DeNA

DeNA Co., Ltd.

2014 Annual Report

Year ended March 31, 2014

Contents

Disclaimer regarding forward-looking statements

Statements of a forward-looking nature contained in this annual report, including those pertaining to plans, strategies, and outlooks, were based on judgments regarding information that was available at the time of preparation. These statements do not constitute guarantees, and the DeNA Group makes no promises regarding the attainment, accuracy, or completeness of these statements. Therefore, as a result of changes in various aspects of the operating environment, the actual outcomes may differ materially from the content of the forward-looking statements.

DeNA

Delight and Impact the World

MYCODE
マイコード

The DNA of DeNA: Engines for Growth

Continually challenging the status quo

A steady stream of new Internet services for mobile devices has emerged over the last few years, spurred by the debut of smartphones and other smart devices as well as progress in associated software technology. Smartphones have become wildly popular all over the world, and this is sure to drive demand for mobile Internet services even higher on a global level.

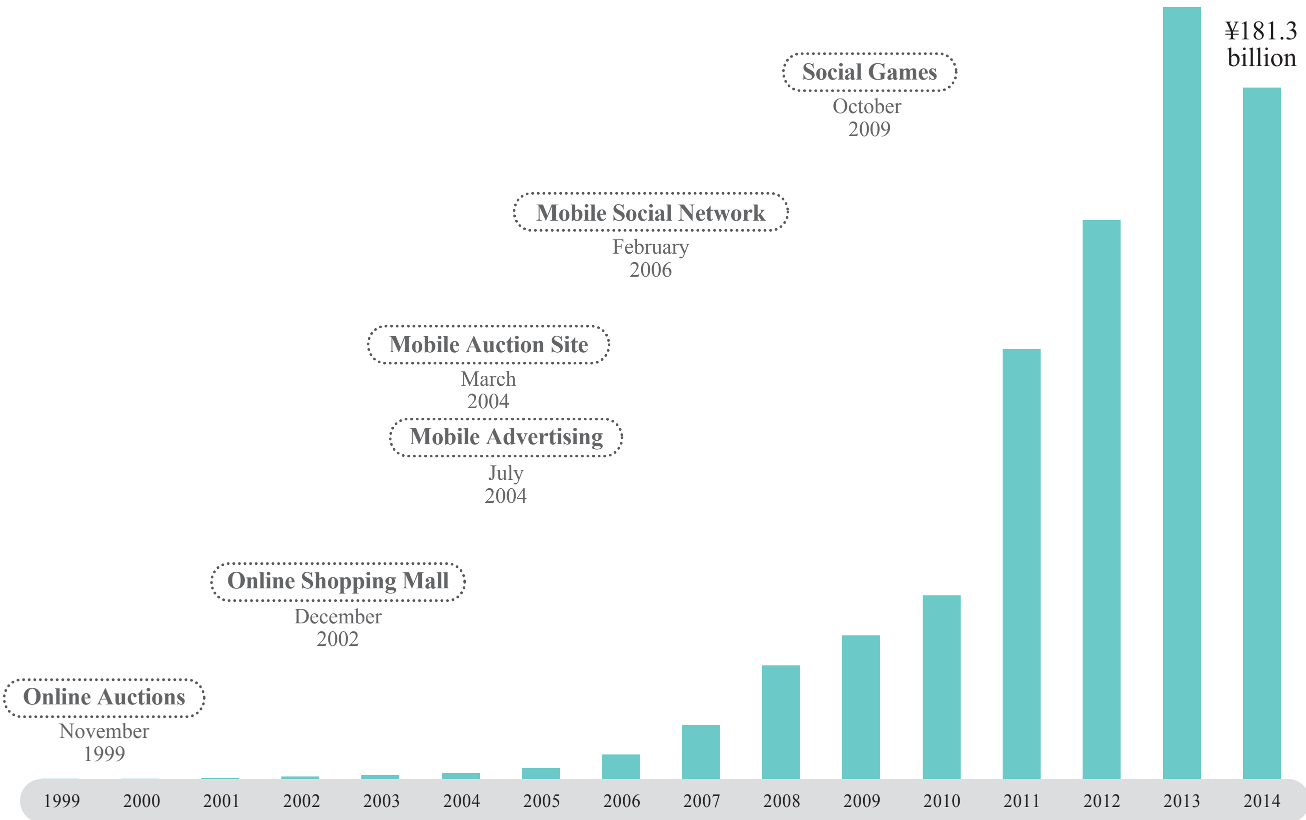
DeNA, originally established as a PC e-commerce services provider in 1999, was quick to see the potential in mobile Internet services and has grown by constantly launching services that match prevailing market needs. Going forward, we will maintain key management strategies that have served us well to date. That is, we will develop existing businesses while constantly delivering new services that offer new value to users, diversify sources of revenue and strive to generate synergies between existing operations and new pursuits, and lay the foundation for a business portfolio that underpins sustainable growth over the medium to long term.

We aim to become the world's No. 1 mobile Internet company, and we will achieve this by constantly providing services that bring delight to and impact everyday lives of mobile users around the world and create new value for them.

1999	• DeNA is founded. • Bidders online auction site (currently, DeNA Shopping) is launched.
2002	• The Bidders shopping services are branded as Bidders Shopping.
2004	• Mobaoku mobile auction site is launched. • Pocket Bidders mobile shopping site is launched. • Pocket Affiliate, an affiliated advertising network for mobile devices, is launched.
2005	• DeNA goes public on the Mothers Section of the Tokyo Stock Exchange.
2006	• Mobage (formerly, Moba-ge-town) is launched. • DeNA launches international business.
2007	• DeNA lists on the First Section of the Tokyo Stock Exchange.

Net Sales/Revenue

(For the years ended March 31)



Note: From 1999 to 2011, the amounts are recorded as net sales in accordance with Japanese GAAP, and from 2012 to 2014, the amounts are recorded as revenue in compliance with IFRS.

2009	• First in-house social games are launched.
2010	• Mobage Open Platform is launched for third-party developers. • ngmoco, LLC is acquired as a subsidiary.
2011	• DeNA commences management of the Yokohama DeNA Baystars professional baseball team.
2012	• Communication app Comm is launched.
2013	• Launches full-scale entry into app game market • Opens Showroom, a virtual live space • Debuts Manga Box, a digital manga magazine
2014	• Enters healthcare business, launching Mycode, a genetic testing service, in August

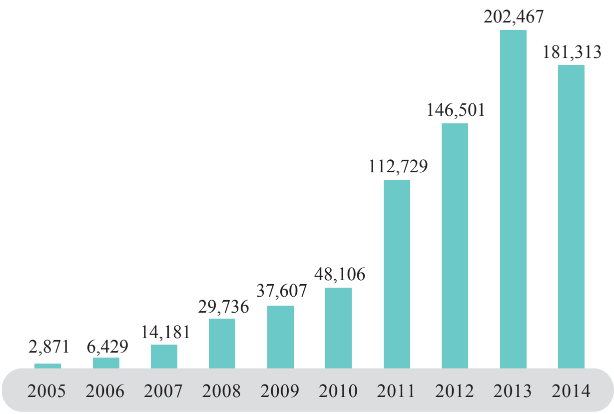
Ten-year Financial Summary

DeNA Co., Ltd. and Subsidiaries
*As of or for the years ended March 31 (*1)*

	Japanese GAAP							IFRS (*2)		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Operating Results (Millions of yen)										
Net sales/Revenue	2,871	6,429	14,181	29,736	37,607	48,106	112,729	146,501	202,467	**181,313**
Operating income/Operating profit	483	1,883	4,506	12,662	15,843	21,266	56,097	60,262	76,840	**53,198**
Net income/Profit for the year attributable to owners of the parent	440	1,487	2,539	6,776	7,956	11,371	31,604	31,137	45,581	**31,661**
Financial Conditions (Millions of yen)										
Total assets	5,517	13,295	21,120	32,847	37,335	55,273	127,216	153,223	194,784	**197,325**
Total net assets (*3)/Total equity	4,649	10,888	14,509	21,234	25,654	36,652	82,445	98,045	123,676	**145,555**
Net cash provided by operating activities	810	2,464	4,885	9,207	9,471	13,528	47,916	31,978	52,192	**28,061**
Net cash used in investing activities	(287)	(296)	(1,656)	(2,682)	(3,752)	(2,540)	(18,949)	(18,955)	(15,831)	**(15,331)**
Free cash flow (*4)	523	2,168	3,229	6,525	5,719	10,988	28,967	13,023	36,360	**12,730**
Net cash provided by (used in) financing activities	3,280	5,055	479	(390)	(4,020)	(1,004)	(816)	(18,967)	(25,039)	**(15,719)**
Capital expenditures	266	356	1,129	1,987	1,648	2,163	2,474	5,915	11,334	**14,183**
Depreciation and amortization, excluding goodwill	203	238	377	889	1,365	1,516	1,917	3,299	6,000	**8,163**
Financial Indicators (%)										
Ratio of operating income to net sales/Ratio of operating profit to revenue	16.8	29.3	31.8	42.6	42.1	44.2	49.8	41.1	38.0	**29.3**
Return on equity/Ratio of profit to equity attributable to owners of the parent	15.8	19.1	20.8	40.4	36.1	38.7	56.8	36.0	42.6	**24.4**
Shareholders' equity ratio/Ratio of equity attributable to owners of the parent	84.3	81.9	63.9	61.0	64.5	62.6	60.2	61.8	61.2	**71.3**
Consolidated payout ratio	—	—	9.8	12.9	10.9	15.0	15.5	16.9	15.0	**15.3**
Per Share Data (Yen) (*5)										
Net income per share–basic/Basic earnings per share	3.61	10.93	17.72	46.59	55.05	79.84	218.74	213.13	333.34	**242.56**
Net income per share–diluted/Diluted earnings per share	3.59	10.51	17.41	46.48	—	—	218.10	212.01	332.35	**241.98**
Net assets per share/Equity per share attributable to owners of the parent	34.37	76.44	93.02	137.40	169.16	242.97	519.45	653.06	884.89	**1,081.10**
Cash dividends per share	—	—	1.73	6.00	6.00	12.00	34.00	36.00	50.00	**37.00**

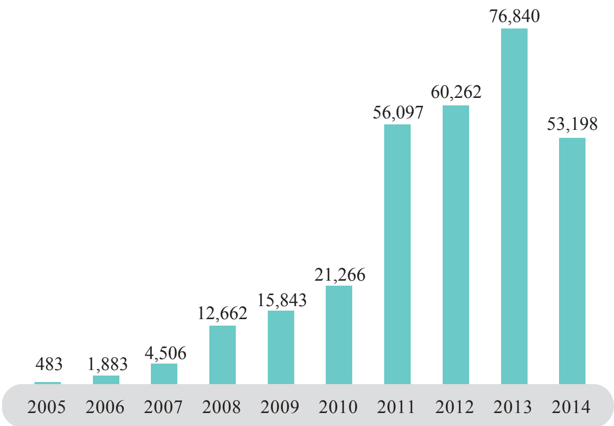
(*1) Figures shown above are as of the year-ends or for the years ended after DeNA's listing on the Tokyo Stock Exchange in February 2005. Figures for the fiscal year ended March 31, 2005 are for the parent company only because consolidated statements were not prepared.
(*2) As of the fiscal year ended March 31, 2013, the DeNA Group adopted IFRS in lieu of Japanese GAAP. The figures for the fiscal year ended March 31, 2012 have been adjusted to comply with IFRS.
(*3) Total net assets as of and before March 31, 2006 are presented in accordance with the previous accounting standard of Japanese GAAP for presentation of net assets under which minority interests are not included in total net assets.
(*4) Free cash flow = Net cash provided by operating activities + Net cash used in investing activities
(*5) Per share data has been adjusted retroactively to reflect a 3-for-1 stock split on November 18, 2005, and a 300-for-1 stock split on June 1, 2010.

Net Sales/Revenue (Millions of yen)



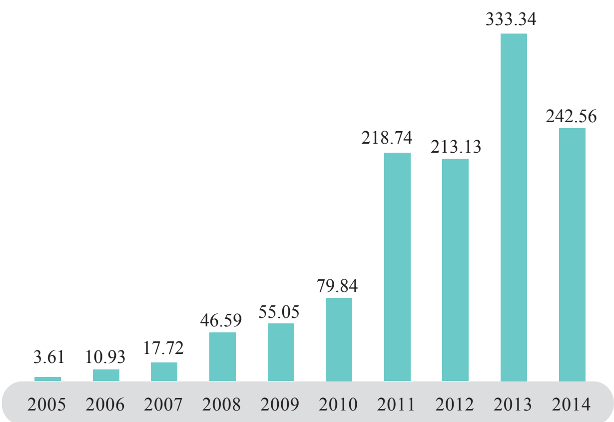
Ratio of Operating Income to Net Sales/
Ratio of Operating Profit to Revenue (%)

Operating Income/Operating Profit (Millions of yen)

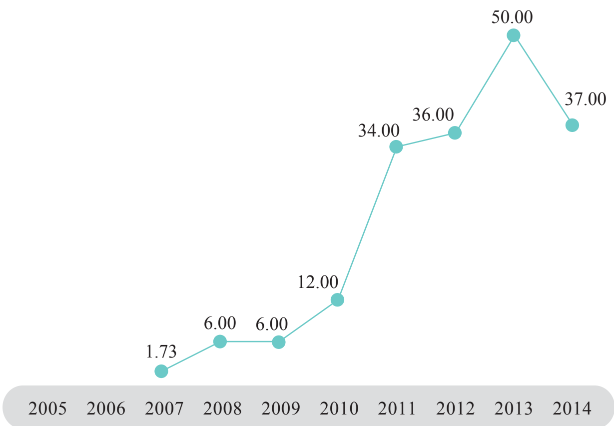


Return on Equity/Ratio of Profit to Equity Attributable
to Owners of the Parent (%)

Net Income per Share—Basic/
Basic Earnings per Share (Yen)



Cash Dividends per Share (Yen)



We will exert an all-out effort to revitalize our game business and build additional new businesses with structural advantages for medium- to long-term growth

Fiscal 2013 Consolidated Results and Initiatives

In fiscal 2013, ended March 31, 2014, we recorded year-on-year decreases in revenue and profit, with revenue of ¥181.3 billion and operating profit of ¥53.2 billion. This performance was disappointing, and we aspire to do better as well as improve execution across our business.

The primary reason for this is sluggish consumption of our in-game virtual currency for existing titles in browser-based games, which had been a driver of upward results in Japan Game Business of the Social Media segment over the past few years.

To revitalize the game business overall, we embarked on a major course change in the summer of 2013, emphasizing the release of new app game titles to capture user interest as the app game market expanded.

Also during fiscal 2013, we actively worked to launch new services with the potential to sustain corporate growth over the medium to long term and some of the projects are showing positive signs.

Japan Game Business

For native apps in Japan, we have continued to enrich our title lineup and diversify the genres through various approaches. Starting in August 2013, we released 33 new first- and second-party titles by the end of March 2014. Several games are already generating ¥100 million to ¥200 million per month. Through this initiative we have also accumulated development tools and strengthened internal app development capabilities. Aiming to create even bigger hits, we will keep a constant stream of new titles flowing through fiscal 2014 as well by drawing confidently on the know-how acquired in fiscal 2013.

Meanwhile, coin consumption from browser-based games—a key revenue source to date—has declined from its peak. However, as a result of continuous improvement in live operation, including content updates and in-game events, some first- and second-party browser-based games we have been offering for a few years began to show recovery in user activity and coin consumption.

Japan Game Business continues to be the central pillar of business, supporting the Group's revenue and profit. Total MAU including both browser-based games and native apps bottomed out in November 2013 and began to chart an upward path again, which is a positive sign. Going forward, we will strive to revitalize browser-based games, create hit app games, and put this business back on track.

International Game Business

In the West—the United States and Europe—the decline in coin consumption for mainstay existing titles, particularly card battle games, slowed. In the summer of 2013, we started to emphasize diversification in the way titles are provided in order to expand the user base, and released 17 first- and second-party titles by the end of fiscal 2013. Going forward, we will gradually switch from limited launch in specific regions

Isao Moriyasu, *Representative Director, President, and CEO*

to worldwide distribution and strive to scale these into key titles.

In China, the mobile game market is growing rapidly. We have achieved ¥300 million per month from our first-party title, *NBA: My Dream*, which utilizes lucrative intellectual property (IP) from the National Basketball Association. The Group will endeavor to build an even stronger presence in China.

Japan, the West, and China are three key regions in our game business and we are aiming to build the best planning and development teams in each region. Creating hit games requires localization to each market, which is, customizing content to prevailing ideas and culture. Having local teams that can develop and operate games in Japan, the West, and China is our strength. To have a global operation is also important to acquire popular IP and to gain competitive edge.

E-commerce Business

Revenue from the E-commerce Business, a segment that dates back to our establishment, continues to grow at a steady pace. The ratio of e-commerce to offline retail is still low in Japan but is expected to expand over the medium to long term. With this in mind, it is vital for us to establish a solid position now to capitalize on opportunities in the future.

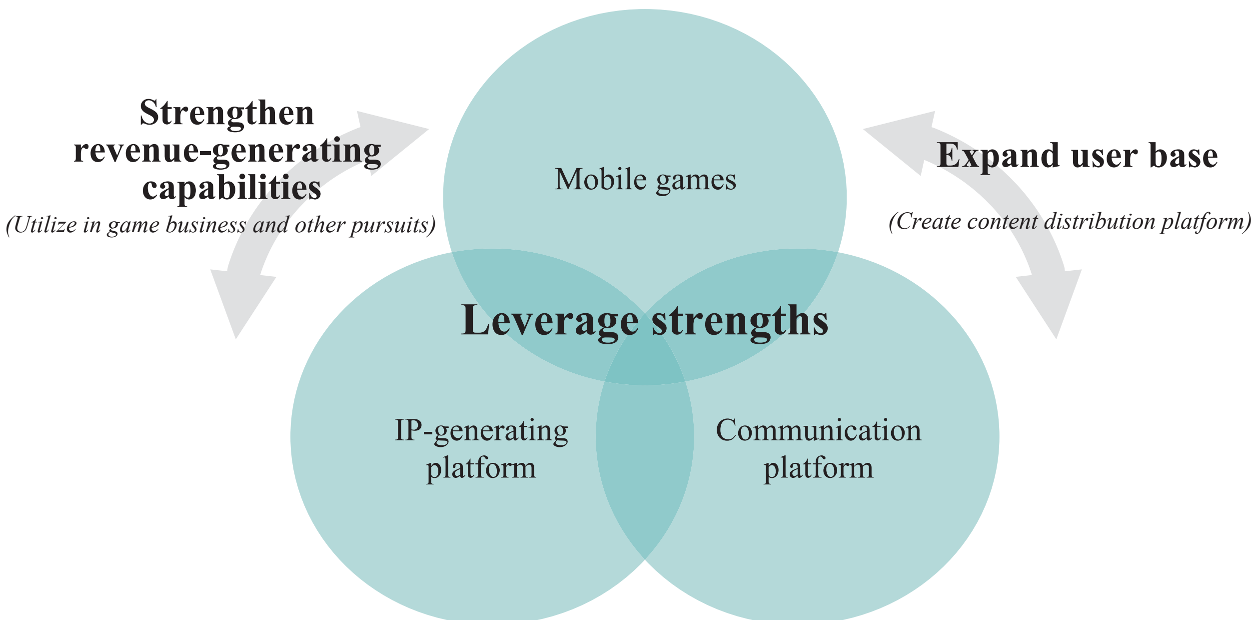
Particularly in our online shopping mall service, we are strategically focused on key genres and aiming to establish the No. 1 position in those areas. More precisely, we will reinforce our presence in groceries and daily consumables, where e-commerce use is still low. Toward this end, in fiscal 2013 we formed alliances with companies boasting good product assortments at physical stores as well as price competitiveness, and opened several sites, including SEIYU.com and Sundrug.com, that give us greater confidence in providing customers with more convenience, wider product selection, and better prices.

Toward Medium- to Long-term Growth

The game business has the potential for explosive growth with hits. Over the medium to long term, it is also important to build additional new businesses with structural advantages and sustainable growth on top of that. We think the key to structural growth is to have platforms, which drive mutually beneficial engagement of users and content providers.

In fiscal 2013, we introduced Manga Box, a weekly e-magazine app for Japanese *manga* comics, and Showroom, a virtual live space. Our goal is to build an IP-generating platform, which generates new content and entertainment IP that captures the market's attention not only in Japan but globally.

As communication needs become more and more diversified, building communication platforms to expand the user base is another important strategy. We will proactively work on areas with high growth potential, such as specialized communication tools, and pursue global expansion as well.



As we believe an IP-generating platform and communication platform have strong synergy with our game business, we will leverage our strengths in these three promising areas.

In addition, we are now seeing more and more established offline industries experiencing digital innovation. With an attempt to pursue our goal to become the No. 1 mobile Internet company, we have proactively invested in promising growth opportunities in addition to our core business in gaming and e-commerce. “Digital innovation in traditional and established industries” is one of the approaches we are taking to build new businesses.

Entry into Healthcare Business

In the healthcare domain, a huge, primarily offline industry, we are conducting a joint research project with the Institute of Medical Science at the University of Tokyo (IMSUT), a world-class research institute for medical sciences, to realize new levels of innovation. The underlying theme of this joint research is to contribute to the health and longevity of society through foresight and prevention.

To share the benefits of this research with society, DeNA established a subsidiary, DeNA Life Science, which focuses on healthcare services. The company’s inaugural project is Mycode, a direct-to-consumer genetic testing service. The service is scheduled to launch in August 2014.

The Internet is enhancing the convenience of healthcare services, which is sure to fuel growth of this domain. At DeNA, we want to build this business into a pillar that will support growth of the Group over the medium to long term.

Mycode testing kit

To Our Stakeholders

Getting the game business—our core business—back on track is an obvious priority. But we must also consider business from a medium- to long-term perspective, and so we will put every effort into launching a variety of new services and developing these services to meet the expectations of investors.

We will strive to raise the Group’s corporate value and meet the expectations of shareholders and investors. On behalf of the entire DeNA Group, I ask for the continued support and encouragement of stakeholders as we work toward these goals.

守安功

Isao Moriyasu
Representative Director, President, and CEO
DeNA Co., Ltd.

Proactive Investment in Growth Fields

Leveraging strengths to achieve medium- to long-term growth

Game Development

The Japanese game market is characterized by a rapidly accelerating number of people who enjoy app-based games. This is an area of growing importance for the DeNA Group, and app-based game development efforts are in full swing. Our strategy is to reinforce the assortment of app-based games available under the DeNA banner through investment in titles based on leading intellectual property (IP) as well as new casual game titles. We are working to expand the range of genres offered.

