	2.4	2.6	9%	-24%
Outsourcing expenses & Commission fees	6.5	6.6	6.0	5.7	6.0	5%	-7%
Others	2.4	3.3	2.2	2.2	2.0	-10%	-16%
<b>Other income**</b>	<b>10.8</b>	<b>1.0</b>	<b>0.5</b>	<b>0.1</b>	<b>0.1</b>	<b>49%</b>	<b>-99%</b>
<b>Other expenses**</b>	<b>1.0</b>	<b>1.4</b>	<b>1.2</b>	<b>0.4</b>	<b>0.9</b>	<b>152%</b>	<b>-9%</b>
<b>Consolidated employee headcount</b>	<b>2,387</b>	<b>2,475</b>	<b>2,306</b>	<b>2,342</b>	<b>2,394</b>	<b>2%</b>	<b>0%</b>

\*Some cost items were reorganized in Q2 FY2018, and the costs for previous quarters have been restated to match.

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

# FY2018 Full Year Guidance

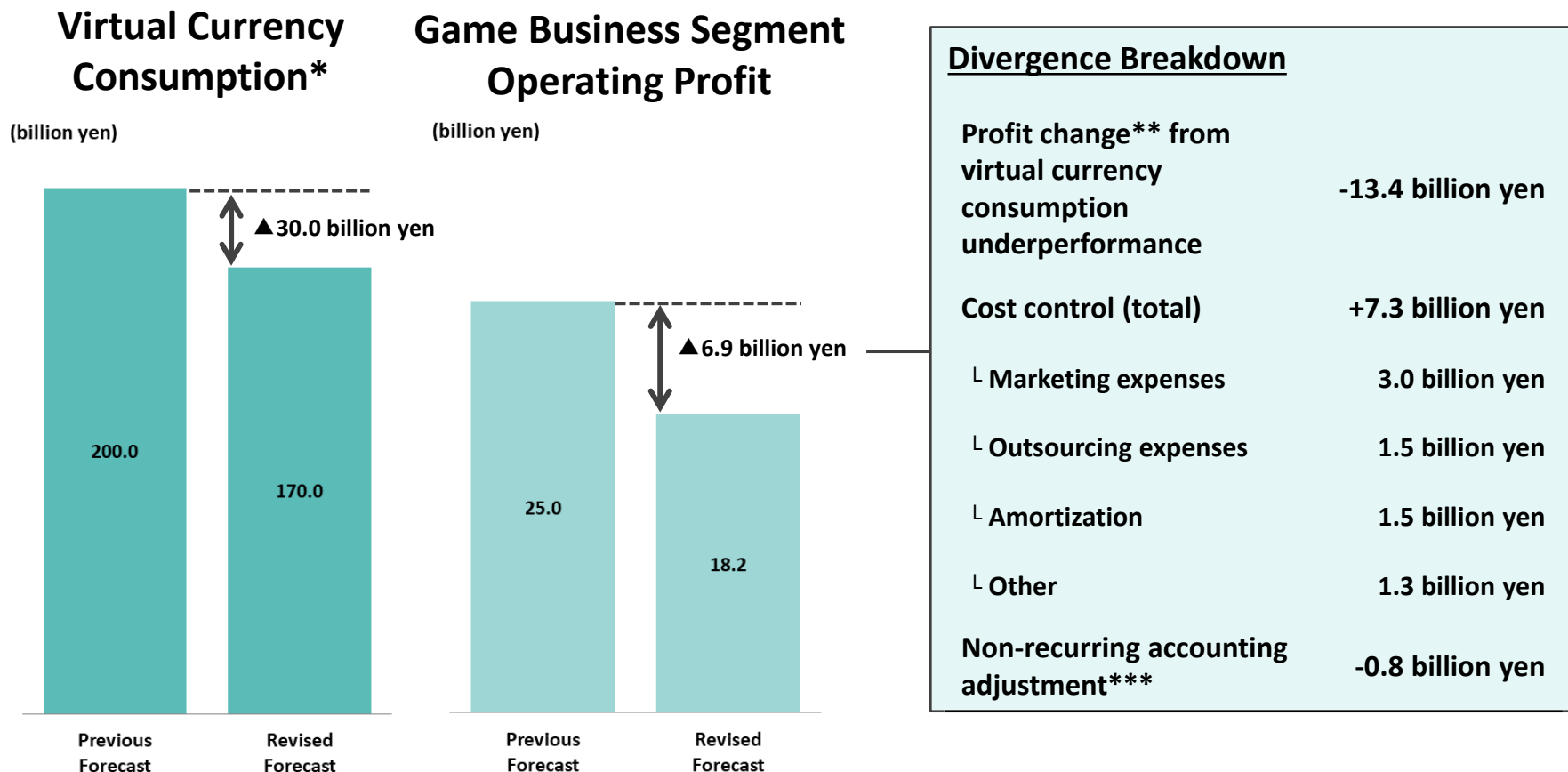
- Revenue: Mainly took into account that the performance of the Game business has been below our initial expectations, and the impact of the sale of DeNA Travel
- Operating profit: Reflected the underperformance of the Game business, and the expected sale of businesses such as Paygent



- 1. Ensure healthy profitability in core Game Business**
2. Create new business pillars
3. E-commerce Business
4. Shareholder returns

# Game Business: Assumptions for Full Year Guidance

- Despite the divergence of virtual currency consumption performance from our initial expectations, we are managing marketing costs, outsourcing expenses, and other investment for future performance in accordance with topline growth, and optimizing ordinary fixed costs



\*Includes consumption of free virtual currency.

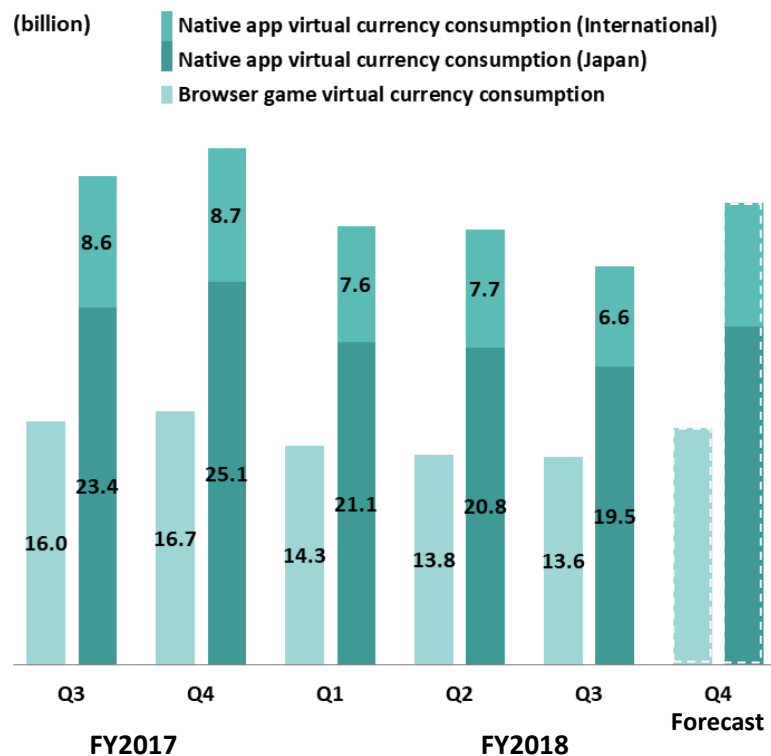
\*\*Virtual currency consumption less variable costs, such as processing fees and revenue share.

\*\*\*This non-recurring accounting adjustment refers to past payment fees and other expenses related to accounts payable to an external platform operator that were not properly recognized. This adjustment corrects all cumulative error amounts through Q3 FY2018.

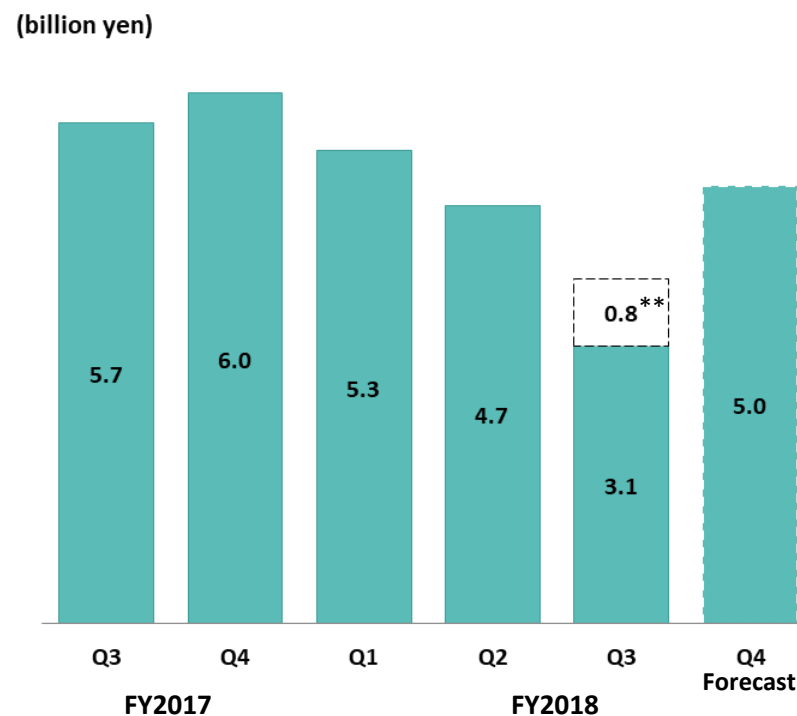
# Game Business: Quarterly Results & Guidance