Manga Box

Manga Box is a weekly manga magazine app offered through tie-ups between DeNA and major publishing houses. The app enables users to read series by popular Japanese manga authors for free. New content is uploaded daily, and the entire selection is refreshed each week.

Showroom

Showroom is a web-based live-broadcasting service that creates a space—a virtual stage—where idols and other performers can entertain their fans. A major feature of Showroom is that it enables performers and fans to interact as if both the entertainers and the audience are physically in the same venue.

Game Development

Our goal is to create a structure that constantly turns out hit titles. It will be built on the realization and pursuit of quality required by the app market as well as use of accumulated strengths in browser-based games

Takeshi Matsui, Unit Head, Japan Region Game

The App Shift

Until halfway through fiscal 2013, we were focused on duplicating our successful business model and portfolio of browser-based games to native app-based games. Seeing the evolution of the technology, user interface, and market structure of native apps, we shifted our focus to developing games that are most enjoyable as apps and a user acquisition method that is most stable for apps in the summer of 2013.

While utilizing our technological and analytical expertise gained through the operation of browser-based games, we have expanded our native app pipeline to build our expertise and gain knowledge from both in-house and external developers with console game experience, companies and marketers.

App-based games developed and released during fiscal 2013 were diverse in terms of development methods as well as genres. Notable debuts were *Sangokushi Royale*, a simulation game featuring in-house know-how and technology. We also introduced *Pazu Oku*, a puzzle game developed with a company that does not develop games per se but boasts excellent creative capabilities, and *Shingeki no Kyojin (Attack on Titan),* a strategic battle game that combines the expertise of proven overseas game designers with popular IP from Japan. Through these strategic approaches, we honed stronger game development skills and acquired new insights, which have led to an improvement in overall monthly activity among users that was previously experiencing a downtrend.

Pursuit of Quality

In the process of developing numerous titles, we reconfirmed that a hit is determined by product quality more than anything else. To attract user attention amid fierce competition and the resulting cornucopia of "fun stuff" out there, an ordinary product is simply unacceptable. Furthermore, a game has to play smoothly—virtually glitch-free—to encourage sustained engagement and provide pure, uninterrupted enjoyment.

To achieve this kind of quality improvement quickly, we took steps to revamp our technology strategy, establish an appropriate environment and processes for game development, upgrade employee skills, and clarify our policy on joint pursuits with companies outside the DeNA Group. These steps resulted in a vast improvement in the quality and speed compared with a year earlier, and I feel the stage is now set for us to really turn out hit titles.

Toward Return to Growth and Medium- to Long-term Stability

In April 2014, the development section was split up into several studio-like components, and we switched to a structure that allocates more decision-making authority and responsibility to the people in charge of each studio. Independent judgments by these people will definitely translate into optimum value for users, which in turn will be key in building a portfolio of diverse, high-quality titles and securing IP and assets at a level that allows reapplication and lateral expansion.

Expect great games from DeNA.

Manga Box

Positive signs in digital manga magazine Manga Box

Shin Kibayashi, Manga Box Editor-in-Chief

Profile Shin Kibayashi is a renowned manga storywriter, screenwriter and novelist who is active under multiple pen names. Currently as the editor-in-chief at Manga Box, Mr. Kibayashi aspires to establish the service as the new manga platform that spans across publishers. He was an editor at Kodansha Ltd. before branching out on his own in 1999. Mr. Kibayashi graduated from Waseda University and was born on July 22, 1962, in Tokyo, Japan.

New Magazine Format Revitalizes Manga Industry

Sales of printed manga magazines* grew along with a steady proliferation of convenience stores in Japan. However, in recent years the market has lost the vitality it once had. One reason for this could be a decreasing number of people reading manga magazines with less chance to flip through a magazine before buying. Conversely, sales of stand-alone manga books remain brisk, and the number of titles turned into anime and games as significant intellectual property (IP) is just endless. In addition, Japanese manga are now accessible to anyone in the world who wants to read them.

Looking back to a time when books were not loaned out and there was no used-book market, the number of people who read manga has certainly grown. And yet, the number of published manga magazines is decreasing. I am conflicted about this. I feel a great uneasiness but also potential with regard to manga magazines. Manga magazines can be likened to a trade show with complete newcomers and experienced authors, presented on equal footing but now and then vying with each other for coveted hit status. You rarely see this in other publication genres, including regular books. It is an aspect, I believe, that gives manga a dynamic quality.

To bring back the manga magazines that were so easy to pick up and browse on the spot, I got together with DeNA, which has strengths in building and operating online platforms. Together, we launched Manga Box, a mobile app that distributes manga for free. The response has been far greater than anyone could have imagined. The service debuted in December 2013, and seven months later, cumulative downloads have surpassed five million. If you compare that to the circulation of a printed publication, the app-based distribution results are in a completely different class. This indicates that the shrinking market for manga magazines resulted only because the reading environment was not conducive to browsing in a store and that demand for manga actually remains strong. Waves of excitement rolled through the industry.

** A style of Japanese comic book and graphic novel magazine with short episodes of multiple series in a single volume, typically aimed at adults as well as children*

DeNA is seeking to create a platform that continuously generates IP by providing contact points between users and high-quality titles, and we believe Manga Box has that potential. Once, we began distributing a manga series on Manga Box after the manga magazine that had published the title was discontinued. As a result, the sales of the title's printed book have skyrocketed 10 times, which is an amazing response from the market. In addition to selling popular titles in the forms of single-title e-books and printed books, we plan to adopt the manga IP to games, movies and merchandising. We believe this will allow the business to grow independently over the long term.

Exporting Japan's Manga Culture to the World

We also plan to take advantage of mobile apps for simultaneous worldwide distribution. Currently, the Manga Box content is available in Japanese, English and Chinese (traditional), and we are pushing for even more extensive multi-language capability. By enabling people around the world to enjoy the same manga at the same time, Japan could become the manga Hollywood. Amid an increasing patchwork of Japanese manga and anime, this effort will have tremendous value. Through Manga Box, I want to achieve simultaneous worldwide distribution of content, that is, wonderful manga culture with a history that goes back to the 1970s—more than 40 years—and facilitate a wider overseas presence, particularly in Asia, during fiscal 2014.

Showroom

New form of value creation generated through virtual live show space where fans can communicate with performers online

Yuji Maeda, Project Manager (Entertainment Business Unit)

High Entertainment Value Created in Live Streaming

Showroom is a live-broadcasting service delivering live entertainment by idols and other performers on a virtual stage. It costs nothing to become a member. Fans simply register and then they can post messages and toss virtual gifts onto the stage. This is unlike any existing media, giving fans a new way of supporting their favorite performers and communicating with them. The service provides a new type of online contact between users and performers for interactive communication. It leverages DeNA’s strengths in building and operating platforms as well as delivering high entertainment quality. Showroom is live—not recorded—so performers can gauge fan reactions directly and in real time. And for fans, real-time communication fosters the feeling of being right there at a live performance as part of the audience. These are the core added-value aspects of Showroom.

New Entertainment Platform

Unlike most online business models that first gather users through free sign-ups and introduce paid content later, Showroom had monetized features from the beginning. Efforts are under way to enrich category content with anime characters and comedians as well as idols.

On the topic of idols, several user migration patterns have emerged, including migration among top-tier idols with loyal fans, migration where users flow from top-tier idols to up-and-coming talent who have less of a following, and migration shifting toward other genres.

Showroom is attracting a higher profile within the industry as a new business model and is also laying a foundation for a different kind of business environment.

Going forward, the plan is to grow Showroom into a new pillar of business at DeNA—one that demonstrates synergy with the game business—by creating innovative content from this service, and to eventually turn Showroom into a space where performers and users around the world can exchange comments over the Internet using smartphones and other devices.

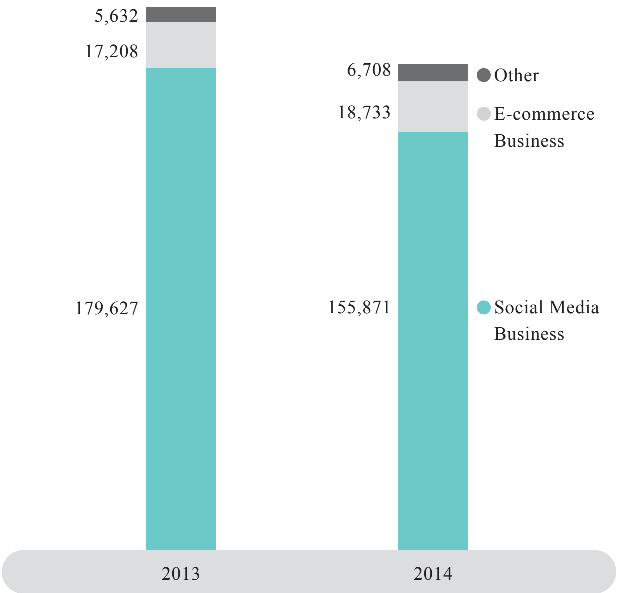
Comment from female idol group *Idoling!!!*—now performing on Showroom

Showroom doesn’t require registration, and the service allows anyone to view performances for free. It’s been a place for us to attract attention from lots of people. Fans visit the virtual stage as avatars, and we have fun each time chatting with them through the call-and-response function.

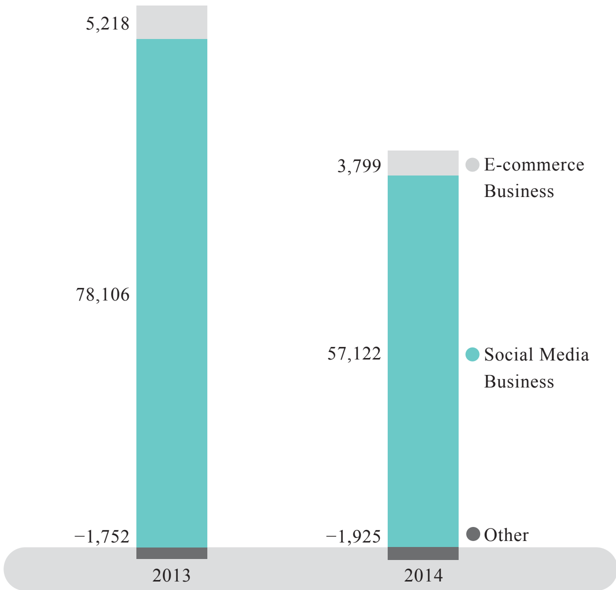
Review of Operations

For the years ended March 31

Revenue (Millions of yen) Note: Revenue from external customers

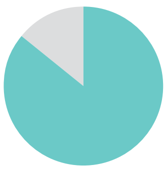


Segment Profit/Loss (Millions of yen)



From the year under review, the travel agency business, etc., formerly included in "Others," has been classified under the "E-commerce Business." Therefore, for the purpose of year-on-year comparisons, figures from the previous fiscal year have been restated to reflect the segment categories after the change.

Social Media Business



Percentage of Revenue

86.0%

Revenue from the Social Media Business dropped 13.2% year on year, to ¥155,871 million, and segment profit retreated 26.9%, to ¥57,122 million.

In the game business in Japan, the successful introduction of new app titles was instrumental in reversing the downward trend in monthly active users (MAU) but it was not enough to offset sluggish user engagement in existing titles for the browser market. In the international game business, new titles were released in the West with a view to expanding the range of genres available, while we created a hit title from our first- and second-party titles in China. The decrease in segment profit is primarily due to lower revenue from high-profitability first- and second-party titles for Japan. To build a bigger user base and cultivate new revenue sources, the segment launched new services, notably, the weekly digital manga magazine app Manga Box and the virtual live space Showroom.

Business domain	Social media-related services
Service locations	Within Japan and overseas
Principal Group companies	EveryStar Co., Ltd. DeNA Global, Inc. ngmoco, LLC WAPTX LTD.
Primary services	

mobage by DeNA

Weekly digital manga magazine app

Manga Box

User-generated content media

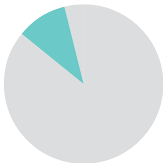
E★エブリスタ

Virtual live space

YAHOO! JAPAN mobage

Showroom

E-commerce Business



Percentage of Revenue

10.3%

Business domain	E-commerce-related services
Service locations	Within Japan
Principal Group companies	Mobaoku Co., Ltd. Paygent Co., Ltd. AIR LINK Co., Ltd.

Primary services

Shopping site operated directly by KDDI

auショッピングモール

Online shopping site

DeNA SHOPPING

Auction site

モバオク! mbok.jp

Processing settlement services

PAYGENT

Mobile auctions jointly operated by KDDI and Mobaoku

au モバオク!

Wholesale site

DeNA BtoB market

Travel site

DeNA TRAVEL

Social networking site for seniors

趣味人倶楽部 by DeNA

In the E-commerce Business, revenue grew 8.9%, to ¥18,733 million, and segment profit dropped 27.2%, to ¥3,799 million in fiscal 2013.

In shopping services, the segment made headway on efforts to enhance user convenience and strengthen its business base. The online shopping site DeNA Shopping (including au Shopping Mall) recorded gross merchandise volume of ¥46,545 million in fiscal 2013, a year-on-year increase of 7.3%. The number of retail stores subscribing to a fee-based corporate membership stood at 4,408 stores as of March 31, 2014, a decrease of 148 stores compared with the end of the previous fiscal year. In auction services, the mobile auction site Mobaoku (including au Mobaoku) counted 960,000 paid members as of March 31, 2014. This was a decrease of 40,000 members year on year. Meanwhile, the processing settlement business achieved an increase in settlement transactions through self-managed e-commerce franchises as well as member retail stores, and the travel agency business showed steady growth in transaction volume. Segment profit decreased year on year, mainly because of proactive sales promotions at DeNA Shopping and DeNA Travel.

Other

Percentage of Revenue

3.7%

Business domain	Primarily promotion of professional baseball team
Service locations	Within Japan
Principal Group companies	Yokohama DeNA Baystars Baseball Club, Inc.

Primary services

Professional baseball team

YOKOHAMA DeNA BAYSTARS

Revenue from businesses in the Other segment increased 19.1%, to ¥6,708 million. The segment loss fell to ¥1,925 million from ¥1,752 million year on year.

Yokohama DeNA Baystars Baseball Club, Inc. contributed to revenue growth mainly due to a steady year-on-year increase in attendance at home games. However, costs were higher primarily due to acquiring talented players to boost the team’s competitiveness and appeal.

Corporate Social Responsibility

DeNA as a corporate citizen is actively involved in Groupwide initiatives to maintain the trust of society and to meet its expectations.

Bringing Smiles to Children Around the World

To bring smiles to children around the world, DeNA has been working with the Yokohama DeNA BayStars and DeNA Running Club since September 2013 on the DeNA Sekai Egao Project (DeNA World Smile Project).

DeNA Sekai Egao せかい えがお プロジェクト

A new activity under this project banner for international social contributions is “Home Runs That Save Lives,” where every home run hit by a Yokohama DeNA BayStars player during a regular season game translates into the donation of a solar lantern to midwives who work in areas of Myanmar where there is no electricity.

One solar lantern for every home run ©YOKOHAMA DeNA BAYSTARS

Collection of used baseball equipment to be donated to children around the world

Another activity is to collect from the general public baseball equipment and sneakers that have served their purpose in Japan and donate them to children in other parts of the world. This initiative has already delivered more than 2,000 goods to children in developing countries.

Box full of used sneakers

Still another activity is a joint effort with professional wheelchair basketball player Hiroaki Kozai, who gets elementary school children involved in a game of wheelchair basketball.

Going forward, DeNA will roll out activities at home and abroad that bring smiles and a sense of excitement to kids around the world through the power of sports.

At sponsor signing ceremony

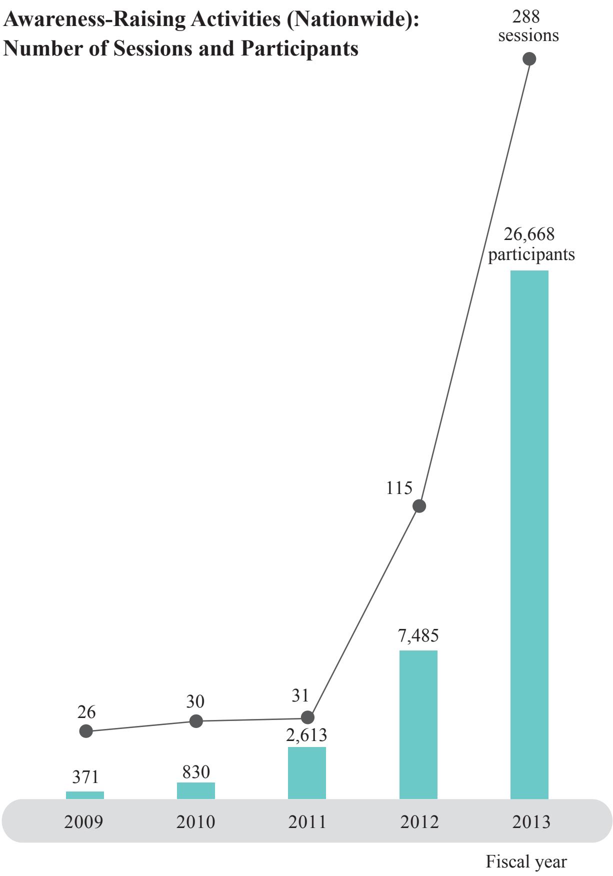
An elementary school student tries out wheelchair basketball with professional athlete Hiroaki Kozai

Promoting Appropriate Internet Use

As part of its efforts to promote the healthy development of today's youth, DeNA conducts programs to encourage proper Internet use. Since 2007, the Company has been holding lectures and seminars and sends staff to schools to talk to students. In fiscal 2013, DeNA organized 288 sessions across the country, attracting participation from 26,668 students and people involved in teaching and parent–teacher association activities.

DeNA classroom visit to Chiyozaki Junior High School, in Suzuka, Mie Prefecture

Awareness-Raising Activities (Nationwide): Number of Sessions and Participants



Efforts to Maintain Site Integrity

DeNA is actively involved in activities that maintain and improve site integrity to protect youth. Mobage rules of use discourage meeting outside the site and prohibit posts contrary to public order and morals, such as illegal behavior and slander, as well as posts for personal commercial gain.

A team of 400 monitoring Mobage site

Specific Initiatives

1. A team of 400 patrols the site, reviews posts, and responds to inquiries.
2. A system is employed to identify and delete inappropriate posts.
3. Access to some site functions is limited by a minimum age requirement.
4. Actions, such as termination of access, are taken to penalize users who violate rules.
5. Content is provided on the site to promote appropriate Internet use.
6. Regular meetings of in-house committees are held to deal with site integrity maintenance.

"Japan's Abundant Forests" Program

The C.W. Nicol Afan Woodland Trust

In cooperation with the C.W. Nicol Afan Woodland Trust, we promote reforestation activities to make Japan's once-abundant forests lush and green again. Adhering to the philosophy that "donating is not enough," we participate in environmental protection activities that extend beyond donations collected through charity auctions and mobile Internet services and include visits by staff and their families to areas where reforestation activities are taking place.

"Japan's Abundant Forests" reforestation activity

For more information on DeNA's CSR activities, please visit http://dena.com/intl/company/citizenship/

Corporate Governance

Basic Approach

With the understanding that effective functioning of corporate governance is indispensable to sustain the trend of increasing DeNA's corporate value, DeNA is working to strengthen and improve its governance system. First, to fulfill its disclosure responsibilities to shareholders, DeNA places emphasis on implementing timely and appropriate disclosure of information and ensuring the transparency of management. In addition, DeNA has structured management systems that enable prompt decision making and the execution of operations to make it possible for it to respond to rapid changes in the management environment. DeNA is also working to improve its management supervisory system to ensure management efficiency. Furthermore, DeNA conducts its business activities based on systems for ensuring thorough compliance with laws and regulations underpinned by a sound sense of ethics with the objective of securing the trust of shareholders, customers, and all other stakeholders. Looking to the future, along with its growth, DeNA will continue to review its corporate governance system with the objective of maximizing its corporate value.

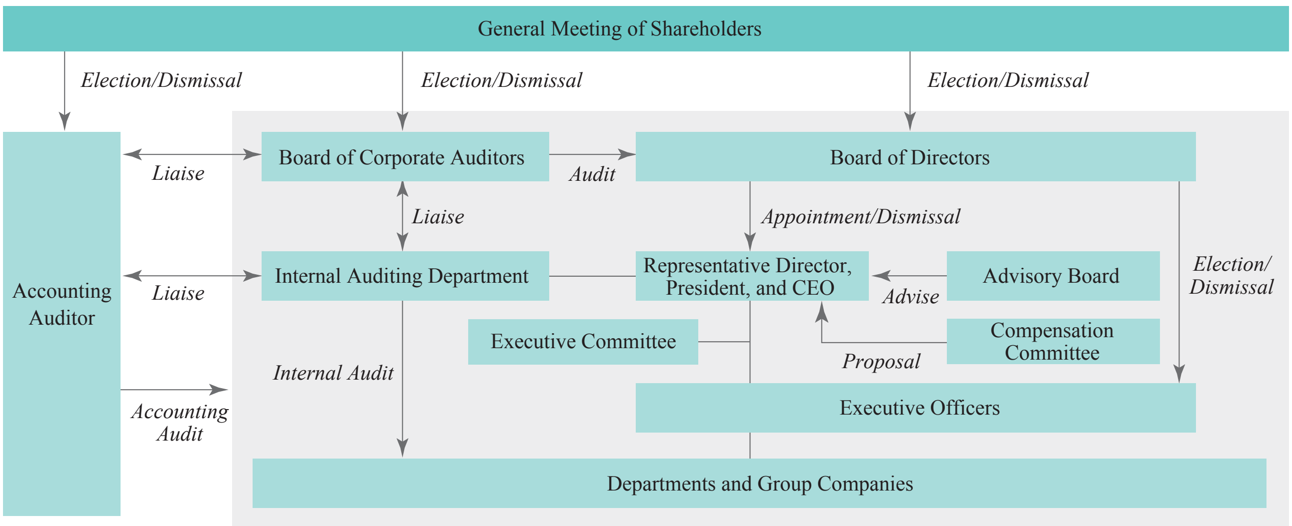
Corporate Governance System

DeNA adopts the corporate auditor system of corporate governance. In response to the current fast-changing business environment, where speed is of the essence in conducting business, DeNA management believes that a Board of Directors comprising directors with in-depth knowledge of DeNA's business is appropriate for making important management decisions in a timely and proper manner to aggressively implement business strategies. In addition, DeNA has strengthened its supervisory and corporate auditing function by appointing one outside director and three outside corporate auditors (including one full-time corporate auditor), who, along with one internal corporate auditor, comprise the Board of Corporate Auditors. Both the outside director and Board of Corporate Auditors maintain a high degree of independence in order to improve the soundness and transparency of management as well as ensure objective and independent supervisory functions.