- Many titles underperformed, which impacted virtual currency consumption
- Profit was also impacted by a non-recurring accounting adjustment of 0.8 billion yen

## Virtual Currency Consumption\*



## Game Business Segment Operating Profit



\*Includes consumption of free virtual currency.

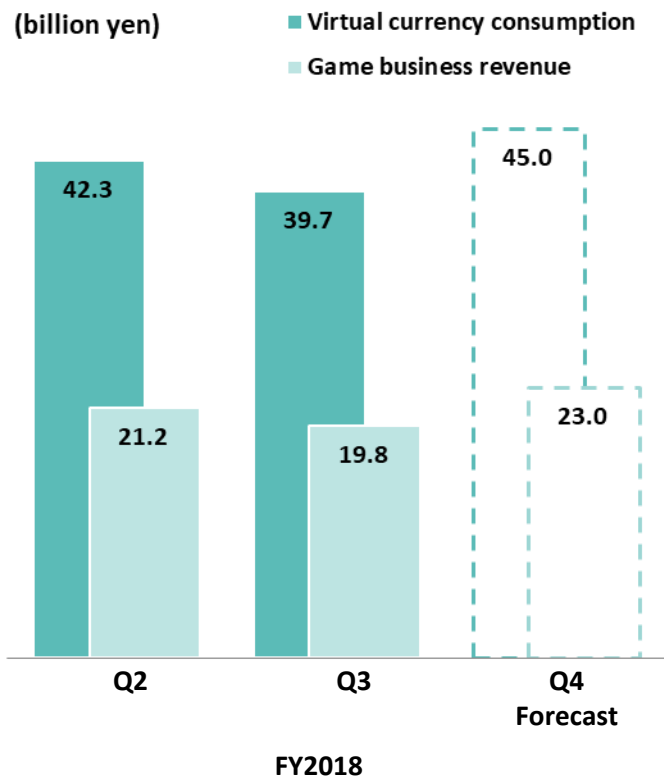
\*\*Impact from non-recurring accounting adjustment. This non-recurring accounting adjustment refers to past payment fees and other expenses related to accounts payable to an external platform operator that were not properly recognized. This adjustment corrects all cumulative error amounts through Q3 FY2018.