Board of Directors

DeNA's Board of Directors is composed of six directors, five of whom are full-time and the remaining one is an outside director. In addition to a regular monthly meeting, special meetings of the Board of Directors are convened when necessary. The Board of Directors makes important management decisions, taking into account discussions held in the meetings of the Executive Committee (explained below), and performs an oversight function for the execution of business by individual directors. Also, an advisory board that consists of outside specialists is established to serve as an advisory body to the representative director. In addition, to ensure the appropriateness of the amount of compensation for the directors (excluding outside directors),

Corporate Governance Structure (As of June 23, 2014)



a Compensation Committee comprising the outside director and outside corporate auditors has been established. This committee prepares a draft of the allocation of compensation for each director, excluding outside directors, falling within the total amount of compensation for directors as resolved at the general meeting of shareholders, and proposes the draft to the representative director.

Although DeNA does not have its own specific standards or policies regarding independence in the selection of an outside director, it follows the standards set forth by the Tokyo Stock Exchange for determining the independence of its independent director. DeNA notifies the Tokyo Stock Exchange of its single independent outside director for whom there is no risk of having a conflict of interest with regular shareholders.

DeNA's outside director, Rehito Hatoyama, currently serves as managing director for another company, and has considerable management experience with respect to international development in the entertainment business. Sanrio Company, Ltd., where Mr. Hatoyama serves as managing director, and its subsidiary, Sanrio Wave Co., Ltd., are currently engaged in transactions involving character licensing with the Company. Mr. Hatoyama also serves as an advisor to the Company, but the Company has determined that his advisory role and the aforementioned transactions in terms of content and monetary amounts involved will not affect his independence—so the details of these are omitted.

In light of the above, management believes that the outside director facilitates appropriate supervision of decision making by the Board of Directors as well as execution of duties by directors from an independent perspective and fulfills a function and a role that contributes to enhanced and fuller corporate governance.

Executive Committee

The Executive Committee meets once a week and is attended, in principle, by the full-time directors, the full-time corporate auditor, and the executive officers. The Executive Committee assesses the progress made by each of DeNA's businesses, analyzes risk, formulates countermeasures for such risk, and makes decisions on important matters related to business operations. Members of this committee share information based on reports from the departments and reflect this in their business activities.

Executive Officer System

DeNA has introduced the executive officer system to accelerate the decision-making process and to increase management efficiency through the delegation of authority. There are 13 executive officers (including five who concurrently hold the position of director), and their responsibility is to make decisions and conduct business activities based on the decisions of the Board of Directors and the Executive Committee within the scope of their respective areas of responsibility.

Board of Corporate Auditors

The Board of Corporate Auditors comprises four corporate auditors (three of whom are outside corporate auditors), including one internal corporate auditor. One of the outside corporate auditors has worked for a financial institution for many years and has considerable expertise in finance and accounting. Under the guidelines issued by the Japan Audit & Supervisory Board Members Association regarding standards for auditing by corporate auditors *(Code of Corporate Auditors Auditing Standards)*, the corporate auditors attend meetings of the Board of Directors and the Executive Committee, examine documents related to important decisions and authorizations, and monitor broadly other matters regarding management of DeNA in general. Each corporate auditor performs proper monitoring of management from an independent standpoint while also sharing information in the meetings of the Board of Corporate Auditors, and works to perform his auditing duties efficiently and with a high degree of effectiveness.

Although DeNA does not have its own specific standards or policies regarding independence in the selection of outside corporate auditors, it follows the standards for determining the independence of independent auditors set forth by the Tokyo Stock Exchange. DeNA notifies the Tokyo Stock Exchange of its three independent outside corporate auditors for whom there is no risk of having a conflict of interest with regular shareholders.

DeNA's standing corporate auditor, Taketsune Watanabe, has experience as a representative director at another company and also has considerable management experience in Internet-based services. Mr. Watanabe attends Board of Directors' meetings, as well as the weekly Executive Committee meetings in which the progress of each business is assessed, the identification of and responses to risks are reviewed, and important decisions on business execution are made. He is thereby in a position to monitor the decision making and business execution of the directors on a daily basis. The Company has determined that it has no personal, capital, or business relationships, or other significant interests, with him. While Mr. Watanabe served as president and representative director of NIFTY Corporation in the past, DeNA has determined that it has no personal, capital, or business relationships, or other significant interests, with NIFTY.

Masaru Iida has many years of experience and considerable knowledge with regard to finance and accounting from his long tenure at a financial institution. In addition, he has extensive legal knowledge from his experience as a lawyer. The Company has determined that it has no personal, capital, or business relationships, or other significant interests, with him. Mr. Iida worked for Sumitomo Mitsui Banking Corporation, one of the main financing banks of the Company, until February 2003, but he had no experience at the bank as a director or executive officer, nor was he directly involved with top management. Moreover, it has been over 10 years since his resignation from Sumitomo Mitsui Banking, and he has had no business relationship with the bank since his departure. The Company has thereby determined that Mr. Iida meets the independence requirement. Meanwhile, although the Company has a business relationship with the bank through transactions such as the depositing of money, it has determined that it has no personal or capital relationships with the bank. In fact, the Company is not engaged in any relationships with the bank involving management decision making and financial strategy pertaining to the Company and is not in a position to be influenced by the bank regarding such matters.

Hisaaki Fujikawa has abundant experience and profound knowledge as a university professor in the field of employment and labor, as well as extensive legal knowledge from his experience as a lawyer. The Company has determined that it has no personal, capital, or business relationships, or other significant interests, with him.

In light of the above, management believes that the outside corporate auditors facilitate appropriate supervision of decision making by the Board of Directors as well as execution of duties by directors from an independent perspective and fulfill a function and a role that contributes to enhanced and fuller corporate governance.

The corporate auditors hold quarterly meetings with the independent accounting auditor, Ernst & Young ShinNihon LLC, and at other times, as deemed necessary, to exchange opinions and information regarding the auditing system, auditing plans, and the status of audits, in their efforts to maintain a mutually collaborative relationship. Also, the corporate auditors hold periodic meetings, as well as meetings deemed necessary, with the internal auditing department to exchange opinions and information regarding the auditing system, auditing plans, and the status of audits, as well as to maintain a mutually collaborative relationship.

The corporate auditors monitor and verify the status of the internal control system and provide advice and guidance to the corporate planning department, as necessary.

Attendance at Meetings of the Board of Directors and the Board of Corporate Auditors
(For the Year Ended March 31, 2014)

Outside Director:

Name	Attendance at meetings of the Board of Directors
Rehito Hatoyama	Attended all 12 meetings (100%) of the Board of Directors held since he assumed office in June 2013

Outside Corporate Auditor:

Name	Attendance at meetings of the Board of Directors and the Board of Corporate Auditors
Taketsune Watanabe	Attended 14 out of 16 meetings (87.5%) of the Board of Directors and all 12 meetings (100%) of the Board of Corporate Auditors held in the current fiscal year
Masaru Iida	Attended all 16 meetings (100%) of the Board of Directors and all 12 meetings (100%) of the Board of Corporate Auditors held in the current fiscal year
Hisaaki Fujikawa	Attended all 16 meetings (100%) of the Board of Directors and all 12 meetings (100%) of the Board of Corporate Auditors held in the current fiscal year

Internal Auditing Department

The internal auditing department verifies the internal control system and reports its findings to the corporate planning department. Based on this information, the corporate planning department takes steps to make improvements within the internal control system. This department also works with the independent accounting auditor as appropriate to further the aims of the internal control system.

Executive Compensation

The compensation of directors consists of cash compensation and compensation in the form of stock options. The compensation of corporate auditors comprises cash compensation only.

Cash compensation for directors other than the outside director includes a fixed portion and a variable portion based on DeNA's performance in the previous fiscal year. Cash compensation for the outside director and corporate auditors comprises a fixed portion only.

The stock option incentive system ensures that directors share the benefits of rising stock prices, as well as the risks of falling stock prices, with shareholders, thus giving them an incentive to contribute to the overall performance of the Group and increase corporate value. This system also helps raise their awareness toward shareholder-oriented management.

The upper limit on the cash compensation for directors was set at the 15th Ordinary General Meeting of Shareholders held on June 22, 2013. For the fixed portion, the upper limit was set at ¥320 million per year (of which the amount for the outside director was ¥20 million per year), while the limit for the performance-linked portion was set at an amount which shall not exceed 1.0% of the amount of profit for the year attributable to owners of the parent in the consolidated income statement for the previous fiscal year. Also, the amount may not exceed 1.0% of the amount of said profit when such performance-linked portion is added to the compensation derived from stock options (for the year). Moreover, the outside director is not eligible to receive performance-linked compensation due to the nature of his duties.

As for cash compensation for corporate auditors, the upper limit was set at ¥60 million per year at the Extraordinary General Meeting of Shareholders held on September 28, 2004.

Compensation Paid to Directors and Corporate Auditors
(For the Year Ended March 31, 2014)

Position	Number of Entitled Directors and Corporate Auditors	Amount of Compensation (Millions of yen)
Directors (Excl. outside director)	5	452
Corporate auditors (Excl. outside corporate auditors)	—	—
Outside officers	4	22
Total	9	475

Note: The amount of compensation includes the cost for granting stock acquisition rights as stock option compensation (¥96 million for directors).

The upper limit on stock option compensation for directors, which is separate from cash compensation, was approved by the resolution of the 15th Ordinary General Meeting of Shareholders held on June 22, 2013, and for directors other than the outside director was 1.0% of the amount of profit for the year attributable to owners of the parent in the consolidated income statement for the previous fiscal year. However, the amount may not exceed 1.0% of the amount of said profit when added to the cash compensation (for the year). In addition, the upper limit for the number of stock acquisition rights to be issued as stock options for the year was set at 160,000 units. For the outside director, in consideration of the nature of his duties, the value of stock option compensation was limited to within ¥20 million per year and the upper limit for the number of stock acquisition rights to be issued as stock options was set at 15,000 units per year.

The compensation of individual directors is determined following discussions and proposals by the Compensation Committee based on DeNA's performance on a consolidated basis, within limits, as outlined above, and on the individual's contribution. The compensation allocation for corporate auditors is based on discussion among the corporate auditors.

Internal Audits

Internal audits are conducted by internal auditing department personnel (four persons as of June 23, 2014). Such personnel perform audits on all DeNA departments and applicable subsidiaries based on the *Internal Auditing Regulations* and an internal auditing plan that has been approved by the representative director. The results of these internal audits are reported directly to the representative director, and the applicable departments that have been audited are also made aware of the results. Confirmations of whether necessary improvements have been carried out are made at a later date.

Internal Control System

The Board of Directors of DeNA has established a *Basic Policy for Structuring Internal Controls.* Systems for internal controls and risk management are designed based on this policy.

Compliance

DeNA has established an *Ethics Charter* and *Group Code of Conduct* that are made known to all directors and employees, and the DeNA Group has created and maintains a corporate culture with high standards of ethical behavior. All directors and employees of DeNA Group companies shall have an in-depth understanding of corporate social responsibility and, in their daily work, comply with relevant laws and regulations and maintain behavior that follows social ethical standards.

The corporate planning department is the organizational unit in charge of the structuring and maintenance of compli9.8 systems. The department conducts internal training courses related to corporate ethics and legal compliance. However, since compliance with the Act on the Protection of Personal Information in Japan is critical for DeNA as a company handling personal information, matters related to this law are the responsibility of the Personal Information Management Committee, which is chaired by the representative director. The internal auditing department verifies whether the execution of operations is in accord with applicable laws, the DeNA Articles of Incorporation, and internal regulations.

When an employee's or a director's conduct is brought into question from a compliance perspective, he or she may be reported to the appropriate persons in charge through an internal reporting system implemented by the Company, or external legal counsel may be sought.

The Company will systematically and resolutely respond to antisocial forces that threaten social order and sound corporate activities.

Risk Management

Analysis of management risks and countermeasures for dealing with risk are coordinated by the Executive Committee, which is chaired by the representative director and includes the full-time directors, the full-time corporate auditor, and the executive officers.

The introduction of DeNA's *Risk Management Regulations* and *Emergency Crisis Manual,* as well as preparation of other aspects of the Groupwide risk management system, is the responsibility of the director in charge of the corporate planning department, and this department is in charge of the implementation of these matters. However, responsibility for risks related to information security and management of personal information rests with the committees responsible for these risks, which are chaired by the representative director. These committees are working together to strengthen the related management systems.

When unexpected developments occur, a centralized emergency unit is formed, headed by the representative director, in order to take quick action, prevent, and/or limit loss or damages from such developments, and strive to minimize the potential effects of the event.

Investor Relations Activities

DeNA's investor relations (IR) activities are conducted by two offices, one in Tokyo and the other in San Francisco, whose personnel are exclusively responsible for the Company's IR activities. In the Investors section of the Company's website, DeNA posts relevant information such as financial results, slide materials and video, notices of convocation, notices of resolution, other timely disclosure materials, annual securities reports, and annual reports. The preparation of such materials is a closely integrated collaborative effort that includes not only the IR offices, but various internal departments including the accounting, legal, and public relations departments. In addition, DeNA provides overseas investors with disclosure materials and other IR information translated into English and published on its English website. The very latest IR information is distributed via e-mail and RSS.*

To provide convenient services for shareholders, provisions have been made for proxy voting via the Internet, which can be accessed by PC, mobile phone, or smartphone. Also for institutional investors, DeNA participates in an electronic proxy voting platform.

When quarterly results are announced, DeNA holds presentation meetings for Japan's securities analysts, institutional investors, and media, and posts the presentation materials as well as a video of the meeting on the Company's website. DeNA holds conference call presentations for overseas institutional investors. DeNA visits overseas institutional investors several times a year, conducting briefings on the overall business of the Group, and also actively participates in conferences for overseas institutional investors hosted by securities companies to explain the overall business of the Group.

*RSS: Using RSS Reader software or an RSS-compatible browser, investors and interested parties can view headlines of breaking news coverage.

Message from the Outside Director

Rehito Hatoyama

Outside Director

My Perception of DeNA

I am grateful to have the opportunity to support a company that has an extremely free and open atmosphere and so full of energy. This company is 15 years old, with the spirit of a startup, and I really feel that everyone is very focused on growth.

Roles Expected of Outside Director and Perspective from the Position

I believe that the role of an outside director is to guide a company from an external perspective along a good path benefiting stakeholders. An outside director is independent and because of this can delve more freely and deeply into certain issues, and thus is able to better reveal the nature of problems. What is important here is not advice per se but a responsibility to correct trajectory and put a company on the right track for development and growth.

As I understand it, I have three roles to perform.

First, I provide an external perspective and ideas on DeNA's global expansion strategy. I draw on the experience I gained through successful global strategies for Hello Kitty at Sanrio Company, Ltd., to facilitate DeNA's efforts to elevate its global profile.

Second, I offer my insight for DeNA's efforts to leverage intellectual property licensed from other entertainment companies for its games and Internet services. This is a new challenge for me.

Third, I have to offer advice on the management of overseas subsidiaries. DeNA West, a key business division, is in San Francisco, where I live, so I go there frequently to discuss with people at the management level.

Corporate Governance at DeNA

With regard to management, I find DeNA directors extremely committed to the business. From operation of the organization overall to progress on individual projects, they take a planned and systematic approach in fulfilling their responsibilities. The governance structure at DeNA is functioning very well.

A fantastic thing about DeNA's Board of Directors is the speed at which it responds to issues and carries out decisions. This translates directly to enhanced corporate value, and I can tell that constant improvements have reinforced management and governance even just during my time as an outside director. Yes, this could—and should—happen when a company appoints an outside director, but even more importantly, it happens because the executive team readily lends an ear to what I have to say. DeNA embraces different perspectives; that is, the company has a huge capacity to evolve. In addition, I sense a corporate desire to raise the caliber of management capabilities higher. Management is very keen to grow this company.

To Stakeholders

Japan's mobile Internet industry has not yet developed to a stage where it would thrive worldwide. Through the experience I gained in delivering Hello Kitty to the world, I would like to contribute to the global evolution of Japan's mobile Internet business. I know that DeNA is a company brimming with potential to be the No. 1 player in the global mobile Internet industry, and I aim to support the company not only as its outside director but also as its biggest fan.

The Management Team

Since June 2014, DeNA's management has comprised 10 executives including four outside officers.

The Board of Directors consists of five directors and one outside director. The Board makes timely, appropriate decisions in a highly fluid business environment and accelerates ongoing business development. Of four corporate auditors, three are outside corporate auditors. Each corporate auditor oversees management based on his extensive insight and experience.

Directors

Makoto Haruta *Director and Chairman*	Upon graduation from the Faculty of Law at Kyoto University in March 1992, Mr. Haruta joined The Sumitomo Bank, Limited (currently, Sumitomo Mitsui Banking Corporation) in April of that year. In February 2000, he joined DeNA and was appointed director in September of the same year. He was then named managing director in July 2008. In April 2009, Mr. Haruta became managing director and chief financial officer (CFO). In June 2011, he was named director and chairman.
Isao Moriyasu *Representative Director, President, and CEO*	Mr. Moriyasu joined Oracle Corporation Japan in April 1998 after completing graduate studies in the same year at the Department of Aeronautics and Astronautics, Tokyo University. He joined DeNA as a systems engineer in November 1999. Mr. Moriyasu launched Mobaoku and Pocket Affiliate in 2004 and Mobage in 2006, and assumed the position of director in June of the same year. He became director and chief operating officer (COO) in April 2009. In June 2011, Mr. Moriyasu was appointed representative director, president, and executive officer. In April 2013, he was named representative director, president, and chief executive officer (CEO).
Tomoko Namba *Founder and Director*	In April 1986, Ms. Namba joined McKinsey & Company, Inc., Japan. She resigned from McKinsey in 1988 to attend graduate school. After earning an MBA from Harvard Business School, Ms. Namba returned to McKinsey. In 1999, she founded DeNA and became representative director and president. In June 2011, she was appointed director.
Shuhei Kawasaki *Director and Chief Technology Officer*	Mr. Kawasaki joined DeNA in January 2002 while enrolled in a doctorate program at Tokyo University. He became a full-time employee in 2004 upon completion of his doctoral coursework. In June 2007, Mr. Kawasaki was appointed director. In April 2011, he was named director and chief technology officer (CTO), and in June 2011, he was reappointed director and CTO.
Kenji Kobayashi *Director and General Manager of Multi-Region Game Division*	In 2005, Mr. Kobayashi completed graduate studies in Aesthetics at Tokyo University Graduate School of Humanities and Sociology, and in April of that year he joined Corporate Directions, Inc. In April 2009, Mr. Kobayashi joined DeNA and became executive officer and general manager of Human Resources Head Office. Then in April 2010, he was appointed executive officer and general manager of Social Game Business Division, Social Media Business Head Office. In June 2011, Mr. Kobayashi was appointed director and executive officer. In April 2013, he was named chief game strategy officer, and in October of the same year, he was appointed general manager of the Multi-Region Game Division.

Makoto Haruta
Director and Chairman

Tomoko Namba
Founder and Director

Isao Moriyasu
Representative Director, President, and CEO

Rehito Hatoyama *Outside Director*	Mr. Hatoyama joined Mitsubishi Corporation after graduating from the School of International Politics, Economics and Communication at Aoyama Gakuin University. He was engaged in media content business before earning an MBA from Harvard Business School in 2008. In the same year, he joined Sanrio Company, Ltd., and in 2010 he was appointed director and general manager of the company's Business Strategy Department. Mr. Hatoyama subsequently was named general manager of the Management Strategy Division while concurrently serving as general manager of the Overseas Business Division and Corporate Reform Department. In April 2013, he was named managing director of the company; and in June of the same year, he was appointed outside director of DeNA.

Corporate Auditors

Taketsune Watanabe *Standing Corporate Auditor (Outside)*	In April 1962, Mr. Watanabe joined Fuji Tsushinki Manufacturing Corporation (currently, Fujitsu Limited). Since June 1994, he has served as executive vice president, deputy general manager of Overseas Marketing Headquarters, and general manager with overall responsibility for Systems Marketing. Mr. Watanabe has served as the firm's executive vice president and deputy general manager of International Marketing Headquarters since December 1996. In June 1998, he became representative director and president of NIFTY Corporation. In June 2004, Mr. Watanabe was appointed corporate auditor of DeNA, and in June 2006, he was named standing corporate auditor (outside).
Masaru Iida *Corporate Auditor (Outside)*	Mr. Iida joined The Sumitomo Bank, Limited (currently, Sumitomo Mitsui Banking Corporation) in 1989. He completed a Master of Laws (LL.M.) degree from University of Pennsylvania Law School in 1993. He subsequently completed his law degree at Hitotsubashi University Law School in 2008. In June 2011, Mr. Iida was appointed corporate auditor of DeNA, and in July of the same year he founded the Iida Keiei Houritsu Jimusho (Management Law Firm), where he is currently practicing law.
Hisaaki Fujikawa *Corporate Auditor (Outside)*	In 1990, Professor Fujikawa graduated from Tokyo University Faculty of Law upon completing graduate studies at the university. In April 2007, he became a professor at the Graduate School of Law of Aoyama Gakuin University Faculty of Law. In June 2011, he was appointed corporate auditor of DeNA. He is currently practicing law.
Yukinao Kondo *Corporate Auditor*	In April 1974, Mr. Kondo joined Sony Corporation and in December 1996, he joined Sony Communication Network Corporation (currently So-net Corporation). In June 2000, Mr. Kondo was appointed Member of the Board and Senior Executive Officer (COO) of the company. From June 2005 to June 2007, he was an outside director of DeNA. He became Advisor of So-net Entertainment Corporation (currently So-net Corporation) in April 2009. In June 2014, Mr. Kondo was appointed corporate auditor of DeNA.

Kenji Kobayashi
Director and General Manager of Multi-Region Game Division

Shuhei Kawasaki
Director and Chief Technology Officer

Taketsune Watanabe
Standing Corporate Auditor (Outside)

Rehito Hatoyama
Outside Director

Financial Section

Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following section, Management's Discussion and Analysis of Financial Condition and Results of Operations, provides an overview of the consolidated financial statements of DeNA Co., Ltd. (the "Company") and its subsidiaries (collectively, the "DeNA Group" or the "Group") for the fiscal year ended March 31, 2014 ("fiscal 2013").

Overview

The DeNA Group is a leading provider of mobile social gaming platforms operating in Japan and internationally. The Group also offers e-commerce and other Web services for mobile devices and PCs.

In order to secure the position of the world's top social gaming platform, the DeNA Group focused on expanding the utilization of social games provided on Mobage globally.