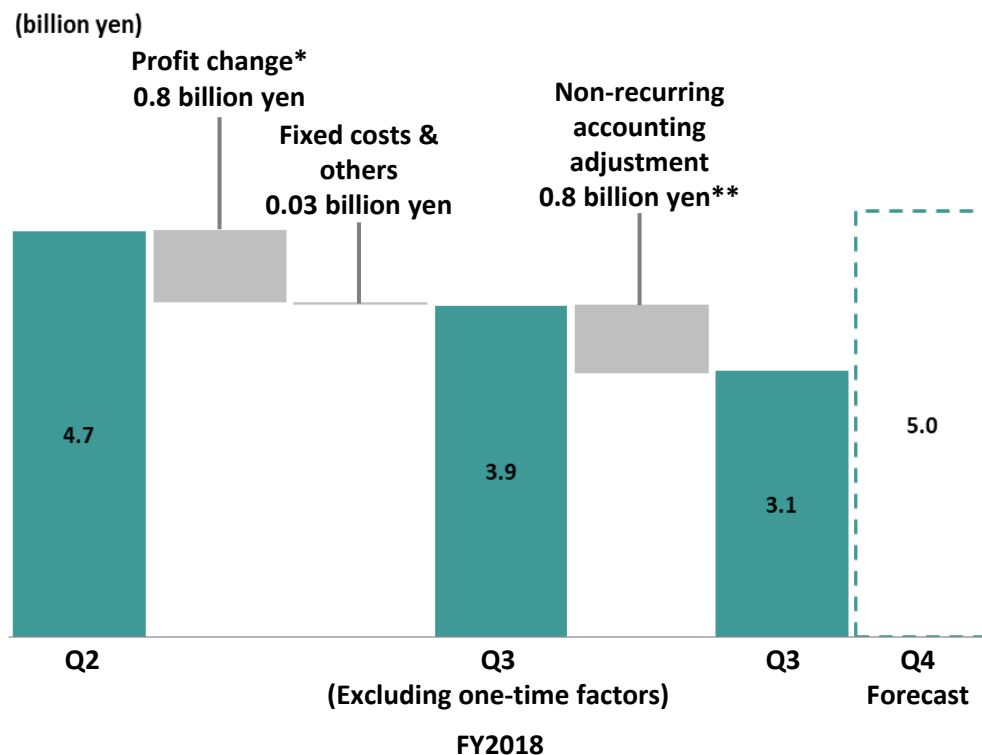
# Game Business: Quarterly Results & Guidance

- While there was marketing and other investment in Q3, we continued initiatives to streamline fixed costs, resulting in limited cost increases
- Q4 forecasts include expected performance following New Years and anniversary events for key titles
- Continuing to develop new titles, including the globally popular IP title

## Game Business Topline Performance



## Change in Game Business Segment Operating Profit



\*Virtual currency consumption less variable costs, such as processing fees and revenue share.

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# Nintendo Alliance

- Using events, major updates, and other methods to ensure that consumers continue to enjoy our existing applications

## *Super Mario Run*



© 2016 Nintendo

**Celebrated 2 year anniversary,  
and exceeded 300 million downloads worldwide**

## *Fire Emblem Heroes*



© 2017 Nintendo / INTELLIGENT SYSTEMS

**Major update implemented in December 2018  
Going forward, will release in South American market**

# Nintendo Alliance

- Now targeting a summer 2019 release for *Mario Kart Tour* in order to enhance the quality and expand service contents, such as in-game events, after its release

## *Animal Crossing: Pocket Camp*



© 2017 Nintendo

Continually tweaking game content and holding events to ensure that users continue to enjoy the game

## *Mario Kart Tour*



© 2019 Nintendo

Targeting summer 2019

# Japanese Launch of Major Chinese Title

- Using core competence in game operations and business development to bring major overseas titles to Japan
- Plan to launch the Japanese version (*Towa no Nanoka*) of the popular smartphone game *Forever Seven Days*, developed by NetEase Games and available in China, Hong Kong, Macao, Taiwan, and South Korea, in spring 2019
- DeNA will be the service provider in Japan, and will mainly be in charge of operations, marketing, customer support, and text localization





# Promoting Collaborations

- SHUEISHA and DeNA have agreed to establish a joint venture (tentatively named SHUEISHA DeNA Projects) in February 2019 to pursue joint business in the field of entertainment
- Plan to draw on the strengths of both companies to jointly develop IP games and new digital entertainment services for both Japan and the world

**集英社** SHUEISHA Inc.

Insights and assets related to the many popular works created to date, and skills for creating a variety of merchandise gained through licensing business

**:DeNA**

Experience and knowhow from developing and operating a variety of internet services, and development achievements from multiple businesses

1. Ensure healthy profitability in core Game Business
- 2. Create new business pillars**
3. E-commerce Business
4. Shareholder returns

# Solid Progress in Key Growth Investment Areas for FY2018

## MOV (Formerly TaxiBell)

- Seeing good progress in expanding user usage in the Tokyo metropolitan area and operator adoption
- Aim to be the No. 1 for taxi dispatches in Japan by 2020



## Insurance integrated with wellness programs

- Reached an agreement to partner with MetLife Insurance on services and as our first initiative, we plan to support the maintenance and improvement of health and wellness, and to plan, develop, and provide health promotion insurance



## Social Live Streaming services

- Both SHOWROOM and Pococha have generated excitement through events and other measures going in to the holiday season
- SHOWROOM is proactively expanding virtual content and content targeting female audiences