Mobage in Japan, a key revenue source, saw a decline in revenue on a year-on-year basis, because the aggressive push to release new titles focusing on the application market did not sufficiently offset the decline in usage of existing titles in the browser market. On the cost front, the Group worked to reduce costs, mainly selling, general and administrative expenses, through exhaustive cost management, while proactively releasing new titles globally.

As a result, revenue of the DeNA Group was ¥181,313 million, down 10.4% year on year; operating profit was ¥53,198 million, down 30.8%; profit before tax was ¥54,920 million, down 30.7%; and profit for the year attributable to owners of the parent was ¥31,661 million, down 30.5%. As such, both revenue and profit saw year-on-year declines.

For information about revenue and profit or loss by segment, please refer to Review of Operations on page 14.

Results of Operations

Revenue

Revenue for the fiscal year under review declined 10.4% year on year, to ¥181,313 million. This was mainly due to the decrease in revenue in the Japan game business. In the Social Media Business, the Company's core business contributing to revenue, new Mobage titles were aggressively introduced in the application market, but they failed to offset the slump in usage of existing titles in the browser market.

Operating Profit

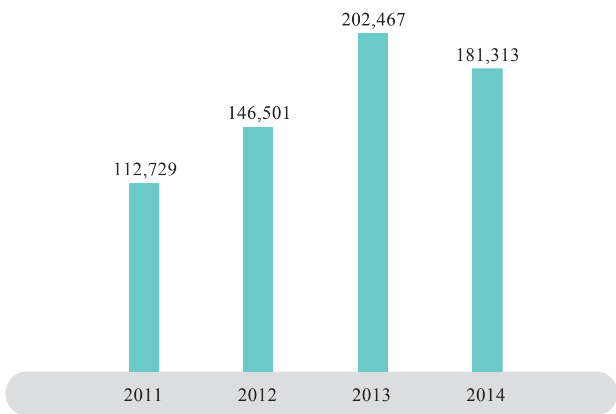
Cost of sales increased 5.6% year on year, to ¥59,777 million. Outsourcing expenses expanded 22.6%, to ¥10,665 million, due mainly to proactive development of new titles for the application market and an increase in expenses associated with Yokohama DeNA Baystars Baseball Club, Inc. Commission fees decreased 4.0%, to ¥31,925 million, reflecting a decline in revenue sharing payments to game developers in conjunction with the decrease in revenue in the Japan game business, among others.

As a result, gross profit declined 16.7% year on year, to ¥121,535 million.

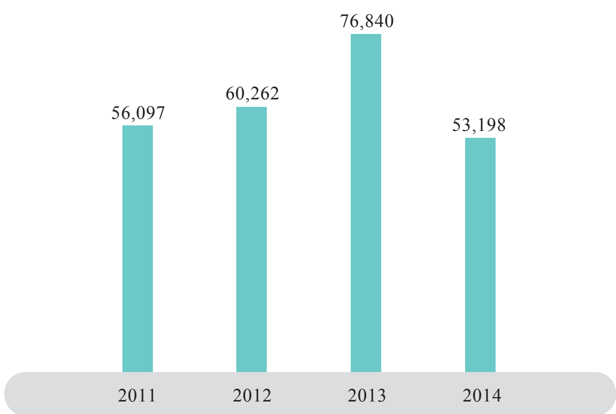
Selling, general and administrative expenses were ¥67,901 million, down 1.7% year on year. Advertising expenses and sales promotion expenses were ¥6,427 million, down 42.5%, and ¥10,013 million, down 14.5%, respectively, mainly because the Group curbed expenses for promotional activities both in Japan and internationally. Commission fees rose to ¥27,545 million, up 11.9%, primarily because of an increase in fees paid to billing agencies as a result of expanded purchases of the virtual currency used solely in Mobage (international).

Other income was ¥560 million, down 7.0% year on year, mainly due to a decrease in gain on expiration of contractual obligations. Other expenses soared 81.1%, to ¥997 million, due to an increase in loss on sales and disposal of fixed assets, among others.

Net Sales/Revenue (Millions of yen)



Operating Income/Operating Profit (Millions of yen)



In sum, the segment profit margin in the Social Media Business (calculated prior to internal transactions from revenue and segment profit), of which the revenue composition ratio was as high as 86.0% (down 2.8 percentage points year on year), was 36.6%, down 6.8 percentage points year on year. The Group's operating profit was ¥53,198 million, down 30.8%, and operating profit margin was 29.3% (down 8.6 percentage points year on year).

Profit before Tax

Finance income fell 71.9% year on year, to ¥716 million, owing primarily to a decrease in gain on securities. Finance costs shrank to ¥55 million, down 79.8%, reflecting a decrease in loss on sales of stocks of subsidiaries and associates, among others. Also, the share of profit of associates accounted for using the equity method rose significantly to ¥1,062 million (up nearly 11-fold), due to robust operating results of those associated companies.

As a result, profit before tax was ¥54,920 million, down 30.7% year on year.

Profit Attributable to Owners of the Parent

Income tax expense declined along with decreased earnings, and profit for the year fell 29.8% year on year, to ¥32,807 million, with profit for the year attributable to the owners of the parent amounting to ¥31,661 million, down 30.5%.

Total comprehensive income for the year was ¥38,296 million, down 25.5% year on year, including foreign currency translation adjustments and other factors.

Financial Position

Total assets as of March 31, 2014 stood at ¥197,325 million, up ¥2,541 million from the end of the previous fiscal year.

Current assets were ¥111,309 million, a decrease of ¥7,518 million from the end of the previous fiscal year. This was due primarily to a decline in trade and other current receivables of ¥8,143 million.

Non-current assets were ¥86,016 million, representing an increase of ¥10,059 million from the end of the previous fiscal year. This was due mainly to increases in intangible assets of ¥6,370 million and in other non-current financial assets of ¥3,925 million.

Total liabilities stood at ¥51,770 million, a decrease of ¥19,338 million from the end of the previous fiscal year.

Current liabilities were ¥50,732 million, a decrease of ¥19,150 million from the end of the previous fiscal year. This was due primarily to decreases in income tax payables of ¥19,120 million and in trade and other current payables of ¥3,828 million.

Non-current liabilities were ¥1,038 million, representing a decrease of ¥188 million from the end of the previous fiscal year. This was due mainly to a decrease of ¥184 million in other non-current liabilities.

Total equity was ¥145,555 million, representing an increase of ¥21,879 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥25,144 million in retained earnings, which offset an increase of ¥9,566 million in treasury stock.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 219.4% and 71.3%, respectively, as of March 31, 2014.

Liquidity and Capital Resources

Funding Requirements and Fund Procurement

To achieve continued growth by maintaining and strengthening the competitive edge of the business, the Group requires sustained investment. Moreover, to expand the scale of its business activities and diversify sources of earnings, the Group will continue to take initiatives to provide new services or enter new businesses. Funding requirements for these will be met in principle by available funds, with additional fund procurement being executed where necessary.

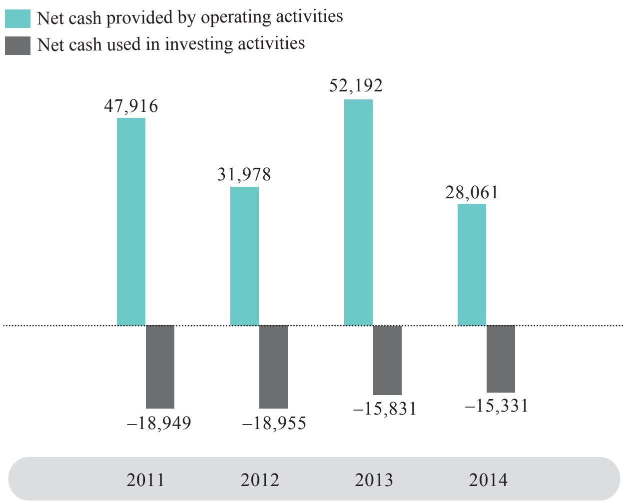
Capital Expenditures

Total capital investments, including property and equipment, software, and other assets, for the fiscal year under review totaled ¥14,183 million, due primarily to investments in servers, software, and other related items in the Social Media Business.

Cash Flows

Cash and cash equivalents (collectively, "cash") as of March 31, 2014 decreased ¥1,943 million, to ¥65,394 million, from the end of the previous fiscal year. Cash flows in each area of activity and their respective contributing factors are as follows.

Cash Flows (Millions of yen)



Operating Activities

Net cash provided by operating activities for the fiscal year ended March 31, 2014 was ¥28,061 million, compared with a cash inflow of ¥52,192 million in the previous fiscal year. The principal cash inflow factors were ¥54,920 million in profit before tax, which offset the effect of ¥38,235 million in income taxes paid.

Investing Activities

Net cash used in investing activities for the fiscal year ended March 31, 2014 was ¥15,331 million, compared with a cash outflow of ¥15,831 million in the previous fiscal year. The principal cash outflow factors were ¥13,907 million in acquisition of intangible assets and ¥1,309 million in purchases of investment securities, which offset the effect of ¥948 million in proceeds from sales and redemption of investment securities.

Financing Activities

Net cash used in financing activities for the fiscal year ended March 31, 2014 was ¥15,719 million, compared with a cash outflow of ¥25,039 million in the previous fiscal year. The principal cash outflow factors were ¥10,000 million in acquisition of treasury stock and ¥6,687 million in cash dividends paid.

Forecast for Fiscal 2014

With regard to the consolidated financial results forecast for the fiscal year ending March 31, 2015 ("fiscal 2014"), it is difficult to project the speed of market growth in the game-related market, which is the Group's principal business, for both in Japan and internationally. In addition, revenue is substantially affected by various uncertainties, such as user preferences and the existence of popular titles.

Owing to these and other factors, the Group announces the financial results forecast for the following quarter at the time of each quarterly results announcement since it is not feasible to prepare highly reliable financial forecasts for the full year and half year.

Cash Dividends per Share (Yen)

Policy for Distribution of Profit and Dividends for Fiscal 2013 and Fiscal 2014

The Company regards continuing enhancement in its corporate value and returning a portion of profit for the year to shareholders as important management priorities. The Company's basic policy for allocating profit for the year to shareholders through the payment of dividends is to link such allocations to its performance, and based on this policy the Company aims to achieve a consolidated payout ratio of 20% over the medium to long term in consideration of performance each fiscal year. As one approach to capital management policy is to respond flexibly to changes in the Company's stock price and conditions in the operating environment and return a portion of profit for the year to shareholders, the Company appropriately considers purchases of its own shares from the market. As for the fiscal year under review, the Company acquired 4,579,000 shares of treasury stock (acquisition cost of ¥10 billion, 3.4% of the total number of shares issued before the acquisition, excluding treasury stock).

In the fiscal year under review, Mobage in Japan, a key revenue source, saw a decline in revenue and profit on a year-on-year basis, despite the Company's efforts to aggressively push ahead with the release of new titles focusing on the application market, which did not sufficiently offset the slump in usage of existing titles in the browser market. In light of this situation, the Company paid a regular cash dividend for its common stock of ¥37 per share (versus a cash dividend of ¥50 per share for the previous fiscal year) for the fiscal year under review. The consolidated payout ratio was 15.3% (versus 15.0% for the previous fiscal year).

Regarding retained earnings, the Company's objective is to make effective investments in the establishment of a business portfolio that realizes medium- to long-term growth primarily by maximizing its corporate value.

Although the Company has not disclosed a forecast for its cash dividend in fiscal 2014 because a full-year financial results forecast has not yet been disclosed, as stated previously, an announcement of the expected dividend amount will be promptly made when it is possible to disclose the full-year financial results forecast.

Currently, the Company expects to provide a forecast at the time of the announcement of financial results for the third quarter of the fiscal year ending March 31, 2015.

The basic policy regarding the payment of dividends from surplus is to pay a year-end dividend once a year.

Risk Factors

This section reviews the principal matters among the various items related to the business and accounting situation that may constitute risks for the DeNA Group and are believed likely to have a material effect on the decisions of investors. The policy of the Group, after these matters are recognized as risks that may occur, is to work to prevent their occurrence and develop countermeasures against such risks. However, the Company believes that the judgments of investors regarding the Company's stock must be made after the careful consideration of these matters and other factors that are not covered here.

Unless otherwise indicated, matters related to future developments that are mentioned in this section are judgments of the Group that were made as of the date of the issuance of this report. Since these matters have inherent uncertainties, the actual results and outcomes may differ from these judgments.

1) Business Environment Risk

(a) Growth Prospects for the Internet Industry in Japan

The Group is capitalizing on its strengths in Internet services for mobile users, with the penetration of high-function smart devices (collective term for smartphones and tablet devices) in the market place, by establishing an environment capable of providing highly diversified content to users. The social game market, which is currently the Group's principal business, is forecasted to grow from ¥609.9 billion in fiscal 2013 to ¥832.8 billion in fiscal 2018 (according to forecasts prepared by Nomura Research Institute, Ltd.), and is expected to continue to grow steadily.

In addition, accompanying the conversion to electronic commerce in the service industry and the penetration of online supermarkets, the BtoC EC (business to consumer electronic commerce) market has kept its high annual growth rate of over 10%, from approximately ¥11,500 billion in fiscal 2013 and is expected to reach approximately ¥20,800 billion in fiscal 2018 (according to forecasts prepared by Nomura Research Institute, Ltd.).

However, since the aforementioned markets are both still in the process of growing, sudden changes in market share owing to new entrants into the industry and structural changes in market in association with the emergence of new business models may have an adverse impact on the Group's business and performance. The advertising business, in general, is strongly influenced by changes in demand for and expenditures on advertising that occur with ups and downs in the economy and due to seasonal factors. Furthermore, even if the market continues to expand, the Group may not necessarily grow favorably at the same pace.

(b) Competition

The Group strives to increase its competitiveness by creating websites, etc. that aim for optimum usability, offer distinctive services and an extensive range of products and take initiatives to ensure secure transactions and improved customer support. However, intensifying competition from companies or new market entrants offering similar services for mobile devices and PCs may have an adverse impact on the Group's business and performance.

(c) Responding to New Technologies

The Group is developing its business based on Internet-related technologies. However, this is an industry characterized by rapid change; new technologies are being developed and new services based on these technologies are being introduced constantly in this field.

In addition, the Group's activities have a high ratio of services for mobile devices, but high-function information devices, as typified by smartphones, is coming into wider use, and new services for these high-function devices are being introduced constantly. As a result, in the event that the Group lags behind new technologies due in part to its inability to retain engineers or develop personnel, its competitiveness may decline.

In addition, in the event that large expenditures are necessary for responding to new technologies, this may have an adverse impact on the Group's business and performance.

2) Individual Business Risk

(a) Social Media Business

Changes in user tastes and preferences for content, as typified by social games, may be rapid and extreme. In the event that, for some reason, the Group cannot accurately identify user needs and provide content that satisfies them, the appeal of the Group's services to users may decline.

In addition, it is necessary to not only improve existing content but also expand its lineup by introducing new titles on a continuing basis, but in the event that these do not proceed according to plan, an adverse impact on the Group's business and performance may result.

In the event that the content provided by the Group or a third-party developer, or external partners including outsource companies cause serious problems, the legal responsibility of the Group may become an issue regardless of the content of contract rules and regulation and terms/conditions. Even where this is not the case, such incidents may damage the Group's brand image, and an adverse impact on the Group's business and performance may result.

(b) E-commerce Business

In the EC sites run by the Group, the business, in principle, is only to offer a venue for transactions and the EC site itself does not act as a buyer or seller. However, as the provider of a sales venue, the EC site performs a surveillance function on the items offered for sale to ensure that these do not violate laws, are not fake brands, are not fraudulent, and do not involve other forms of illegal behavior. In addition, the EC site terms and conditions in agreements include phrases that clearly absolve the Group of any responsibility regarding the items shown and any matter or transactions following the closing of the bidding and completion of the shopping transaction. Moreover, based on the Act on Specified Commercial Transactions, which restricts advertising by mail-order retailers, the Group sets its own standards for advertisements it will carry related to such sales and exercises self-restraint in this area. In addition, the Group's contracts with mail-order retailers state clearly that the responsibility for advertising content lies with the mail-order retailer.

Nevertheless, in the event that serious problems arise between site members and other users on EC sites run by the Group, regardless of the content of contract rules and regulation and terms/conditions, the legal responsibility of the Group may become an issue. Even where this is not the case, such incidents may damage the Group's brand image, and an adverse impact on the Group's business and performance may result.

(c) Internet Advertising

The Group operates a number of Internet media, principally for mobile devices, as typified by Mobage. Looking ahead, the unit prices of advertising services may decline as a result of trends in the Internet advertising industry as a whole and competition with services of other companies. Similarly, such circumstances may also result in increases in selling fees paid to advertising agencies and the cost of winning new business from advertisers. As a result, an adverse impact on the Group's business and performance may result.

When other advertisers and the media use the advertising services offered by the Group and serious problems arise because of legal violations, etc., regardless of the content of contracts and terms/conditions, the legal responsibility of the Group may become an issue.

(d) Processing Settlement Business

In some cases, payment gateway services provided by Group company Paygent involve payment to participating businesses that make use of the services before receiving compensation from buyers. As a result, during the time between the payment to participating businesses and collection of this amount from buyers, Paygent must raise the necessary funds. In the event that the usage of this service spreads more rapidly than anticipated, it may be impossible to raise the necessary funds at an appropriate cost, and an adverse impact on the Group's business and performance may result.

Paygent has the responsibility for supervising the participating businesses that make use of this service and works to obtain credit information from such businesses in advance. However, when problems for which the business using the service is responsible arise, which were difficult to predict in advance, an adverse impact on the Group's business and performance may result. Moreover, the Group takes measures to maintain the complete confidentiality of sensitive information to provide safe and secure payment services for users. Paygent was the first company in Japan's payment service industry to obtain full compliance certification under "PCI DSS Version 1.2," an international standard for the protection of credit card information. Paygent has also been certified under "ISO/IEC 27001:2005 (JIS Q 27001:2006)" (commonly referred to as ISMS), the system for qualifying for information security management. Although, as these qualifications suggest, Paygent strives to meet international standards for security management, if problems arise that were not anticipated under these standards, an adverse impact on the Group's business and performance may result.

In the event that implementation of new legislation to control the processing settlement business in the future constrains the Group's business, it may have an adverse impact on the Group's business and performance.

(e) Travel Agency and Insurance Agency Businesses

The Group engages in the travel agency and insurance agency businesses. In the event that unforeseen economic trends, natural disasters such as earthquakes, weather conditions, other circumstances in Japan or overseas as well as changes in consumer tastes or the intensification of competition, occur, this may have an adverse impact on the business and performance of these agency activities.

In addition, the Group operates these businesses in compliance with the relevant public restrictions and observes the stipulations of Japan's Travel Agency Act and other regulations. However, in the event of unforeseen circumstances, if the Group should violate these regulations and is subject to government administrative action, such as the cancellation of its travel agency license, or, if these regulations are tightened going forward or new regulations are put into effect and the Group is subject to some kinds of constraints in the development of its business activities in these fields and incurs additional costs, an adverse impact on the Group's business and performance may result.

In the case of the insurance agency business, the Group must comply with the Insurance Business Act as well as the Act on Sales, etc. of Financial Instruments, and other regulations. Looking ahead, in the event that these laws are changed, an adverse impact on the Group's business and performance may result.

(f) Healthcare Business

The Group entered into the healthcare business domain in fiscal 2014.

The genetic testing service and related markets in the healthcare industry have observed rapid technological innovations, and the Group anticipates that competition will become more intensified. In the event that the market environment changes, for example, if social and ethical issues arise regardless of whether the services are provided by the Group, or if any changes occur with its business partners, this may have an adverse impact on the Group's relevant business and performance.

The Group intends to establish services so as not to conflict with the Pharmaceutical Affairs Act, the Medical Practitioners Act, and other laws and regulations. In the event, however, that this business faces any restrictions such as changes in the application of approval systems for the relevant business domain or devices handled, amendments to applicable laws and regulations, etc., or the incurring of additional expenses, such restrictions may adversely impact the Group's business and performance.

Furthermore, given the nature of the relevant business of handling a large amount of highly sensitive information, including personal genetic information, the Group may face substantial claims for damages or an administrative sanction in the event of leakage of personal information or testing error. Additionally, if genetic testing cannot be conducted under an appropriate environment due to the occurrence of an unexpected event, or if the sample collection devices, etc., provided to users result in malfunction, it may have an adverse impact on the Group's business and performance due to the suspension of the provision of services, recalls of products sold, significant claims of damages in tandem with the degradation of its social reputation, etc.

(g) New Businesses

To expand the scale of its business activities and diversify sources of earnings, the Group will continue to take aggressive initiatives to provide new services and enter new businesses. As a result, the Group may have to make investments in systems and incur additional expenditures on advertising and other items, which may result in lower profitability. In addition, in launching new services and new businesses, the risks inherent in these new activities become risk factors for the Group. Also, in unexpected situations and other circumstances, the development of new services and new businesses may not proceed as originally planned and the Group may not be able to recover its investments. An adverse impact on the Group's business and performance may result.

(h) Venture Investments

The Group invests in venture businesses and limited partnerships (funds) with the aim of providing support from an early stage for companies with high growth potential. The unlisted companies in which the Group invests may lack sufficient development and other capabilities to adapt to changes in the market, and there are many uncertainties regarding their future growth. These companies may not be able to realize their expected potential and may experience deterioration in performance, thus making it impossible to recover venture fund investments, and an adverse impact on the Group's business and performance may result.

(i) International Business

The Group is aggressively investing its corporate resources in the development and strengthening of its international business activities. Nevertheless, in developing business operations globally, the Group will face many potential risks, including those related to the legal regulations, systems, political/economic/social conditions, differences in culture/religions/preferences of local users/business customs of other countries, as well as foreign currency risk. In the event that the conduct of business becomes difficult because the Group is unable to deal with these risks, recovering the Group's investments may become difficult, and an adverse impact on the Group's business and performance may result. If the development of the Group's international business activities does not proceed according to its plans, the need may arise to recognize impairment losses on goodwill, and an adverse impact on the Group's business and performance may result.

In addition, since the financial statements of its international subsidiaries are prepared in local currencies, these are converted to Japanese yen when the Group's consolidated financial statements are prepared. Changes in foreign currency conversion rates in Japanese yen caused by market fluctuations may have an adverse impact on the Group's performance and financial position.

In the event that the Group's transactions in foreign currencies increase and the prevailing market foreign currency conversion rate diverges from the rate assumed by the Group, an adverse impact on the Group's business and performance may result.