# Taxi Dispatch App MOV (formerly TaxiBell)

- Unlike traditional services, through MOV user requests go directly to the closest vehicle, and the service coexists with existing infrastructure, resulting in an offering that is convenient for both users and operators
- Solidifying operations base in Kanagawa Pref., and now expanding into other major markets, including Tokyo

## Kanagawa Pref. (from Apr 2018)\*

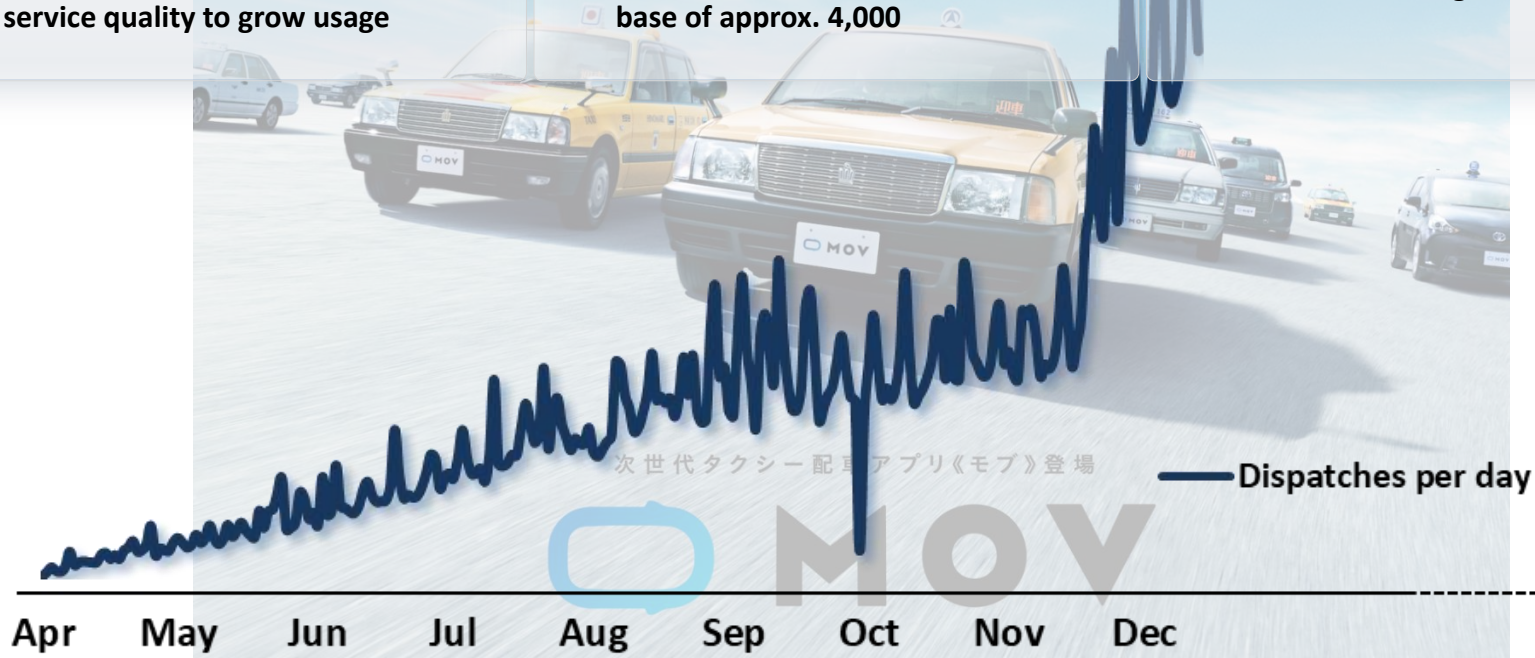
- 82 of the 182 operator members of the Kanagawa Taxi Association have implemented our system
- Aim to grow partner operator vehicle base from approx. 5,500 and refine service quality to grow usage

## Tokyo Pref. (from Dec 2018)\*

- Higher awareness following “0 Yen Taxi” & other initiatives, and holiday season demand
- Aim to onboard more operators and grow from partner operator vehicle base of approx. 4,000

## Kyoto, Osaka, Kobe areas (plan for spring 2019)

- Partner operators finalized for Osaka Pref.
- On track to secure similar vehicle base as in existing service areas





# Taxi Dispatch App MOV (formerly TaxiBell)

- Making good progress in providing services with added value to operators, and working towards establishing a future business model