(j) Providing Services to the General Public

The Group provides services to a large number of individual users who make use of the websites, etc. it operates, such as Mobage. Accounts that are receivable from these users are generated when they use the Group's fee-based services. The majority of these accounts receivable are for small amounts. Through the use of the collection agency services of mobile phone carriers and other processing settlement agencies, the incidence of uncollected receivables is minimal, but as the range of users expands and the balance of uncollected receivables increases rapidly, the costs of collecting these receivables and the uncollected balance will rise. An adverse impact on the Group's business and performance may result.

In businesses where the user base comprises a large number of individual users, such as Mobage, there is a possibility that issues may arise related to communication between users because of inappropriate behavior. These may include matters related to ownership rights of others, intellectual property, personal honor, privacy, and other issues that arise from violations of the rights of others, laws and regulations.

The Group is continuously taking initiatives to maintain and strengthen its surveillance systems, but it may be difficult to fully supervise the behavior of users on the Group's sites, etc. In the event that inappropriate behavior of users leads to trouble, regardless of the content of user contract rules and regulation and terms/conditions, the legal responsibility of the Group may become an issue. In addition, even when issues of legal responsibility do not arise, the adverse effects on the Group's brand image may have an adverse impact on the Group's business and performance.

3) Operating Agreements, M&A, and Related Risks

(a) Business Alliances and Capital Investments

The Group is working to expand its business activities through business alliances, capital investments, the formation of joint ventures, and other activities that involve relationships with other companies. By combining the operational know-how of the Group with that of alliance and joint venture partners, the Group aims to realize major synergies. However, in the event that these relationships do not achieve the initially conceived positive benefits or these relationships are dissolved, an adverse impact on the Group's business and performance may result.

(b) Expansion through M&A (Corporate Acquisitions, Etc.)

As an effective means of accelerating business expansion, the Group has adopted a policy of making use of M&A. When concluding M&A deals, the Group conducts detailed screenings, including the examination of the financial position of M&A candidate companies, their contractual relationships, and other matters, and makes decisions after carefully considering the risks involved. However, in the event that problems arise, such as the emergence of contingent liabilities after acquisitions have been made and the discovery of unrecognized liabilities that were not found prior to the acquisition, or in the event that the development of the acquired business does not proceed as planned, the Group may have to recognize impairment losses on goodwill. These and other contingencies may have an adverse impact on the Group's business and performance.

Also, as a result of corporate acquisitions, etc., that result in the addition of business activities that are new to the Group, the risks inherent in these new activities become risk factors for the Group.

4) Telecommunications Network and Computer Systems Risk

The businesses of the Group are totally reliant on telecommunications networks that link computer systems such as mobile devices and PCs. In the event that these networks are disconnected as a result of natural disasters and accidents (including those caused by human factors either inside or outside the Group), a very serious effect on the Group's business and performance may result.

Also, in the event that computer systems break down because of unpredictable developments, such as a sudden increase in the number of users accessing the Group's sites, etc., an electric power outage, or other problems, an adverse impact on the Group's business and performance may result.

The Group takes precautionary security measures to avert improper external access of its computer systems, but, in the event of damage to these systems as a result of computer viruses and hacker attacks, an adverse impact on the Group's business and performance may result.

5) Management Systems Risk

(a) Human Resources

In recent years, the Group has rapidly expanded its business domain, focusing on social media. Nevertheless, to further expand and diversify its business activities going forward, the Group believes it will be necessary to expand personnel in each of its departments. However, in the event that the training of personnel does not keep pace with the expansion of the scale of business, and qualified human resources cannot be externally recruited as planned, it may not be possible to assign proper personnel. This results in a decline in competitiveness and constrains the expansion of the business, and an adverse impact on the Group's business and performance may result.

(b) Internal Control Systems

With the understanding that effectively functioning corporate governance is indispensable for sustaining growth in corporate value, the Group is aware of the need for the proper functioning of operations, reliability in financial reporting, and full compliance with laws and regulations based on a sound sense of corporate ethics.

The Company is working to enhance its internal control systems, and its initiatives have included the establishment of the internal auditing department, which reports directly to the President and is responsible for internal auditing, internal control reporting systems under the Financial Instruments and Exchange Act of Japan, and support for its corporate auditors.

Nevertheless, in the event that the creation of adequate internal control systems cannot keep pace with the rapid expansion in the Group's business operations, conducting operations properly may become difficult, and an adverse impact on the Group's business and performance may result.

(c) Measures for Recovery from Disasters

The Group's principal business locations are situated in the Tokyo metropolitan area. In the event that various circumstances make it difficult for the Group to continue operations, including the occurrence of natural disasters, such as earthquakes and typhoons, as well as epidemics of new influenza strains or other diseases, an adverse impact on the Group's business and performance may result.

6) Compliance Risk

(a) Maintaining Site Integrity

The Group's Mobage, auction, and other services are provided to a large number of individual users, and it is assumed that users using these services will communicate with one another on their own initiative.

To nurture healthy user communities, the Group's usage contracts clearly forbid the improper use of its sites that might lead to social issues. For example, on Mobage, various uses, such as behavior with the intent of matchmaking or activities that violate the rights of other people, are forbidden. Also, on auction sites, such behavior that might lead to the violation of other people's rights is not allowed. The Group also monitors communication between users on a continuing basis. Users that violate the site agreements are asked to remedy their behavior, and measures may be taken to cancel their memberships.

In addition, the Company has formed a "Community Integrity Committee" that is chaired by the President, and systems have been put into place to take immediate measures to ensure site integrity and maintain the stable development of site communities. Moreover, to promote appropriate service usage, the Group has made it substantially clearer what manners are to be observed and those points where users should exercise caution. Other related measures the Group has taken include limiting the use of communication functions by younger people, strengthening monitoring systems, and increasing the number of site patrol personnel. The Group is continuing to strengthen its supervisory functions, including both systems and personnel, to maintain site integrity.

Please note that the Mobage sites, etc. have qualified under the Accreditation Standards for Supervision of the Operation of Community Sites, indicating that their operating standards meet or exceed specific criteria as judged objectively by the Content Evaluation and Monitoring Association (EMA).

However, it is difficult to fully supervise the conduct of users within the sites, etc. In the event that improper user behavior causes trouble, regardless of the content of user contract rules and regulation and terms/conditions, the legal responsibility of the Group may become an issue. Even where this is not the case, such incidents may damage the Group's brand image, and an adverse impact on the Group's business and performance may result.

Going forward, as the scale of its businesses grows, the Group has adopted a policy of taking measures needed to maintain and enhance the integrity of its sites. In the event that the Group's response to system requirements and the strengthening of monitoring activities is delayed and this results in the occurrence of expenses that exceed the Group's estimates, an adverse impact on the Group's business and performance may result.

(b) Improvements in the Social Game User Environment

In collaboration with the Japan Social Game Association (JASGA), in which other leading gaming platform companies, game providers, experts and scholars, etc., participate, the Group implements various initiatives to promote reasonable game play and create a safe social gaming environment for all users and intends to take appropriate measures to achieve this. The Group's business and performance may be adversely affected by unforeseen costs or delays in enacting system and structural changes associated with such goals, and/or new regulatory schemes that place significant restrictions on existing services.

(c) Legal Restrictions

Services offered by the Group are subject to legal restrictions including the Consumer Contract Act, the Act against Unjustifiable Premiums and Misleading Representations, the Act on the Protection of Personal Information, the Act on the Prohibition of Unauthorized Computer Access, the Act on Specified Commercial Transactions, and the Act on Regulation of Transmission of Specified Electronic Mail. Besides these regulations, as electronic communication companies, companies engaging in electronic communication business within the Group are subject to the provisions of the Telecommunications Business Act.

Services offering social networking service functions including Mobage assume healthy communication among users. It is the Group's understanding that such communication does not involve "dating and personal introduction services" as covered by the Act on Regulation on Soliciting Children by Using Opposite Sex Introduction Service on the Internet. In addition, under the Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use, mobile phone carriers are legally required to offer a filtering service. As indicated above, the Group is continuing to step up its activities to maintain the integrity of its sites, etc. To the maximum extent possible, the Group makes it possible for users to gain access to content even when filtering functions are operative.

In addition to the foregoing, the Group's MobaCoins, which are the dedicated in-game virtual currency for Mobage, and other forms of payment, are subject to the Payment Services Act of Japan. The Group complies with this act in its operations.

In some cases, the DeNA Group outsources its systems development, content preparation and other aspects of its operations. Certain transactions of this kind are subject to the provisions of the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act). The DeNA Group provides regular training for its employees regarding the Subcontract Act.

Moreover, depending on factors such as the business scale and market conditions of services offered by the DeNA Group, with regard to the implementation of the DeNA Group's policies and the content of its agreements (regulations) that form the basis for these transactions, it is necessary to consider the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-Monopoly Act). In addition, the Group's expansion of its international business will be exposed to laws and regulations of other countries and regions, including legal restrictions in respect to commercial transactions, advertising, premiums, personal information, privacy, protection of minors, prohibition of monopolization, intellectual property, consumer protection, virtual currencies, as well as government approval and licenses required for conducting businesses and investments.

The Group is responding in good faith to legal regulations including those of Japan and other countries and regions previously mentioned, but in the event that, under unforeseen circumstances, the Group be denied the validity of contracts and other agreements, be subject to government administrative action due to its alleged violation of those regulations, or, if these regulations are tightened or amended going forward or new regulations are put into effect and the Group is subject to some kinds of constraints in the development of its business activities, this may have an adverse impact on the Group's business and performance.

Regarding legal regulations, please also refer to the sections numbered 2) *(b), (d), (e)* and *(f),* and 6) *(b)* and *(d).*

(d) Protection of Personal Information

Some of the Group's companies in Japan gather and make use of member, credit card and other information in providing their services. For this reason, under the Act on the Protection of Personal Information, these companies have certain duties to perform as handlers of personal information. The Group has formed a Personal Information Management Committee, which is chaired by the President, and, under the committee's leadership, rules and guidelines for the management of personal information have been prepared as well as strict workflows for the processing of personal information.

In its outlets, DeNA Shopping is providing support for strengthening personal information management systems, including setting time limits on the period during which personal information related to transactions can be downloaded onto PCs and introducing credit card settlement systems that do not require the acquisition of card-related information.

Nevertheless, in the event that serious problems arise, such as the leakage of personal information, claims for damages and a loss of trust in the Group may result. These circumstances may have an adverse impact on the Group's business and performance.

(e) Litigation Involving Third Parties

By promoting compliance with laws and regulations, the Group works to restrain legal violations by management and employees. However, regardless of whether there are violations by the Group, management or employees, if unforeseen trouble arises with users, transaction partners, employees or third parties, lawsuits and litigations may occur. In addition, as noted in the following item, the Group recognizes that there are risks of lawsuits associated with intellectual property, including patents.

Depending on the nature of these lawsuits and their outcomes, an adverse impact on the Group's business and performance may result. In addition, incurring substantial legal expenses and damage to the Group's brand image may have an adverse impact on the Group's business and performance.

7) Intellectual Property Risk

The Group has registered the trademarks for the sites, etc. it operates and the services it provides as necessary. In addition, the Group has acquired patent rights, as necessary and for those applicable, for its originally developed systems and business models that are eligible for this protection. However, depending on the content of intellectual property rights owned by third parties, the Group may be subject to lawsuits, and an adverse impact on the Group's business and performance may result.

Consolidated Statement of Financial Position

DeNA Co., Ltd. and Subsidiaries
As of March 31, 2014

	Millions of yen		Thousands of U.S. dollars *(Note 2)*
	2014	2013	**2014**
Assets			
Current assets			
Cash and cash equivalents *(Notes 6 and 22)*	**¥ 65,394**	¥ 67,337	**$ 634,893**
Trade and other current receivables *(Notes 7, 22 and 35)*	**37,803**	45,946	**367,019**
Other current financial assets *(Notes 14, 22 and 35)*	**1,025**	1,123	**9,951**
Other current assets *(Note 15)*	**7,086**	4,421	**68,796**
Total current assets	**111,309**	118,827	**1,080,670**
Non-current assets			
Property and equipment *(Note 8)*	**3,311**	4,135	**32,146**
Goodwill *(Note 10)*	**42,730**	39,437	**414,854**
Intangible assets *(Note 9)*	**15,089**	8,719	**146,495**
Investments accounted for using the equity method *(Note 12)*	**9,197**	8,044	**89,291**
Other non-current financial assets *(Notes 14 and 22)*	**12,627**	8,702	**122,592**
Deferred tax assets *(Note 13)*	**2,996**	6,887	**29,087**
Other non-current assets *(Note 15)*	**67**	34	**650**
Total non-current assets	**86,016**	75,957	**835,107**
Total assets	**¥197,325**	¥194,784	**$1,915,777**

The accompanying notes are an integral part of the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars *(Note 2)*
	2014	2013	**2014**
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other current payables *(Notes 16, 22 and 35)*	**¥ 26,206**	¥ 30,034	**$ 254,427**
Income tax payables	**2,525**	21,645	**24,515**
Other current financial liabilities *(Notes 17 and 22)*	**11,981**	8,743	**116,320**
Other current liabilities *(Note 15)*	**10,021**	9,461	**97,291**
Total current liabilities	**50,732**	69,882	**492,544**
Non-current liabilities			
Non-current provisions *(Note 19)*	**951**	949	**9,233**
Other non-current financial liabilities *(Notes 17 and 22)*	**9**	15	**87**
Other non-current liabilities *(Note 15)*	**78**	262	**757**
Total non-current liabilities	**1,038**	1,226	**10,078**
Total liabilities	**51,770**	71,108	**502,621**
Equity			
Common stock *(Note 20)*	**10,397**	10,397	**100,942**
Capital surplus *(Note 20)*	**10,965**	10,361	**106,456**
Retained earnings *(Note 20)*	**153,072**	127,927	**1,486,136**
Treasury stock *(Note 20)*	**(44,290)**	(34,724)	**(430,000)**
Other components of equity *(Note 20)*	**10,456**	5,298	**101,515**
Total equity attributable to owners of the parent	**140,600**	119,259	**1,365,049**
Non-controlling interests	**4,955**	4,416	**48,107**
Total equity	**145,555**	123,676	**1,413,155**
Total liabilities and equity	**¥197,325**	¥194,784	**$1,915,777**

Consolidated Income Statement

DeNA Co., Ltd. and Subsidiaries
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars *(Note 2)*
	2014	2013	**2014**
Revenue *(Notes 25 and 35)*	**¥181,313**	¥202,467	**$1,760,320**
Cost of sales *(Notes 26 and 35)*	**(59,777)**	(56,604)	**(580,359)**
Gross profit	**121,535**	145,863	**1,179,951**
Selling, general and administrative expenses *(Note 27)*	**(67,901)**	(69,075)	**(659,233)**
Other income *(Note 28)*	**560**	603	**5,437**
Other expenses *(Note 28)*	**(997)**	(551)	**(9,680)**
Operating profit	**53,198**	76,840	**516,485**
Finance income *(Note 24)*	**716**	2,549	**6,951**
Finance costs *(Note 24)*	**(55)**	(273)	**(534)**
Share of profit (loss) of associates accounted for using the equity method *(Note 12)*	**1,062**	99	**10,311**
Profit before tax	**54,920**	79,215	**533,204**
Income tax expense *(Note 13)*	**(22,113)**	(32,481)	**(214,689)**
Profit for the year	**¥ 32,807**	¥ 46,735	**$ 318,515**
Attributable to:			
Owners of the parent	**31,661**	45,581	**307,388**
Non-controlling interests	**1,146**	1,153	**11,126**
Profit for the year	**¥ 32,807**	¥ 46,735	**$ 318,515**

	Yen		U.S. dollars
Earnings per share attributable to owners of the parent:			
Basic earnings per share *(Note 30)*	**¥242.56**	¥333.34	**$2.35**
Diluted earnings per share *(Note 30)*	**241.98**	332.35	**2.35**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

DeNA Co., Ltd. and Subsidiaries
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars *(Note 2)*
	2014	2013	**2014**
Profit for the year	**¥32,807**	¥46,735	**$318,515**
Other comprehensive income			
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax			
Gains (losses) from investments in equity instruments, net of tax *(Note 29)*	**2,097**	(143)	**20,359**
Other *(Note 29)*	**(4)**	—	**(39)**
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	**2,093**	(143)	**20,320**
Components of other comprehensive income that may be reclassified to profit or loss, net of tax			
Foreign currency translation adjustments, net of tax *(Note 29)*	**3,370**	4,762	**32,718**
Other *(Note 29)*	**27**	46	**262**
Total other comprehensive income that may be reclassified to profit or loss, net of tax	**3,397**	4,808	**32,981**
Other comprehensive income, net of tax	**5,489**	4,666	**53,291**
Total comprehensive income for the year	**¥38,296**	¥51,400	**$371,806**
Attributable to:			
Owners of the parent	**37,150**	50,245	**360,680**
Non-controlling interests	**1,147**	1,155	**11,136**
Total comprehensive income for the year	**¥38,296**	¥51,400	**$371,806**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

DeNA Co., Ltd. and Subsidiaries
For the year ended March 31, 2014

	Millions of yen							
	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total	Non-controlling interests	Total equity
As of April 1, 2012	¥10,397	¥11,189	¥ 87,941	¥(15,626)	¥ 776	¥ 94,677	¥3,369	¥ 98,045
Profit for the year	—	—	45,581	—	—	45,581	1,153	46,735
Other comprehensive income	—	—	—	—	4,664	4,664	2	4,666
Total comprehensive income for the year	—	—	45,581	—	4,664	50,245	1,155	51,400
Dividends recognized as distributions to owners *(Note 21)*	—	—	(5,150)	—	—	(5,150)	(150)	(5,300)
Increase (decrease) through treasury stock transactions	—	(506)	—	(19,098)	(334)	(19,938)	—	(19,938)
Increase (decrease) through share-based payment transactions *(Note 23)*	—	68	—	—	(203)	(136)	—	(136)
Acquisition, disposal and other changes of non-controlling interests	—	(389)	—	—	—	(389)	42	(347)
Increase (decrease) through transfers and other changes	—	—	(445)	—	395	(49)	—	(49)
As of March 31, 2013	10,397	10,361	127,927	(34,724)	5,298	119,259	4,416	123,676
Profit for the year	—	—	**31,661**	—	—	**31,661**	**1,146**	**32,807**
Other comprehensive income	—	—	—	—	**5,489**	**5,489**	**1**	**5,489**
Total comprehensive income for the year	—	—	**31,661**	—	**5,489**	**37,150**	**1,147**	**38,296**
Dividends recognized as distributions to owners *(Note 21)*	—	—	**(6,698)**	—	—	**(6,698)**	**(150)**	**(6,848)**
Increase (decrease) through treasury stock transactions	—	**(264)**	—	**(9,566)**	**(139)**	**(9,970)**	—	**(9,970)**
Increase (decrease) through share-based payment transactions *(Note 23)*	—	**410**	—	—	**(10)**	**400**	—	**400**
Acquisition, disposal and other changes of non-controlling interests	—	**458**	—	—	—	**458**	**(458)**	—
Increase (decrease) through transfers and other changes	—	—	**181**	—	**(181)**	—	—	—
As of March 31, 2014	**¥10,397**	**¥10,965**	**¥153,072**	**¥(44,290)**	**¥10,456**	**¥140,600**	**¥4,955**	**¥145,555**

	Thousands of U.S. dollars *(Note 2)*							
	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total	Non-controlling interests	Total equity
As of March 31, 2013	$100,942	$100,592	$1,242,010	$(337,126)	$ 51,437	$1,157,854	$42,874	$1,200,738
Profit for the year	—	—	**307,388**	—	—	**307,388**	**11,126**	**318,515**
Other comprehensive income	—	—	—	—	**53,291**	**53,291**	**10**	**53,291**
Total comprehensive income for the year	—	—	**307,388**	—	**53,291**	**360,680**	**11,136**	**371,806**
Dividends recognized as distributions to owners *(Note 21)*	—	—	**(65,029)**	—	—	**(65,029)**	**(1,456)**	**(66,485)**
Increase (decrease) through treasury stock transactions	—	**(2,563)**	—	**(92,874)**	**(1,350)**	**(96,796)**	—	**(96,796)**
Increase (decrease) through share-based payment transactions *(Note 23)*	—	**3,981**	—	—	**(97)**	**3,883**	—	**3,883**
Acquisition, disposal and other changes of non-controlling interests	—	**4,447**	—	—	—	**4,447**	**(4,447)**	—
Increase (decrease) through transfers and other changes	—	—	**1,757**	—	**(1,757)**	—	—	—
As of March 31, 2014	**$100,942**	**$106,456**	**$1,486,136**	**$(430,000)**	**$101,515**	**$1,365,049**	**$48,107**	**$1,413,155**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

DeNA Co., Ltd. and Subsidiaries
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars *(Note 2)*
	2014	2013	**2014**
Operating activities			
Profit before tax	**¥ 54,920**	¥ 79,215	**$ 533,204**
Depreciation and amortization	**8,163**	6,000	**79,252**
Interest and dividend income	**(28)**	(34)	**(272)**
Interest expenses	**12**	37	**117**
Decrease (increase) in trade and other current receivables	**8,528**	(6,788)	**82,796**
Increase (decrease) in trade and other current payables	**(4,100)**	3,578	**(39,806)**
Other, net	**(1,214)**	(42)	**(11,786)**
Subtotal	**66,281**	81,966	**643,505**
Dividends received	**11**	11	**107**
Interest paid	**(12)**	(35)	**(117)**
Interest received	**17**	32	**165**
Income tax paid	**(38,235)**	(29,782)	**(371,214)**
Net cash flows from (used in) operating activities	**28,061**	52,192	**272,437**
Investing activities			
Proceeds from sales and redemption of investment securities	**948**	2,626	**9,204**
Purchases of investment securities	**(1,309)**	(7,821)	**(12,709)**
Acquisition of property and equipment	**(779)**	(2,933)	**(7,563)**
Acquisition of intangible assets	**(13,907)**	(7,698)	**(135,019)**
Other, net	**(284)**	(6)	**(2,757)**
Net cash flows from (used in) investing activities	**(15,331)**	(15,831)	**(148,845)**
Financing activities			
Proceeds from borrowings	**1,800**	10,300	**17,476**
Repayments of borrowings	**(700)**	(10,100)	**(6,796)**
Cash dividends paid	**(6,687)**	(5,142)	**(64,922)**
Payments for acquisition of non-controlling interests	**—**	(347)	**—**
Cash dividends paid to non-controlling interests	**(150)**	(150)	**(1,456)**
Acquisition of treasury stock	**(10,000)**	(20,000)	**(97,087)**
Other, net	**18**	400	**175**
Net cash flows from (used in) financing activities	**(15,719)**	(25,039)	**(152,612)**
Net increase (decrease) in cash and cash equivalents	**(2,990)**	11,322	**(29,029)**
Cash and cash equivalents at beginning of year	**67,337**	54,890	**653,757**
Effect of exchange rate changes on cash and cash equivalents	**1,047**	1,125	**10,165**
Cash and cash equivalents at end of year *(Note 6)*	**¥ 65,394**	¥ 67,337	**$ 634,893**

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

DeNA Co., Ltd. and Subsidiaries

1. Reporting Entity

DeNA Co., Ltd. (the "Company") is a company incorporated in Japan. The Company and its subsidiaries (collectively, the "Group") primarily engage in the business of providing Internet services related to social media and e-commerce for mobile and PC users.

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board.

(2) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value, etc.

(3) Presentation currency and unit

The consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency. The translation of Japanese yen amounts into U.S. dollars for the year ended March 31, 2014 is included solely for the convenience of readers and has been made at the rate of ¥103=U.S.$1, the approximate exchange rate prevailing at March 31, 2014. Such translation should not be construed as a representation that the Japanese yen amounts have been, or could in the future, be converted into U.S. dollars at that or any other rate. Amounts of less than one million yen and one thousand U.S. dollars have been rounded to the nearest million yen and one thousand U.S. dollars. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

(4) Use of estimates and judgments

Preparation of the consolidated financial statements in accordance with IFRS requires management to make accounting estimates regarding certain significant matters as well as its own judgments in the process of applying the Group's accounting policies. Information about estimates that require management's most difficult or complex judgments, assumptions, and estimates that have a significant impact on the consolidated financial statements, and sources of uncertainty in assumptions and estimates involving risks that may result in a material adjustment to the amounts recognized in the consolidated financial statements within the following fiscal year is provided in "Note 4. Significant accounting estimates and judgments."

(5) Effects of applying new accounting standards

Major accounting standards adopted by the Group from the year ended March 31, 2014 are as follows:

IFRS		Description of new standards/amendments
IAS 1	Presentation of Financial Statements	Amendments to presentation of components of other comprehensive income
IAS 36	Impairment of Assets	Disclosures related to the recoverable amounts of non-financial assets
IFRS 10	Consolidated Financial Statements	Clarification of the definition of control and requirement to use control as a single basis of consolidation irrespective of the nature of the investee
IFRS 12	Disclosure of Interests in Other Entities	Disclosure requirements for interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities
IFRS 13	Fair Value Measurement	Guidance on fair value measurement, when such measurement is required by another IFRS

The standards are adopted in accordance with their respective transitional provisions, and the application of the aforementioned standards has no significant effect on the consolidated financial statements for the year ended March 31, 2014.

(6) Early adoption of standards and interpretations

The Group has early adopted IFRS 9 "Financial Instruments" (issued in November 2009, revised in October 2010) since the date of transition to IFRS (April 1, 2011).

Furthermore, the Group early adopted IAS 36, "Impairment of Assets" (issued in March 2004, revised in May 2013), from the year ended March 31, 2014.

(7) New standards and interpretations not yet adopted

The Group has not adopted the following significant items from among new standards and interpretations established or revised up to the date of the approval of the consolidated financial statements.

While the effect of the application of these new standards and interpretations is under consideration, none of them are expected to have a significant effect upon the results or financial position of the Group.

IFRS	Title	Effective date (annual periods beginning on or after)	Adoption by the Company (annual periods ending)	Description of new standards/amendments
IAS 16	Property, Plant and Equipment	January 1, 2016	March 31, 2017	Clarification of acceptable methods of depreciation based on revenues
IAS 32	Financial Instruments: Presentation	January 1, 2014	March 31, 2015	Clarification of requirements for offsetting disclosures and additions to guidelines
IAS 38	Intangible Assets	January 1, 2016	March 31, 2017	Clarification of acceptable methods of amortization based on revenues
IFRS 10	Consolidated Financial Statements	January 1, 2014	March 31, 2015	Establishment of accounting treatment for entities meeting the new definition of investment entity
IFRS 11	Joint Arrangements	January 1, 2016	March 31, 2017	Compliance with IFRS 3 in the event of acquisitions of interests in joint operations
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2014	March 31, 2015	Additional disclosure requirements for newly defined investment entities
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	March 31, 2018	Comprehensive standards for revenue recognition
IFRIC 21	Levies	January 1, 2014	March 31, 2015	Clarification of the recognition of liabilities for levies

3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Company.

The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the potential voting rights currently exercisable or convertible. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until it is lost.

If a subsidiary applies different accounting policies from those applied by the Group, the financial statements of the subsidiary are adjusted as appropriate. Intra-Group balances and transactions, and unrealized gains or losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. If the end of the reporting period of a subsidiary differs from that of the Company, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the Company.

On a partial disposal of the Company's interest in a subsidiary, if the Company retains control over the subsidiary, it is accounted for as an equity transaction. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration received is recognized directly in equity as "equity attributable to owners of the parent."

(ii) Associates and joint arrangements

Associates are entities over which the Group has significant influence in respect of management decisions on their operating and financial policies but does not have control. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of another entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence. Other factors to be considered for assessing significant influence include representation on the entity's Board of Directors and material transactions between the Group and the entity. When these factors exist, application of the equity method may be required for specific investments in which the Group holds even less than 20% of the voting rights.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or a joint venture based on the contractual rights and obligations held by each party. A joint operation is a joint arrangement whereby the parties having joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties having joint control of the arrangement have rights to the net assets of the arrangement.

The Group's investments in an associate and a joint venture are accounted for under the equity method unless the relevant investments are classified into assets held for sale in accordance with IFRS 5. The Group's share of the profit or loss of associates and joint ventures is adjusted to conform to the Group's accounting policies and reported as "share of profit (loss) of associates accounted for using the equity method" in the consolidated income statement. Unrealized gains on transactions are eliminated within the extent of the Group's share in such entities.

Under the equity method, the Group's investment in an associate and a joint venture is initially recognized at cost on acquisition, and the carrying amount is increased (or decreased) reflecting the Group's proportionate interest in both the Group's share of the associate's profit (or loss) after the acquisition and other changes directly reflected in the equity of the associate. Goodwill arising from the acquisition of an associate or a joint venture is included in the carrying amount of the investment (after deducting any accumulated impairment loss). Goodwill is not separately tested for impairment as it is not separately recognized, while the entire carrying amount of the investment accounted for using the equity method is tested for impairment.

The Group quarterly assesses whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If there is objective evidence of impairment, an impairment test is performed by comparing the recoverable amount of the investment (higher of the value in use and the fair value less costs to sell) with its carrying amount. Impairment losses recognized in prior periods are reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment since the last recognition of impairment losses.

(2) Business combinations

The Group has applied the acquisition method to business combinations.

The acquisition date is the date when control is transferred to the acquirer. Judgments may be required in determining the acquisition date and as to whether control is transferred from one party to another. If the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the equity interest in the acquiree previously held by the acquirer is in excess of the net amount of the identifiable assets and liabilities at the acquisition date, the Group recognizes goodwill measured as such an excess amount.

The consideration transferred includes the fair values of the assets transferred from the Group to the former owners of the acquiree, liabilities assumed, and the equity interests issued by the Group. The consideration transferred also includes the fair value of contingent considerations.

Contingent liabilities of the acquiree assumed in business combinations are recognized if, and only if, they are present obligations that arise from past events and their fair values can be measured reliably.

The Group determines for each transaction whether to measure non-controlling interests at fair value, or at the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs incurred by the Group in connection with business combinations, such as finder's fees and legal, due diligence, and other professional or consulting fees, are recognized as expenses when incurred. Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized.

The identifiable assets acquired, the liabilities and contingent liabilities assumed in accordance with the recognition principles of IFRS 3 "Business Combinations" ("IFRS 3") are measured at their fair values at the acquisition date, except:

- Deferred tax assets or liabilities, liabilities (or assets) related to employee benefits, and liabilities related to share-based payment transactions are recognized and measured in accordance with IAS 12 "Income Taxes," IAS 19 "Employee Benefits" and IFRS 2 "Share-based Payment," respectively; and
- Non-current assets and operations classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5").

If the initial accounting for business combinations is incomplete by the end of the fiscal year in which the business combinations occur, the Group reports provisional amounts for the items for which the acquisition accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the amounts recognized at that date. Additional assets or liabilities are recognized if new information, if known, would have resulted in the additional recognition of assets or liabilities.

The measurement period does not exceed one year.

Goodwill arising from acquisitions prior to the date of transition to IFRS is reported based on the amount recognized in accordance with generally accepted accounting principles in Japan ("Japanese GAAP") as of the date of transition to IFRS after an impairment test is performed.

(3) Foreign currencies

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each entity in the Group using the exchange rates at the date of the transactions. Assets and liabilities denominated in foreign currencies to be remeasured at the end of each reporting period are retranslated into the relevant functional currency using the exchange rates at that date. Non-monetary assets and liabilities measured at fair value in foreign currencies are retranslated into the relevant functional currency using the exchange rates at the date the fair value is determined.

Foreign exchange differences arising on the settlement of such transactions, and exchange differences arising on translating foreign currency-denominated monetary assets and liabilities using the exchange rates at the end of the reporting period, are recognized in profit or loss. However, when a gain or loss on a non-monetary item is recognized in other comprehensive income, the corresponding exchange differences are also recognized in other comprehensive income.

(ii) Foreign operations

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the exchange rate at the reporting date. Income and expenses are translated into Japanese yen using the average exchange rate for the period. However, if such an average exchange rate is not considered a reasonable approximation of the cumulative effect of the exchange rates at the transaction dates, the exchange rates at the transaction dates are used.

Exchange differences arising on translating financial statements of foreign operations are recognized in other comprehensive income. On the disposal of the entire interest in a foreign operation, and on the partial disposal of the interest involving loss of control or significant influence, the cumulative amount of the exchange differences is reclassified to profit or loss as a part of gains or losses on disposal.

(4) Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and highly liquid short-term investments with maturities of six months or less from the date of acquisition, that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(5) Financial instruments

(i) Non-derivative financial assets

The Group initially recognizes trade and other current receivables on the date when they are originated. All other financial assets are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instrument.

The following is a summary of the classification and measurement model of the non-derivative financial assets:

a) Financial assets measured at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value plus directly attributable transaction costs. Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less accumulated impairment loss if necessary.

b) Impairment of financial assets measured at amortized cost

Financial assets measured at amortized cost are assessed on a quarterly basis as to whether there is any objective evidence that the asset is impaired. Financial assets are considered to be impaired when there is objective evidence that loss events occurred after the initial recognition of the assets, and when it is reasonably expected that the loss events have a negative impact on the estimated future cash flows of the assets.

Objective evidence of impairment for financial assets measured at amortized cost includes default or delinquency of the borrower, granting the borrower a concession that the Group would not otherwise consider, indications of bankruptcy of the issuer or obligor, and the disappearance of active markets.

The Group assesses whether evidence of impairment exists individually and collectively for financial assets measured at amortized cost. An individually significant financial asset is individually assessed for impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet reported. Financial assets that are not individually significant are collectively assessed for impairment in a group of financial assets with similar risk characteristics.

In assessing impairment collectively, the Group takes into account historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management judgment on whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

The impairment loss for financial assets measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognized in profit or loss. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If there are events which decrease the amount of an impairment loss after the recognition of the impairment, the reversal of the impairment loss is recognized in profit or loss. The reversal of the impairment loss does not result in a carrying amount of the asset that exceeds what the amortized cost would have been if the impairment loss had not been recognized at the date of the reversal of the impairment loss.

c) Financial assets measured at fair value through profit or loss

Financial assets other than investments in equity instruments that do not meet the above conditions in relation to amortized cost measurement are measured at fair value through profit or loss ("FVTPL").

Investments in equity instruments are measured at fair value, and gains or losses arising from changes in fair value are recognized in profit or loss unless, on initial recognition, the Group makes an irrevocable election to measure equity investments at fair value through other comprehensive income ("FVTOCI").

Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized in profit or loss when incurred.

d) Financial assets measured at FVTOCI

On initial recognition, the Group may make an irrevocable election to measure investments in equity instruments at FVTOCI. The election is made only for investments in equity instruments other than held for trading.

Financial assets measured at FVTOCI are initially measured at their fair value plus directly attributable transaction costs. Subsequently, they are measured at fair value, and changes in the fair value are recognized in other comprehensive income and presented as "gains (losses) from investments in equity instruments, net of tax."

If equity instruments are derecognized, the balance of other components of equity is reclassified directly into retained earnings and is not recognized in profit or loss.

Dividends on financial assets measured at FVTOCI are recognized in profit or loss as "finance income."

e) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Group transfers the contractual rights to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

(ii) Non-derivative financial liabilities

Financial liabilities are recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognizes financial liabilities when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled, or expired.

Non-derivative financial liabilities of the Group principally comprise borrowings, trade and other current payables, and deposits received, which are measured initially at fair value and subsequently at amortized cost using the effective interest method.

(iii) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amounts are presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(6) Property and equipment

(i) Recognition and measurement

All items of property and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses.

The cost of items of property and equipment includes costs directly attributable to the acquisition and the initial estimate of costs of dismantling and removing the items and restoring the site on which they are located. The cost model is applied as a measurement model after initial recognition.

When each part of an item of property and equipment has a specific useful life, each part is accounted for as a separate item.

(ii) Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is computed under the straight-line method over the estimated useful life of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their economic life, unless there is reasonable certainty that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of the main items of property and equipment are as follows:

Buildings and structures	3 to 40 years
Tools, furniture and fixtures	2 to 20 years
Machinery, equipment and vehicles	3 to 15 years

The depreciation methods, useful lives, and residual values are reviewed at the end of each fiscal year, and changed if necessary.

(7) Leases

(i) Lease arrangements

At the inception of an arrangement, the Group determines, based on the substance of the arrangement, whether the arrangement is, or contains, a lease. If fulfillment of the arrangement is dependent on the use of a specific asset or specific group of assets, and the arrangement conveys a right to use the assets, such assets are subject to a lease.

(ii) Finance leases

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of an asset in an arrangement are transferred to the Group.

Leased assets are initially recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the leased assets are accounted for in accordance with the Group's accounting policies for such assets.

(iii) Operating leases

All leases other than finance leases are classified as operating leases, and are not recognized in the consolidated statement of financial position.

Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

(8) Goodwill

Measurement of goodwill on initial recognition is described in "Note 3. Significant Accounting Policies (2) Business combinations." Subsequently, goodwill is measured at cost less any accumulated impairment losses.

The carrying amount of investments in an associate accounted for using the equity method includes the carrying amount of goodwill relating to the associate. The impairment loss of those investments is not allocated to any specific asset (including goodwill) which constitutes part of the carrying amount of equity-accounted associates.

(9) Intangible assets

(i) Software

The Group incurs certain costs to purchase or develop software for sale or internal use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses when incurred. Expenditures arising from development activities are capitalized as internally generated intangible assets, if, and only if, they are reliably measurable, developments are technically feasible, it is highly probable to generate future economic benefits, and the Group has an intention and adequate resources to complete those assets and use or sell them.

Capitalized software costs are measured at cost less any accumulated amortization and accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets acquired by the Group with finite useful lives are measured at cost less any accumulated amortization and accumulated impairment losses.

(iii) Amortization

Amortization is calculated based on the cost of an asset less its residual value. Amortization of intangible assets is computed under the straight-line method over their estimated useful lives from the date when the assets are available for use.

Estimated useful lives of software as a main intangible asset are as follows:

Software for providing Web-based services	2 years
Software for providing Web-based-related services	4 years
Others	5 years

The amortization methods, useful lives, and residual values are reviewed at the end of each fiscal year, and changed if necessary.

(10) Impairment of assets

The carrying amounts of non-financial assets, excluding inventories and deferred tax assets, are quarterly assessed as to whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial asset is estimated. Regarding goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated at the end of each fiscal year, and when any indication of impairment is identified.

The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its value in use and its fair value less costs to sell. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. A CGU is the smallest group of assets which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

The CGU to which goodwill is allocated is determined based on the unit by which the goodwill is monitored for internal management purposes, and does not exceed an operating segment.

Because corporate assets do not generate independent cash inflows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds its recoverable amount, an impairment loss is recognized through profit or loss. The impairment loss recognized related to a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit on a prorated basis based on the carrying amount of each asset in the CGU.

Other assets are assessed quarterly as to whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss is reversed to profit or loss if an indication of reversal exists and there has been a change in the estimates used to determine the asset's recoverable amount. A reversal of an impairment loss does not exceed the carrying amount, net of depreciation and amortization, that would have been determined if no impairment loss had been recognized for the asset in prior years. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(11) Employee benefits

(i) Retirement benefits

The Group primarily has adopted defined contribution plans. Defined contribution plans are post-employment benefit plans in which an employer pays fixed contributions to publicly or privately managed pension insurance systems and will have no legal or constructive obligation to pay further contributions. Expenses associated with retirement benefits under defined contribution plans are recognized as expenses when contributions are paid.

(ii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as expenses when the related service is rendered. Bonus accrual is recognized as a liability when the Group has present legal or constructive obligations to pay, and when reliable estimates of the obligations can be made.

(12) Share-based payments

The Group has stock option plans as incentive plans for directors and employees. The fair value of the options at the grant date is recognized as an expense, with a corresponding increase in other components of equity, over the period from the grant date to the vesting date. The fair value of the options granted is measured using Black-Scholes or other models, taking into account the terms and conditions of the options. The Group regularly reviews the assumptions made and revises estimates of the number of options expected to vest, if necessary.

In addition, the Group has the Stock Grant Employee Stock Ownership Plan ("ESOP"), and the shares of the Company held by the ESOP trust are deducted from equity at cost. The fair value of the shares of the Company at the grant date is recognized as an expense, with a corresponding increase in capital surplus, over the period from the grant date to the vesting date. The fair value of the shares of the Company granted is determined by adjusting the market value, taking into account the contractual terms on the basis of which the shares are granted. The Group regularly reviews the assumptions made and revises estimates of the number of shares expected to vest, if necessary.

(13) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events; it is probable that outflows of resources embodying economic benefits will be required to settle the obligations; and reliable estimates can be made of the amount of the obligations.

Provisions are measured at the present value of expenditures expected to be required to settle the obligations, discounted using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

In view of the obligations to restore leased offices and other premises to their original conditions, provisions for asset retirement obligations are recognized. The amount of the obligations is estimated, considering the conditions of each property individually and specifically, based on factors including the Group's past experience of restoration and the estimated periods of use determined taking into account the useful lives of leasehold improvements.

(14) Equity

(i) Common stock

Proceeds from issuance of common stock by the Company are included in common stock and capital surplus. Direct issue costs (net of tax) are deducted from capital surplus.

(ii) Treasury stock

When the Company reacquires its own shares, the amount of the consideration paid, which includes direct transaction costs, net of tax, is recognized as a deduction from equity. When the Company sells treasury stock, the difference between the carrying amount and the consideration received from the sale is recognized as capital surplus.

(15) Revenue

Revenue is measured at the fair value of the consideration received for goods sold and services rendered in the ordinary course of business, less sales-related taxes.

Revenue from the sale of goods is recognized when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue associated with a transaction involving the rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period, when the outcome of the transaction can be estimated reliably and all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

The policies on revenue recognition for major categories of revenue and gross versus net presentation of revenue are as follows:

(i) Policies on revenue recognition for major categories of revenue

The Group generates revenue from rendering of services in connection with a) sales of virtual items used in social games; b) advertising; and c) commission fees and membership fees in the E-commerce Business.

a) Revenue from sales of virtual items used in social games

The Group provides social games developed and operated by the Group and other companies, through social gaming platforms operated by the Group and fully accessible on a number of information terminals, including mobile phones, smartphones, and PCs. Virtual items are sold in each game. When a customer engages in a game using a virtual item and the Group renders the services associated with the item to the customer, revenue from the sale of the item is recognized by reference to the stage of completion of the rendering of services, which is estimated based on the customer's actual usage of virtual items.

b) Advertising revenue

The Group provides a wide range of advertising services, including banner advertisements, affiliate advertisements, and tie-up advertisements. Advertising revenue is recognized by reference to the stage of completion of the rendering of services by the Group. For the advertising services in which the Group is obliged to display advertisements continuously for a certain period of time, revenue is recognized in proportion to the frequency of appearance of the advertisements during the period of the agreement. For the advertising services in which advertising revenue is calculated based on the actual performance, such as the number of page views, advertising revenue is recognized based on such performance.

c) Revenue from commission fees and membership fees in the E-commerce Business

The Group provides e-commerce-related services through offering market places primarily in the mobile field, such as the shopping site DeNA Shopping. Revenue from commission fees and membership fees in the E-commerce Business is recognized by reference to the stage of completion of services rendered to member stores and membership customers at the e-commerce sites.

(ii) Gross versus net presentation of revenue

In the ordinary course of business, there are cases where the Group acts as an intermediary or agent in executing transactions with third parties. In these arrangements, the Group determines whether to recognize revenue of the transactions in the gross amount of the consideration to which the Group is entitled or in the net amount of the consideration that the Group retains after paying any fees or commissions to other parties. However, that determination does not affect the amount of profit or loss.

Determining whether to recognize revenue at the gross or net amount is based on an assessment of whether the Group is acting as a "principal" or an "agent" in a transaction. Accordingly, when the Group is acting as a principal in a transaction, the Group recognizes revenue on a gross basis and when the Group is acting as an agent in a transaction, the Group recognizes revenue on a net basis. The determination of whether the Group is acting as a principal or an agent in a transaction involves judgment and is based on an assessment of the terms of each arrangement with respect to exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

Factors that indicate the Group is acting as a principal, and thus recognizes revenue on a gross basis include:

- the Group has the primary responsibility for providing the goods or services to the customer or for fulfilling the order;
- the Group has inventory risk before or after the customer order, during shipping or on return;
- the Group has latitude in establishing prices, either directly or indirectly; and
- the Group bears the customer's credit risk for the amount receivable from the customer.

Factors that indicate the Group is acting as an agent, and thus recognizes revenue on a net basis include:

- the amount of the consideration (commission or fee) is predetermined; and
- the amount of the consideration is calculated by multiplying the amount of goods sold and services rendered by a stated percentage.

(16) Finance income and finance costs

Finance income mainly comprises interest income, dividend income, and changes in fair value of financial assets measured at FVTPL. Interest income is recognized when accrued using the effective interest method. Dividend income is recognized on the date when the right to receive payment is established.

Finance costs mainly comprise interest expense and changes in fair value of financial assets measured at FVTPL. Interest expense is recognized when incurred using the effective interest method.

(17) Government grants

Government grants are recognized and measured at fair value, if there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants that are intended to compensate for expenses incurred are recognized as other income in the fiscal year in which the expenses are incurred.