Dispatch Fee

Enhancing partnerships with radio system providers to make the link between MOV, payment devices, radio and other onboard devices, and the system even more seamless

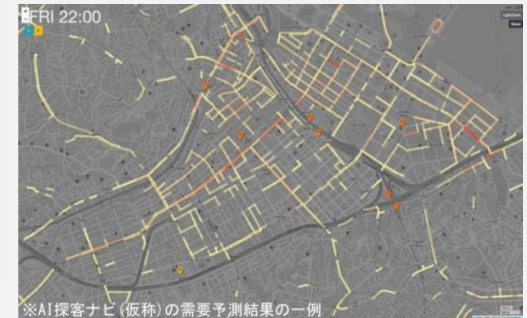
Monthly Fee  
(Related to device usage, etc.)

Began service to deliver video ads inside taxis, seeing positive interest



Advertising

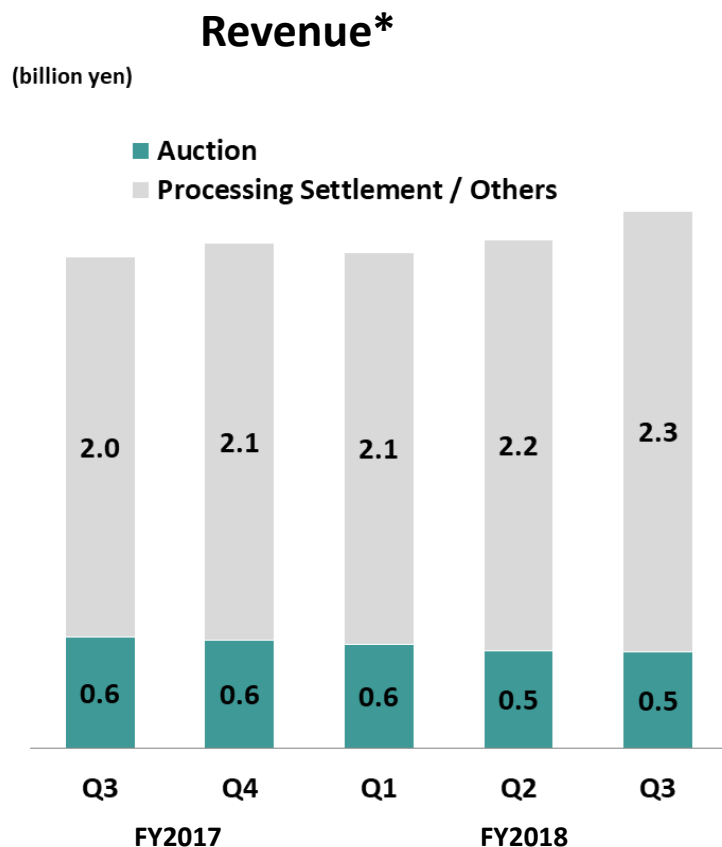
In field tests for AI Tankyaku Navi\* saw performance improvement for new drivers



Analyze probe data and other transportation big data, predict demand in real time for each street, and recommend the optimal route for each individual vehicle

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# E-Commerce Business



## Summary of the Paygent Co., Ltd. Sale

- Execution of the transfer agreement: **January 31, 2019**
- Expected share transfer date: **March 29, 2019**
- No. of shares held after the change: **0 shares**
- Operating results of Paygent for the previous 3 fiscal years:

(billion yen)	FY2015	FY2016	FY2017
Revenue	6.6	6.5	7.5
Operating profit	0.8	0.6	0.5
Net profit	0.5	0.4	0.4

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# FY2018 Dividends

- Forecast a dividend of 40 yen per share  
(Regular dividend of 20 yen, as per the dividend policy, & one-time special dividend of 20 yen)

(billion yen)	FY2016 (Actual)	FY2017 (Actual)	FY2018 (Forecast)	YoY change
Revenue (IFRS)	143.8	139.4	125.8	-10%
Operating profit (IFRS)	23.2	27.5	13.6	-51%
Operating profit (Non-GAAP)	24.9	18.1	8.7	-52%
Profit for the year attributable to owners of the parent	30.8	23.0	10.5	-54%
Earnings per share attributable to owners of the parent (Yen)	212.49	158.34	72.26	-54%
Dividend Per Share (Yen)	32.00	32.00	40.00	25%
Consolidated Dividend Payout Ratio (%)	15.1%	20.2%	55.3%	-