(18) Income taxes

Income tax expenses comprise current taxes and deferred taxes. These are recognized in profit or loss, except for the taxes which arise from business combinations or are recognized either in other comprehensive income or directly in equity.

Current taxes are calculated as expected tax payables to (or receivables from) the taxation authority, by applying the statutory tax rate (and tax laws) enacted or substantially enacted at the end of the fiscal year.

Deferred tax assets and deferred tax liabilities are recognized for temporary differences between the carrying amounts of certain assets or liabilities in the consolidated statement of financial position and the tax basis thereof; provided, however, that deferred tax assets or deferred tax liabilities are not recognized, if such temporary differences arise out of the initial recognition of assets or liabilities in transactions other than business combinations, which have no impact on accounting profit or loss nor on taxable profit (tax loss) on the transaction date.

Deferred tax assets and deferred tax liabilities are calculated by using the tax rates expected to be applicable at the time when the associated deferred tax assets are realized or associated deferred tax liabilities are settled, in accordance with laws enacted or substantially enacted at the end of the fiscal year.

Deferred tax assets are recognized for all deductible temporary differences and all carryforwards of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which they can be utilized in the future.

Deferred tax assets and deferred tax liabilities are recognized for temporary differences associated with investments in subsidiaries and associates. However, if the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognized. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profit will be available to allow the benefit of the temporary differences to be utilized and the temporary differences will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to make settlement on a net basis.

(19) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to common stock. Basic earnings per share is calculated by dividing profit for the fiscal year attributable to owners of the parent by the weighted average number of shares of common stock outstanding during the fiscal year, adjusted by the number of shares of treasury stock. For the purpose of calculating diluted earnings per share, profit for the fiscal year attributable to owners of the parent and the weighted average number of shares of common stock outstanding that is adjusted by the number of shares of treasury stock, are adjusted for the effects of all dilutive potential common stock. Potential common stock of the Group relates to stock option plans, etc.

(20) Segment information

Reportable segments are determined on the basis of operating segments of the Group, for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segments and assess those performances. Operating segments are components of the Group that engage in business activities from which the Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

Segment information includes items that are directly attributable to the segments and items that are allocated to the segments on a reasonable basis.

4. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management of the Group to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. However, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the fiscal year in which the estimates are revised and in future fiscal years in which the revision affects. Estimates and underlying assumptions which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are as follows:

- Useful lives of property and equipment, and finance lease assets (Note 8)
- Recoverable amounts of CGUs comprising property and equipment, goodwill, intangible assets, etc. (Note 10)
- Recoverability of deferred tax assets (Note 13)
- Recognition of legal or constructive obligations as asset retirement obligations (Note 19)
- Valuation techniques for the financial assets measured at fair value, where there is no market price in active markets available (Note 22)
- Fair valuation unit price of stock options (Note 23)

5. Segment Information

(1) Outline of reportable segments

The Group provides principally Internet services for mobile and PC users. The Group organizes business units by service at its headquarters, and each of these units formulates comprehensive business strategies for the services it provides, and undertakes related business activities.

Therefore, the Group is composed of operating segments classified by the types of services provided, based on the business units. The reportable segments of the Group are classified as the “Social Media Business” and the “E-commerce Business.”

The types of services provided by each segment are shown in the table below:

Reportable segment	Type of service
Social Media Business	Social media-related services (provided in Japan and internationally)
	Principal services: Mobage, etc.
E-commerce Business	E-commerce-related services (provided in Japan)
	Principal services: DeNA Shopping, Mobaoku, and processing settlement services, etc.

On April 1, 2013, the Group changed the classification in the allocation of management resources and the assessment of performance relating to the travel agency business, etc. In association with this change, the travel agency business, etc., which had formerly been included in “Others,” have been classified under the “E-commerce Business” in the segment information from the year ended March 31, 2014. Accordingly, the segment information for the year ended March 31, 2013 has been restated.

(2) Revenue, profit or loss, and other items by reportable segment

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in “Note 3. Significant Accounting Policies.”

Intersegment revenue is calculated based on external market prices.

Revenue, profit or loss, and other items of the Group's reportable segments are as follows:

For the year ended March 31, 2014

	Millions of yen				
	Social Media Business	E-commerce Business	Others (*2)	Adjustments (*3)	Total
Revenue					
Revenue from external customers	**¥155,871**	**¥18,733**	**¥ 6,708**	**—**	**¥181,313**
Intersegment revenue	**65**	**2,041**	**218**	**¥(2,325)**	**—**
Total	**¥155,936**	**¥20,774**	**¥ 6,927**	**¥(2,325)**	**¥181,313**
Segment profit (loss) (*1)	**¥ 57,122**	**¥ 3,799**	**¥(1,925)**	**¥(5,362)**	**¥ 53,634**
Other income (expenses), net					**(437)**
Operating profit					**53,198**
Finance income (costs), net					**660**
Share of profit (loss) of associates accounted for using the equity method					**1,062**
Profit before tax					**¥ 54,920**
Other items					
Depreciation and amortization	**¥ 6,213**	**¥ 1,491**	**¥ 458**	**—**	**¥ 8,163**

(*1) Segment profit (loss) is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
(*2) "Others" refer to operating segments that do not fall into any of the reportable segments, including operations of a professional baseball team.
(*3) Adjustments in segment profit (loss) represent corporate expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.

For the year ended March 31, 2013

	Millions of yen				
	Social Media Business	E-commerce Business	Others (*2)	Adjustments (*3)	Total
Revenue					
Revenue from external customers	¥179,627	¥17,208	¥ 5,632	—	¥202,467
Intersegment revenue	128	2,257	258	¥(2,644)	—
Total	¥179,755	¥19,466	¥ 5,890	¥(2,644)	¥202,467
Segment profit (loss) (*1)	¥ 78,106	¥ 5,218	¥(1,752)	¥(4,784)	¥ 76,788
Other income (expenses), net					52
Operating profit					76,840
Finance income (costs), net					2,276
Share of profit (loss) of associates accounted for using the equity method					99
Profit before tax					¥ 79,215
Other items					
Depreciation and amortization	¥ 4,520	¥ 998	¥ 482	—	¥ 6,000

(*1) Segment profit (loss) is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
(*2) "Others" refer to operating segments that do not fall into any of the reportable segments, including operations of a professional baseball team.
(*3) Adjustments in segment profit (loss) represent corporate expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.

For the year ended March 31, 2014

	Thousands of U.S. dollars				
	Social Media Business	E-commerce Business	Others	Adjustments	Total
Revenue					
Revenue from external customers	**$1,513,311**	**$181,874**	**$ 65,126**	**—**	**$1,760,320**
Intersegment revenue	**631**	**19,816**	**2,117**	**$(22,573)**	**—**
Total	**$1,513,942**	**$201,689**	**$ 67,252**	**$(22,573)**	**$1,760,320**
Segment profit (loss)	**$ 554,583**	**$ 36,883**	**$(18,689)**	**$(52,058)**	**$ 520,718**
Other income (expenses), net					**(4,243)**
Operating profit					**516,485**
Finance income (costs), net					**6,408**
Share of profit (loss) of associates accounted for using the equity method					**10,311**
Profit before tax					**$ 533,204**
Other items					
Depreciation and amortization	**$ 60,320**	**$ 14,476**	**$ 4,447**	**—**	**$ 79,252**

(3) Revenue from major products and services

As equivalent information has been disclosed in “(2) Revenue, profit or loss, and other items by reportable segment,” the presentation is omitted here.

(4) Geographic information

The breakdown of revenue by geographical area is omitted as revenue from external customers regarded as domestic revenue comprises the majority of revenue recorded in the consolidated income statement.

The breakdown of the carrying amount of non-current assets (excluding financial assets and deferred tax assets) by geographical area as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Japan	**¥22,222**	¥17,778	**$215,748**
North America	**37,061**	32,873	**359,816**
Others	**1,913**	1,673	**18,573**
Total	**¥61,196**	¥52,324	**$594,136**

(5) Information on major customers

Presentation is omitted as no single external customer accounts for 10% or more of the Group’s revenue.

6. Cash and Cash Equivalents

The breakdown of cash and cash equivalents as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash and cash equivalents			
Cash and deposits	**¥65,593**	¥67,488	**$636,825**
Time deposits with maturities of more than six months	**(199)**	(152)	**(1,932)**
Total: Cash and cash equivalents in consolidated statement of financial position	**¥65,394**	¥67,337	**$634,893**
Cash and cash equivalents in consolidated statement of cash flows	**¥65,394**	¥67,337	**$634,893**

7. Trade and Other Current Receivables

The breakdown of trade and other current receivables as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Accounts receivable—trade	**¥24,561**	¥35,921	**$238,456**
Accounts receivable—other	**13,474**	10,189	**130,816**
Due from related parties	**76**	82	**738**
Allowance for doubtful accounts	**(307)**	(246)	**(2,981)**
Total	**¥37,803**	¥45,946	**$367,019**

The increase or decrease of allowance for doubtful accounts of the Group with respect to trade and other current receivables for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Balance at beginning of the year	**¥ 246**	¥ 197	**$ 2,388**
Charge for the year	**303**	246	**2,942**
Utilized	**(4)**	(12)	**(39)**
Utilized amount reversed	**(238)**	(187)	**(2,311)**
Exchange differences on translating foreign operations	**0**	1	**0**
Balance at end of the year	**¥ 307**	¥ 246	**$ 2,981**

The Group establishes an allowance for doubtful accounts based on the amount deemed irrecoverable from trade and other current receivables. Subsequently, in the event that additional collection is not anticipated or collection is made, the allowance for doubtful accounts is reduced.

8. Property and Equipment

The increase and decrease in cost, accumulated depreciation and accumulated impairment losses on property and equipment are as follows:

Cost

	Millions of yen		
	Tools, furniture and fixtures	Others	Total
Balance at April 1, 2012	¥ 5,411	¥1,367	¥ 6,778
Acquisition	2,351	1,811	4,162
Disposal	(1,478)	(143)	(1,621)
Exchange differences on translating foreign operations	165	7	172
Others	12	(20)	(8)
Balance at March 31, 2013	6,462	3,023	9,485
Acquisition	**660**	**124**	**784**
Disposal	**(328)**	**(49)**	**(377)**
Exchange differences on translating foreign operations	**123**	**7**	**130**
Others	**(306)**	**(7)**	**(313)**
Balance at March 31, 2014	**¥ 6,610**	**¥3,098**	**¥ 9,709**

	Thousands of U.S. dollars		
	Tools, furniture and fixtures	Others	Total
Balance at March 31, 2013	$62,738	$29,350	$92,087
Acquisition	**6,408**	**1,204**	**7,612**
Disposal	**(3,184)**	**(476)**	**(3,660)**
Exchange differences on translating foreign operations	**1,194**	**68**	**1,262**
Others	**(2,971)**	**(68)**	**(3,039)**
Balance at March 31, 2014	**$64,175**	**$30,078**	**$94,262**

Accumulated depreciation and accumulated impairment losses

	Millions of yen		
	Tools, furniture and fixtures	Others	Total
Balance at April 1, 2012	¥(3,914)	¥(1,064)	¥(4,978)
Depreciation	(1,542)	(276)	(1,818)
Disposal	1,438	121	1,559
Exchange differences on translating foreign operations	(114)	(2)	(116)
Others	8	(5)	3
Balance at March 31, 2013	(4,125)	(1,225)	(5,350)
Depreciation	**(1,407)**	**(249)**	**(1,656)**
Disposal	**310**	**32**	**342**
Exchange differences on translating foreign operations	**(74)**	**(2)**	**(76)**
Others	**333**	**10**	**342**
Balance at March 31, 2014	**¥(4,964)**	**¥(1,434)**	**¥(6,398)**

	Thousands of U.S. dollars		
	Tools, furniture and fixtures	Others	Total
Balance at March 31, 2013	$(40,049)	$(11,893)	$(51,942)
Depreciation	**(13,660)**	**(2,417)**	**(16,078)**
Disposal	**3,010**	**311**	**3,320**
Exchange differences on translating foreign operations	**(718)**	**(19)**	**(738)**
Others	**3,233**	**97**	**3,320**
Balance at March 31, 2014	**$(48,194)**	**$(13,922)**	**$(62,117)**

Carrying amount	Tools, furniture and fixtures	Others	Total
Balance at March 31, 2014 (millions of yen)	**¥1,647**	**¥1,664**	**¥3,311**
Balance at March 31, 2013 (millions of yen)	2,337	1,798	4,135
Balance at April 1, 2012 (millions of yen)	1,497	304	1,801
Balance at March 31, 2014 (thousands of U.S. dollars)	**$15,990**	**$16,155**	**$32,146**

Others consist chiefly of buildings and structures.

There is no property and equipment with restrictions on ownership or pledged as collateral for liabilities.

Depreciation expenses of property and equipment are included in “cost of sales” and “selling, general and administrative expenses” in the consolidated income statement.

There are no borrowing costs included in the cost of property and equipment.

9. Intangible Assets

The increase and decrease in cost, accumulated amortization and accumulated impairment losses on intangible assets are as follows:

Cost

	Millions of yen		
	Software	Others	Total
Balance at April 1, 2012	¥10,609	¥1,654	¥12,263
Acquisition	7,172	692	7,864
Disposal	(502)	(322)	(823)
Exchange differences on translating foreign operations	134	32	166
Others	(146)	(108)	(254)
Balance at March 31, 2013	17,267	1,948	19,215
Acquisition	**13,399**	**487**	**13,886**
Disposal	**(1,871)**	**(136)**	**(2,007)**
Exchange differences on translating foreign operations	**100**	**15**	**115**
Others	**(187)**	**(120)**	**(307)**
Balance at March 31, 2014	**¥28,708**	**¥2,193**	**¥30,902**

	Thousands of U.S. dollars		
	Software	Others	Total
Balance at March 31, 2013	$167,641	$18,913	$186,553
Acquisition	**130,087**	**4,728**	**134,816**
Disposal	**(18,165)**	**(1,320)**	**(19,485)**
Exchange differences on translating foreign operations	**971**	**146**	**1,117**
Others	**(1,816)**	**(1,165)**	**(2,981)**
Balance at March 31, 2014	**$278,718**	**$21,291**	**$300,019**

Accumulated amortization and accumulated impairment losses

	Millions of yen		
	Software	Others	Total
Balance at April 1, 2012	¥ (6,327)	¥ (641)	¥ (6,968)
Amortization	(3,404)	(778)	(4,182)
Disposal	188	322	510
Exchange differences on translating foreign operations	(59)	(25)	(84)
Others	145	82	227
Balance at March 31, 2013	(9,457)	(1,039)	(10,497)
Amortization	**(5,954)**	**(553)**	**(6,507)**
Disposal	**995**	**136**	**1,131**
Exchange differences on translating foreign operations	**(63)**	**(3)**	**(66)**
Others	**(135)**	**260**	**125**
Balance at March 31, 2014	**¥(14,613)**	**¥(1,199)**	**¥(15,812)**

	Thousands of U.S. dollars		
	Software	Others	Total
Balance at March 31, 2013	$ (91,816)	$(10,087)	$(101,913)
Amortization	**(57,806)**	**(5,369)**	**(63,175)**
Disposal	**9,660**	**1,320**	**10,981**
Exchange differences on translating foreign operations	**(612)**	**(29)**	**(641)**
Others	**(1,311)**	**2,524**	**1,214**
Balance at March 31, 2014	**$(141,874)**	**$(11,641)**	**$(153,515)**

Carrying amount

	Software	Others	Total
Balance at March 31, 2014 (millions of yen)	**¥14,095**	**¥994**	**¥15,089**
Balance at March 31, 2013 (millions of yen)	7,810	909	8,719
Balance at April 1, 2012 (millions of yen)	4,282	1,013	5,295
Balance at March 31, 2014 (thousands of U.S. dollars)	**$136,845**	**$9,650**	**$146,495**

Software within intangible assets is mainly composed of internally generated software.

There are no intangible assets with restrictions on ownership or pledged as collateral for liabilities.

Amortization expenses of intangible assets are included in “cost of sales” and “selling, general and administrative expenses” in the consolidated income statement.

10. Goodwill

The increase and decrease in cost and accumulated impairment losses on goodwill for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cost			
Balance at beginning of the year	**¥39,437**	¥35,245	**$382,883**
Business combinations	—	—	—
Exchange differences on translating foreign operations	**3,293**	4,237	**31,971**
Others	—	(45)	—
Balance at end of the year	**42,730**	39,437	**414,854**
Accumulated impairment losses			
Balance at beginning of the year	—	—	—
Balance at end of the year	—	—	—
Carrying amount			
Balance at beginning of the year	**39,437**	35,245	**382,883**
Balance at end of the year	**¥42,730**	¥39,437	**$414,854**

(1) CGUs

Goodwill generated by business combinations is allocated to the CGUs that are expected to benefit from the business combination at the date of acquisition. The CGUs of the Group are the same as its operating segments. The carrying amounts of goodwill allocated to the Social Media Business were ¥36,846 million ($357,728 thousand) and ¥33,553 million as of March 31, 2014 and 2013, respectively, and the carrying amounts of goodwill allocated to the professional baseball business included in Others were ¥5,883 million ($57,117 thousand) and ¥5,883 million as of March 31, 2014 and 2013, respectively.

(2) Calculation basis for recoverable amounts

The recoverable amount for the social media business is calculated at its value in use. Such value in use is calculated by discounting estimated cash flows based on the business plan approved by management to its present value. Business plans are limited, in principle, to five years, and reflect the evaluation of management regarding future trends in the industry and historical data, and are compiled based on external and internal sources of information. The pre-tax discount rate is calculated based on the weighted average cost of capital of each CGU (approximately 6.0% to 7.0%).

The recoverable amount for the professional baseball business is calculated at fair value less costs to sell. Such fair value is calculated by discounting estimated cash flows, etc., generated by the professional baseball business, to the present value. Plans such as those for cash flows, etc., generated by the professional baseball business are limited, in principle, to one year, and reflect the evaluation of management regarding future trends in the industry and historical data, and are compiled based on external and internal sources of information. The growth rate is determined through consideration of the potential rate of growth, etc., of the Japanese economy overall. The Company does not use a growth rate that exceeds the average long-term growth rate of the corresponding markets or the country (approximately -0.5% to 0.5%). The pre-tax discount rate is calculated based on the weighted average cost of capital of each CGU (approximately 7.0% to 8.0%). This fair value measurement is classified as Level 3, based on the inputs of the valuation techniques applied.

Even if the key assumptions used in the above calculations of recoverable amounts vary in the range of reasonably probable, management considers it unlikely that a significant impairment would be recognized with respect to the relevant CGUs.

11. Subsidiaries

Principal subsidiaries as of March 31, 2014 and 2013 are as follows:

Name	Location	Capital	2014	2013
			Ownership interest (%)	
Mobaoku Co., Ltd.	Tokyo, Japan	¥200 million	**66.6**	70.0
Paygent Co., Ltd.	Tokyo, Japan	¥400 million	**50.0**	50.0
AIR LINK Co., Ltd.	Tokyo, Japan	¥100 million	**100.0**	100.0
EveryStar Co., Ltd.	Tokyo, Japan	¥800 million	**70.0**	70.0
Yokohama DeNA Baystars Baseball Club, Inc.	Kanagawa, Japan	¥100 million	**97.7**	97.7
DeNA Global, Inc.	United States	U.S.$518,895 thousand	**100.0**	100.0
ngmoco, LLC	United States	U.S.$149,875 thousand	**100.0**	100.0
WAPTX LTD.	Grand Cayman Island, British West Indies	U.S.$23,817 thousand	**99.0**	99.0

Although the Company owns 50% of the voting rights of Paygent Co., Ltd., and does not possess a majority of voting rights, it is included in subsidiaries as the Company dispatches a majority of directors to the Board of Directors of Paygent Co., Ltd., and thus exercises control over the entity.

On August 1, 2012, as a result of share subscription in a capital increase equivalent to ¥942 million of the Group's subsidiary WAPTX LTD., the Group's ownership interest in said company increased by 1.6%, to 99.0%. The carrying amount of net assets of said company as of the same date was ¥1,210 million, of which the carrying amount corresponding to the increased ownership interest was ¥936 million. The difference between the increased capital and the carrying amount corresponding to the increased ownership interest was ¥5 million, and was recognized in capital surplus.

Changes in the ownership interest as a result of the capital increase of WAPTX LTD. are shown in the following table:

	Millions of yen	Thousands of U.S. dollars
Share subscription in capital increase of WAPTX LTD.	¥(942)	$(9,146)
Carrying amount corresponding to the increased ownership interest in WAPTX LTD.	936	9,087
Difference recognized in capital surplus	(5)	(49)

On September 26, 2012, as a result of the additional acquisition by the Group of 30.77% of the voting shares in Yokohama DeNA Baystars Baseball Club, Inc., the ownership interest of the Group in said company increased to 97.7%. With respect to the additional acquisition, the change in ownership interest, negative ¥384 million, was recognized in capital surplus.

On April 1, 2013, the Group conducted a partial sale of shares held in Mobaoku Co., Ltd. to said company. As a result, the ownership interest of the Group in said company decreased from 70.0% to 66.6%, but the Group still controls said company after the relevant sale of the shares.

The changes in the ownership interest as a result of the sale of shares in Mobaoku Co., Ltd. are shown in the following table:

	Millions of yen	Thousands of U.S. dollars
Consideration received from sale of shares in Mobaoku Co., Ltd.	¥ 2,133	$ 20,709
Carrying amount corresponding to the decreased ownership interest in Mobaoku Co., Ltd.	(1,674)	(16,252)
Difference recognized as capital surplus	458	4,447

12. Investments Accounted for Using the Equity Method

The Group accounts for investments in associates using the equity method.

The carrying amount of investments in individually immaterial associates is as follows:
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Total carrying amount	**¥9,197**	¥8,044	**$89,291**

The financial information on the individually immaterial associates is shown below. Please note that these are amounts based on the proportion of ownership interest held by the Group.