## Dividend policy

- Each fiscal year, based on our performance, we aim to pay out a consolidated payout ratio of 15% or an annual dividend of 20 yen per share, whichever is higher
- Targeting a consolidated payout ratio of 30% in the future

# **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
- Strengthening business portfolio and view for mid to long term growth
- Segment breakdown

# IFRS to Non-GAAP Reconciliation

(billion yen)	FY2017		FY2018		
	Q3	Q4	Q1	Q2	Q3
<b>Reconciliation of Operating profit to Non-GAAP operating profit</b>					
Operating profit (IFRS)	12.6	1.3	5.1	5.6	-2.1
Accounting adjustments related to seasonality & one-time factors	-0.2	+0.5	-0.2	-0.1	+0.6
Acquisition and restructuring related expenses	+0.5	+0.3	+0.0	+0.0	+0.0
Sales and disposition related gains	-10.7	-0.9	-0.4	-	-
<b>Non-GAAP operating profit</b>	<b>2.3</b>	<b>1.2</b>	<b>4.6</b>	<b>5.4</b>	<b>-1.5</b>
Profit (loss) from seasonal sports business	+1.0	+1.6	-2.4	-3.0	+2.4
<b>Non-GAAP operating profit excluding Sports</b>	<b>3.3</b>	<b>2.7</b>	<b>2.2</b>	<b>2.4</b>	<b>0.9</b>

(billion yen)	FY2017		FY2018		
	Q3	Q4	Q1	Q2	Q3
<b>Reconciliation of Operating profit to Non-GAAP EBITDA</b>					
Operating profit (IFRS)	12.6	1.3	5.1	5.6	-2.1
Accounting adjustments related to seasonality & one-time factors	-0.2	+0.5	-0.2	-0.1	+0.6
Acquisition and restructuring related expenses	+0.5	+0.3	+0.0	+0.0	+0.0
Sales and disposition related gains	-10.7	-0.9	-0.4	-	-
Depreciation and amortization	+3.0	+3.1	+2.8	+2.7	+2.8
Retirement of fixed assets (excl. one-time factors)	+0.5	+0.3	+1.2	+0.2	+0.1
<b>Non-GAAP EBITDA</b>	<b>5.8</b>	<b>4.5</b>	<b>8.5</b>	<b>8.4</b>	<b>1.4</b>



# Consolidated Cash Flows

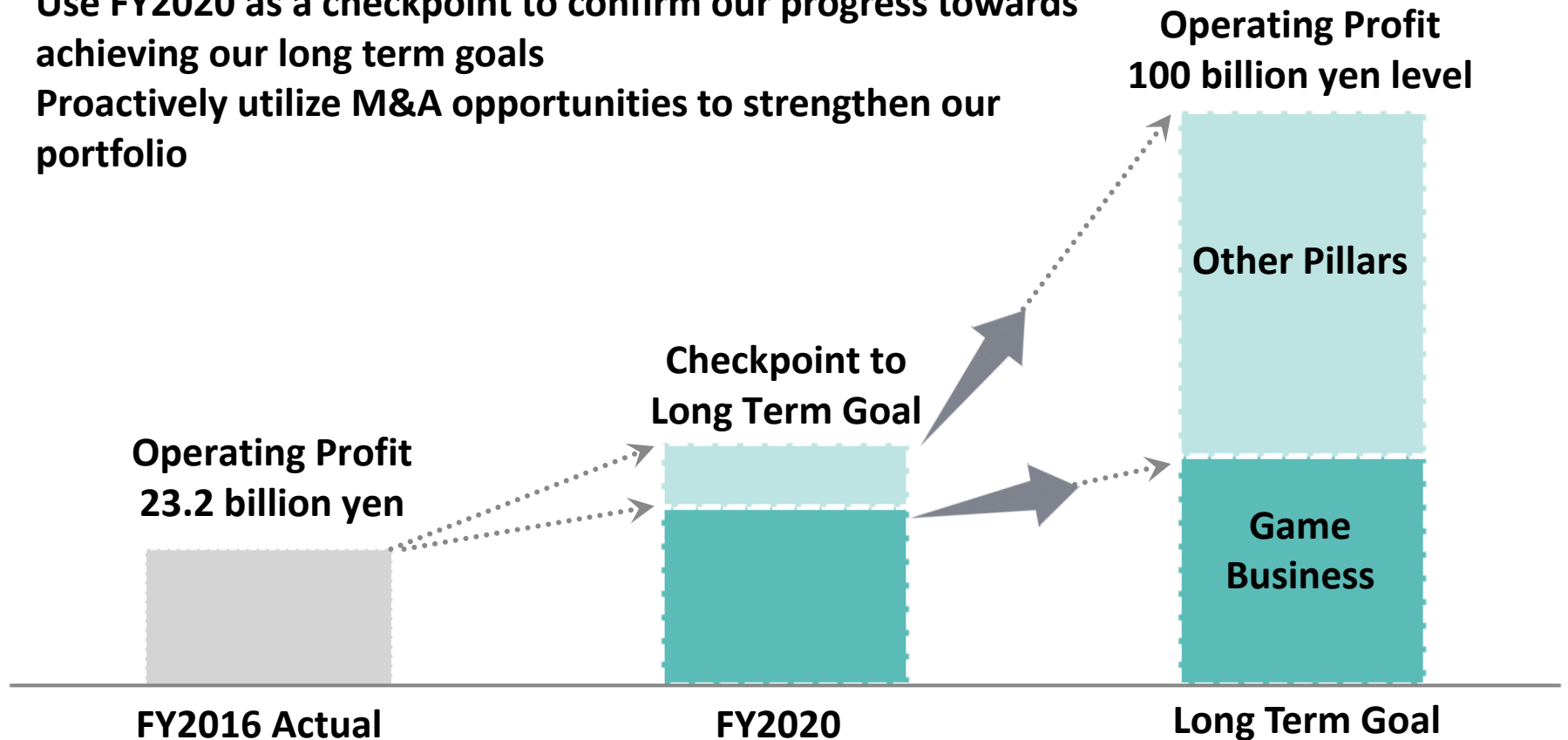
(billion yen)	FY2017 Apr-Dec	FY2017	FY2018 Apr-Dec
<b>Operating cash flow (A)</b>	<b>30.3</b>	<b>37.7</b>	<b>20.1</b>
Profit before tax	29.2	30.4	11.6
Depreciation and amortization	8.3	11.4	8.3
Income tax paid	-3.2	-3.6	-2.0
Others	-4.0	-0.5	2.3
<b>Investing cash flow (B)</b>	<b>-11.6</b>	<b>-16.5</b>	<b>-11.3</b>
<b>Financing cash flow</b>	<b>-6.3</b>	<b>-5.4</b>	<b>-4.0</b>
Cash dividends paid	-4.6	-4.6	-4.6
Cash dividends paid to non-controlling shareholders	-1.2	-1.2	-0.7
Others	-0.5	0.4	1.3
<b>FCF ((A)+(B))</b>	<b>18.6</b>	<b>21.2</b>	<b>8.9</b>
<b>Cash and cash equivalents (Consolidated)</b>	<b>100.6</b>	<b>103.7</b>	<b>109.0</b>
(Non-consolidated basis)	72.9	76.6	76.5

# Consolidated Financial Position

(billion yen)	As of Dec. 31, 2017	As of Mar. 31, 2018	As of Dec. 31, 2018
<b>Current assets</b>	<b>152.9</b>	<b>157.1</b>	<b>151.3</b>
Cash and cash equivalents	100.6	103.7	109.0
<b>Non-current assets</b>	<b>175.9</b>	<b>187.5</b>	<b>154.4</b>
Goodwill	46.5	46.3	46.0
Intangible assets	19.7	18.8	16.7
Investments accounted for using the equity method	15.8	16.5	18.4
Other non-current financial assets	90.7	99.6	65.5
<b>Total assets</b>	<b>328.8</b>	<b>344.6</b>	<b>305.7</b>
<b>Current liabilities</b>	<b>55.7</b>	<b>59.4</b>	<b>48.3</b>
<b>Non-current liabilities</b>	<b>9.8</b>	<b>14.1</b>	<b>4.2</b>
<b>Equity</b>	<b>263.2</b>	<b>271.1</b>	<b>253.2</b>
Total equity attributable to owners of the parent	256.1	263.3	245.1
<b>Total liabilities and equity</b>	<b>328.8</b>	<b>344.6</b>	<b>305.7</b>

# 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



# 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, Basketball, 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)</li> <li>• Healthcare (MYCODE, KenCoM, Aruite Otoku)</li> <li>• Automotive (MOV)</li> <li>• Other internet services (SHOWROOM)</li> </ul>

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

DeNA Co., Ltd.