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Profit for the year	**¥1,062**	¥99	**$10,311**
Comprehensive income for the year	**1,062**	99	**10,311**

13. Deferred Tax and Income Tax Expense

(1) Deferred tax

The change in deferred tax assets and deferred tax liabilities (before offsetting any balances which are able to offset within the same tax jurisdictions) is as follows:

For the year ended March 31, 2014

	Millions of yen				
	April 1, 2013	Recognized in profit or loss	Recognized in other comprehensive income	Others	March 31, 2014
Deferred tax assets					
Enterprise tax payable	**¥1,670**	**¥(1,449)**	**—**	**—**	**¥ 222**
Accounts payable—other	**2,391**	**(1,349)**	**—**	**—**	**1,042**
Fixed assets	**1,745**	**1,372**	**—**	**¥ 82**	**3,199**
Tax losses carried forward	**42**	**2**	**—**	**—**	**45**
Others	**1,309**	**(34)**	**¥ (148)**	**58**	**1,186**
Total deferred tax assets	**¥7,158**	**¥(1,459)**	**¥ (148)**	**¥140**	**¥5,692**
Deferred tax liabilities					
Fixed assets	**—**	**¥ 1,627**	**—**	**—**	**¥1,627**
Financial assets	**—**	**(78)**	**¥1,031**	**—**	**954**
Others	**¥ 325**	**(155)**	**—**	**¥ 5**	**175**
Total deferred tax liabilities	**¥ 325**	**¥ 1,394**	**¥1,031**	**¥ 5**	**¥2,756**

For the year ended March 31, 2013

	Millions of yen				
	April 1, 2012	Recognized in profit or loss	Recognized in other comprehensive income	Others*	March 31, 2013
Deferred tax assets					
Enterprise tax payable	¥1,049	¥ 621	—	—	¥1,670
Accounts payable—other	177	2,214	—	—	2,391
Fixed assets	761	981	—	¥ 3	1,745
Tax losses carried forward	114	(72)	—	—	42
Others	1,339	87	¥(139)	23	1,309
Total deferred tax assets	¥3,439	¥3,832	¥(139)	¥26	¥7,158
Deferred tax liabilities					
Others	¥ 115	¥ 201	¥ 1	¥ 8	¥ 325
Total deferred tax liabilities	¥ 115	¥ 201	¥ 1	¥ 8	¥ 325

* New acquisitions of subsidiaries, etc., are included in "others."

For the year ended March 31, 2014

	Thousands of U.S. dollars				
	April 1, 2013	Recognized in profit or loss	Recognized in other comprehensive income	Others*	March 31, 2014
Deferred tax assets					
Enterprise tax payable	**$16,214**	**$(14,068)**	**—**	**—**	**$ 2,155**
Accounts payable—other	**23,214**	**(13,097)**	**—**	**—**	**10,117**
Fixed assets	**16,942**	**13,320**	**—**	**$ 796**	**31,058**
Tax losses carried forward	**408**	**19**	**—**	**—**	**437**
Others	**12,709**	**(330)**	**$ (1,437)**	**563**	**11,515**
Total deferred tax assets	**$69,495**	**$(14,165)**	**$ (1,437)**	**$1,359**	**$55,262**
Deferred tax liabilities					
Fixed assets	**—**	**$ 15,796**	**—**	**—**	**$15,796**
Financial assets	**—**	**(757)**	**$10,010**	**—**	**9,262**
Others	**$ 3,155**	**(1,505)**	**—**	**$ 49**	**1,699**
Total deferred tax liabilities	**$ 3,155**	**$ 13,534**	**$10,010**	**$ 49**	**$26,757**

Deferred tax liabilities are included in "other non-current liabilities" in the consolidated statement of financial position, and the balances as of March 31, 2014 and 2013 are ¥60 million ($583 thousand) and ¥54 million, respectively.

The Group takes into account the probability that deductible temporary differences or tax losses carried forward can be utilized against future taxable profits on recognition of deferred tax assets. In assessing recoverability of deferred tax assets, the Group takes into account scheduled reversal of deferred tax liabilities, projected future taxable profit, and tax planning.

As a result of the assessment of the recoverability of deferred tax assets, the Group does not recognize deferred tax assets for a portion of deductible temporary differences or tax losses carried forward. The amounts of deductible temporary differences and tax losses carried forward for which deferred tax assets are not recognized as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Fixed assets	**¥ 2,460**	¥ 2,812	**$ 23,883**
Provisions	**—**	212	**—**
Total losses carried forward	**28,622**	20,606	**277,883**
Others	**1,492**	1,336	**14,485**
Total	**¥32,574**	¥24,967	**$316,252**

The expiration of tax losses carried forward for which deferred tax assets are not recognized is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
1st year	**¥ 305**	¥ 144	**$ 2,961**
2nd year	**78**	406	**757**
3rd year	**261**	529	**2,534**
4th year	**1,672**	887	**16,233**
5th year and thereafter	**26,307**	18,640	**255,408**
Total	**¥28,622**	¥20,606	**$277,883**

As of March 31, 2014 and 2013, the total amounts of taxable temporary differences relating to investments in subsidiaries and associates for which deferred tax liabilities are not recognized were ¥8,280 million ($80,388 thousand) and ¥7,346 million, respectively.

(2) Income tax expense

For temporary differences that are expected to be reversed on or after the fiscal year ended March 31, 2014, the effective statutory tax rate for the Company to calculate its deferred tax assets and deferred tax liabilities is 35.64%.

The breakdown of current tax expense and deferred tax expense for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Current tax expense:			
Current tax expense on profit for the year	**¥19,260**	¥36,112	**$186,990**
Total current tax expense	**¥19,260**	¥36,112	**$186,990**
Deferred tax expense:			
Temporary differences arising and reversed	**¥ 2,702**	¥ (3,631)	**$ 26,233**
Effect of change in tax rate	**151**	—	**1,466**
Total deferred tax expense	**¥ 2,853**	¥ (3,631)	**$ 27,699**
Income tax expense	**¥22,113**	¥32,481	**$214,689**

The differences between income tax expense under the effective statutory tax rate, which is 38.01%, and that recognized in the consolidated income statement are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Profit before tax	**¥54,920**	¥79,215	**$533,204**
Income tax expense under effective statutory tax rate	**¥20,875**	¥30,110	**$202,670**
Adjustments:			
Expenses not deductible for tax purposes	**(2,243)**	(682)	**(21,777)**
Increases or decreases in temporary differences not recognized as deferred tax assets	**2,768**	3,482	**26,874**
Effect of change in tax rate	**151**	—	**1,466**
Others	**561**	(429)	**5,447**
Income tax expense	**¥22,113**	¥32,481	**$214,689**

14. Other Financial Assets

The breakdown of other financial assets as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Financial assets measured at FVTPL			
Investments in capital	**¥ 2,858**	¥2,516	**$ 27,748**
Stocks	**378**	—	**3,670**
Total	**¥ 3,236**	¥2,516	**$ 31,417**
Financial assets measured at FVTOCI			
Listed stocks	**¥ 3,041**	¥ 47	**$ 29,524**
Unlisted stocks	**1,081**	1,127	**10,495**
Total	**¥ 4,122**	¥1,175	**$ 40,019**
Financial assets measured at amortized cost:			
Long-term guarantee deposits	**¥ 5,271**	¥5,006	**$ 51,175**
Deposits	**975**	1,047	**9,466**
Others	**49**	82	**476**
Total	**¥ 6,295**	¥6,134	**$ 61,117**
Current assets	**¥ 1,025**	¥1,123	**$ 9,951**
Non-current assets	**12,627**	8,702	**122,592**
Total	**¥13,653**	¥9,825	**$132,553**

Investments held for expanding the Group's revenue base by maintaining and fortifying its relationships with the investees are classified as financial assets measured at FVTOCI.

The dividend income from financial assets measured at FVTOCI held at the year-end were ¥11 million ($107 thousand) and ¥11 million, respectively, for the years ended March 31, 2014 and 2013.

As for financial assets measured at FVTOCI derecognized during the years ended March 31, 2014 and 2013, the fair values at the date of derecognition, and cumulative gains or losses and dividend income until derecognition are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Fair value at the date of derecognition	**¥296**	¥105	**$2,874**
Cumulative gains (losses)	**181**	(395)	**1,757**
Dividend income	**—**	—	**—**

These are derecognized mainly due to changes in the holding purpose, etc.

15. Other Assets and Liabilities

The breakdown of other assets and liabilities as of March 31, 2014 and 2013 is as follows:

Other assets

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Prepaid expenses	**¥ 823**	¥1,882	**$ 7,990**
Advances to suppliers	**4,601**	1,838	**44,670**
Others	**1,729**	735	**16,786**
Total	**¥7,153**	¥4,455	**$69,447**
Current assets	**¥7,086**	¥4,421	**$68,796**
Non-current assets	**67**	34	**650**
Total	**¥7,153**	¥4,455	**$69,447**

Other liabilities

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Accrued expenses	**¥ 789**	¥ 690	**$ 7,660**
Advances received	**7,546**	5,886	**73,262**
Accrued consumption taxes	**182**	1,570	**1,767**
Others	**1,582**	1,577	**15,359**
Total	**¥10,099**	¥9,723	**$98,049**
Current liabilities	**¥10,021**	¥9,461	**$97,291**
Non-current liabilities	**78**	262	**757**
Total	**¥10,099**	¥9,723	**$98,049**

16. Trade and Other Current Payables

The breakdown of trade and other current payables as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Accounts payable—trade	**¥ 473**	¥ 608	**$ 4,592**
Due to related parties	**1,106**	1,570	**10,738**
Accounts payable—other	**24,626**	27,856	**239,087**
Total	**¥26,206**	¥30,034	**$254,427**

17. Other Financial Liabilities

The breakdown of other financial liabilities as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Borrowings	**¥ 1,300**	¥ 200	**$ 12,621**
Deposits received	**10,681**	8,543	**103,699**
Others	**9**	15	**87**
Total	**¥11,990**	¥8,758	**$116,408**
Current liabilities	**¥11,981**	¥8,743	**$116,320**
Non-current liabilities	**9**	15	**87**
Total	**¥11,990**	¥8,758	**$116,408**

Interest rates are re-examined based on market interest rates at the time of each loan transaction. Furthermore, the above borrowings are not subject to restrictive financial covenants.

18. Lease Transactions

Operating leases (lessee)

The breakdown of future minimum lease payments under non-cancellable operating leases as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Within one year	**¥2,052**	¥1,770	**$19,922**
One to five years	**4,025**	5,152	**39,078**
After five years	**—**	—	**—**
Total	**¥6,077**	¥6,922	**$59,000**

There are no significant future variable lease payments, subleasing contracts, renewal options, escalation clauses, or restrictions imposed by lease contracts.

19. Provisions

The breakdown of provisions as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Asset retirement obligations	**¥951**	¥949	**$9,233**
Total	**¥951**	¥949	**$9,233**
Current liabilities	**—**	—	**—**
Non-current liabilities	**¥951**	¥949	**$9,233**
Total	**¥951**	¥949	**$9,233**

The increase or decrease in provisions is as follows:

	Millions of yen	Thousands of U.S. dollars
	Asset retirement obligations	Asset retirement obligations
As of April 1, 2012	¥232	
Charge for the year	782	
Utilized	(68)	
Accretion of interest	3	
As of March 31, 2013	949	$9,214
Accretion of interest	**2**	**19**
As of March 31, 2014	**¥951**	**$9,233**

20. Equity and Other Equity Items

(1) Total number of authorized shares and issued shares

The change in the total number of authorized shares and issued shares is as follows:

	Total number of authorized shares	Total number of issued shares
Balance at April 1, 2012	540,900,000	150,810,033
Change	—	—
Balance at March 31, 2013	540,900,000	150,810,033
Change	—	—
Balance at March 31, 2014	**540,900,000**	**150,810,033**

Notes: 1. Shares issued by the Company are common stock with no par value.
2. Issued shares are fully paid shares.
3. The total number of shares of treasury stock included in the issued shares as of March 31, 2014 and 2013, and April 1, 2012 was 21,283,601 shares, 16,847,550 shares, and 7,757,526 shares, respectively.

(2) Common stock and capital surplus

The Companies Act of Japan stipulates that at least half of the proceeds from the issuance of common shares shall be credited to common stock, and the remainder shall be credited to the capital reserve, included in capital surplus. Under the Companies Act, capital reserves can be transferred to common stock upon a resolution of the general meeting of shareholders.

(3) Retained earnings

The Companies Act provides that an amount equivalent to 10% of retained earnings distributed in a fiscal year shall be appropriated from retained earnings to capital reserve or legal reserve until the aggregate amount of the capital reserve and the legal reserve equal 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

Retained earnings available for dividends under the Companies Act are based on the amount recorded in the Company's general accounting records maintained in accordance with Japanese GAAP.

The Companies Act limits the amount of retained earnings available for dividends. Retained earnings of ¥162,418 million ($1,576,874 thousand) and ¥133,883 million as of March 31, 2014 and 2013, respectively, were not subject to limitations under the Companies Act.

(4) Other components of equity

For the year ended March 31, 2014

	Millions of yen				
	Foreign currency translation adjustments	Gains (losses) from investments in equity instruments	Stock acquisition rights	Others	Total
Balance at April 1, 2013	¥4,935	¥ (402)	¥ 718	¥46	¥ 5,298
Other comprehensive income	3,369	2,097	—	23	5,489
Total comprehensive income for the year	3,369	2,097	—	23	5,489
Increase (decrease) through treasury stock transactions	—	—	(139)	—	(139)
Increase (decrease) through share-based payment transactions	—	—	(10)	—	(10)
Increase (decrease) through transfers and other changes	—	(181)	—	—	(181)
Balance at March 31, 2014	**¥8,305**	**¥1,514**	**¥ 569**	**¥69**	**¥10,456**

For the year ended March 31, 2013

	Millions of yen				
	Foreign currency translation adjustments	Gains (losses) from investments in equity instruments	Stock acquisition rights	Others	Total
Balance at April 1, 2012	¥ 175	¥(654)	¥1,255	—	¥ 776
Other comprehensive income	4,760	(143)	—	¥46	4,664
Total comprehensive income for the year	4,760	(143)	—	46	4,664
Increase (decrease) through treasury stock transactions	—	—	(334)	—	(334)
Increase (decrease) through share-based payment transactions	—	—	(203)	—	(203)
Increase (decrease) through transfers and other changes	—	395	—	—	395
Balance at March 31, 2013	¥4,935	¥(402)	¥ 718	¥46	¥5,298

For the year ended March 31, 2014

	Thousands of U.S. dollars				
	Foreign currency translation adjustments	Gains (losses) from investments in equity instruments	Stock acquisition rights	Others	Total
Balance at April 1, 2013	$47,913	$ (3,903)	$ 6,971	$447	$ 51,437
Other comprehensive income	32,709	20,359	—	223	53,291
Total comprehensive income for the year	32,709	20,359	—	223	53,291
Increase (decrease) through treasury stock transactions	—	—	(1,350)	—	(1,350)
Increase (decrease) through share-based payment transactions	—	—	(97)	—	(97)
Increase (decrease) through transfers and other changes	—	(1,757)	—	—	(1,757)
Balance at March 31, 2014	**$80,631**	**$14,699**	**$ 5,524**	**$670**	**$101,515**

(i) Foreign currency translation adjustments

This is the exchange difference generated on translation of the financial statements of foreign operations into the Group's presentation currency.

(ii) Gains (losses) from investments in equity instruments

This is the valuation difference of financial assets measured at FVTOCI.

(iii) Stock acquisition rights

The Company has stock option plans, etc., and issues stock acquisition rights based on the Companies Act. Contract terms and amounts, etc., are described in "Note 23. Share-based Payments."

21. Dividends

Year-end dividends are the only dividends paid out. Year-end dividends are to be approved at the general meeting of shareholders.

(1) Cash dividends paid

For the year ended March 31, 2014

Date of resolution	Dividends per share (yen)	Total dividends (Millions of yen)	Record date	Effective date
June 22, 2013	¥50	¥6,698	March 31, 2013	June 24, 2013

For the year ended March 31, 2013

Date of resolution	Dividends per share (yen)	Total dividends (Millions of yen)	Record date	Effective date
June 23, 2012	¥36	¥5,150	March 31, 2012	June 25, 2012

For the year ended March 31, 2014

Date of resolution	Dividends per share (U.S. dollars)	Total dividends (Thousands of U.S. dollars)	Record date	Effective date
June 22, 2013	$0.49	$65,029	March 31, 2013	June 24, 2013

Dividends payable are included in "trade and other current payables" presented in the consolidated statement of financial position.

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year

For the year ended March 31, 2014

Date of resolution	Dividends per share (yen)	Total dividends (Millions of yen)	Record date	Effective date
June 21, 2014	¥37	¥4,792	March 31, 2014	June 23, 2014

For the year ended March 31, 2014

Date of resolution	Dividends per share (U.S. dollars)	Total dividends (Thousands of U.S. dollars)	Record date	Effective date
June 21, 2014	$0.36	$46,524	March 31, 2014	June 23, 2014

22. Financial Instruments

(1) Capital management

To achieve continuous growth by maintaining and strengthening the competitive edge of the business, the Group requires sustained investment. Moreover, to expand the scale of its business activities and diversify sources of earnings, the Group continues to take aggressive initiatives to provide new services and enter new businesses. Funding requirements for these investments will be met, in principle, by available funds on hand, with additional fund procurement being executed where necessary. Therefore, mindful of the balance between cash and cash equivalents, interest-bearing liabilities and equity of the Group, ample funds on hand are available, which were well in excess of interest-bearing liabilities as of March 31, 2014 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash and cash equivalents	**¥ 65,394**	¥ 67,337	**$ 634,893**
Interest-bearing liabilities	**1,300**	200	**12,621**
Total equity	**145,555**	123,676	**1,413,155**

The Group is not subject to any externally imposed capital requirements.

(2) Financial risk management policy

In the process of conducting its business activities, the Group is continuously exposed to financial risks. The Group therefore conducts risk management in order to reduce relevant financial risks. Risks are eliminated at the point of origin wherever possible, and those that cannot be eliminated are the subject of stringent mitigation efforts.

As a matter of policy, the Group refrains from engaging in speculative derivative transactions and stock trades and the like. However, a Group company may use bank loans in order to deal with temporary financial deficiencies.

(i) Foreign currency risk management

The main foreign currency risks for the Group are deposits denominated in U.S. dollars, which are maintained for the purposes of settling accounts with foreign business partners. Therefore, the foreign currency risk for the Group belongs chiefly to the Company. The impact of translating foreign currency deposits held by the Company on profit before tax for the years ended March 31, 2014 and 2013, in the event of a 1% increase in the Company's functional currency, the Japanese yen, in relation to the U.S. dollar, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Profit before tax	**¥(83)**	¥(58)	**$(806)**

Notes: 1. The above calculations are based on the assumption that currencies other than the U.S. dollar remain unchanged.
2. The above represents the amount of negative impact on profit before tax in the event of yen appreciation of 1%. There would be a positive impact on profit before tax in the same amount in the event of yen depreciation of 1%.

Although other comprehensive income fluctuates along with the financial statement translation of foreign operations of the Group, such influence is considered as immaterial to the Group.

(ii) Interest rate risk management

In principle, the Group meets capital requirements with cash on hand, while some Group companies obtain funding as necessary for procurement of short-term working capital through interest-bearing liabilities. Because the balance of the interest-bearing liabilities is normally insignificant and is repaid in the short term, the impact of fluctuations in interest rates on profit or loss of the Group is insignificant.

(iii) Credit risk management

The Group regularly reviews the credit status of its customers, and manages credit exposure within appropriate credit limits.

As for the Company's trade receivables, the management of each business division conducts regular monitoring of aging and balances for main customers in accordance with credit risk management policy, and, in the event of collection delays, a system of assessment and response is employed to deal with each individual situation. The same type of oversight is conducted by consolidated subsidiaries in accordance with Company credit risk management policy.

The carrying amount of financial assets after impairment presented in the consolidated financial statements does not take into account any collateral obtained, and thus represents the maximum exposure to credit risk of financial assets.

(iv) Liquidity risk management

With respect to necessary liquidity, the Group mainly secures net cash flows from operating activities, while some Group companies procure funding by loans to meet short-term capital requirements.

The Group has several unused short-term commitment lines of credit with leading domestic financial institutions and several uncommitted lines of credit to reduce liquidity risk.

The remaining contractual maturities for financial liabilities are as follows:

	Millions of yen			
	Within one year	One to five years	After five years	Total
As of March 31, 2014				
Trade and other current payables	**¥26,206**	**—**	**—**	**¥26,206**
Other financial liabilities	**11,981**	**—**	**¥ 9**	**11,990**
As of March 31, 2013				
Trade and other current payables	30,034	—	—	30,034
Other financial liabilities	8,743	—	15	8,758

	Thousands of U.S. dollars			
	Within one year	One to five years	After five years	Total
As of March 31, 2014				
Trade and other current payables	**$254,427**	**—**	**—**	**$254,427**
Other financial liabilities	**116,320**	**—**	**$87**	**116,408**

(3) Fair value of financial instruments

(i) Fair value measurements

The fair values of financial assets and liabilities are determined as follows: Quoted market prices, if available, are used as fair values of financial instruments. If quoted market prices are not available, fair values of such financial instruments are estimated by using appropriate valuation techniques, such as discounting future cash flow or others.

a) Cash and cash equivalents

As for short-term investments included in cash and cash equivalents, carrying amounts and fair values are nearly identical because those investments mature in the short term.

b) Trade and other current receivables, and trade and other current payables

Because receivables and payables of the Group are financial instruments that are chiefly settled or paid in the short term, the carrying amounts of these financial instruments approximate their fair values.

c) Other financial assets

The fair values of marketable securities are estimated by using quoted market prices. Other investments include common stocks issued by unlisted companies and investments in partnerships, etc. The fair values of the common stocks of unlisted companies are calculated through discounting future cash flows or valuation models based on revenues, profitability, and net assets, as well as other valuation methods.

d) Other financial liabilities

Because other financial liabilities of the Group are chiefly settled in the short term, the carrying amounts and fair values are nearly identical. As for the borrowings, carrying amounts and fair values are nearly identical because borrowings are obtained at floating rates.

(ii) Financial instruments measured at amortized cost

The fair values of financial instruments measured at amortized cost as of March 31, 2014 and 2013 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2014		2013		**2014**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost:						
Trade and other current receivables	**¥37,803**	**¥37,803**	¥45,946	¥45,946	**$367,019**	**$367,019**
Other financial assets	**6,295**	**6,295**	6,134	6,134	**61,117**	**61,117**
Financial liabilities measured at amortized cost:						
Trade and other current payables	**26,206**	**26,206**	30,034	30,034	**254,427**	**254,427**
Other financial liabilities	**11,990**	**11,990**	8,758	8,758	**116,408**	**116,408**

Note: Financial assets and financial liabilities are mainly settled on a short-term basis, and the fair values approximate the carrying amounts. The fair values of non-current items in other financial assets and other financial liabilities are measured using the present value calculated by discounting future cash flows at the current market interest rate. All of the aforementioned financial instruments measured at amortized cost are classified as Level 2.

(iii) Financial instruments measured at fair value

The fair value hierarchy comprises the following levels:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities;

Level 2 inputs are inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the assets or liabilities.

The Group recognizes the transfers between the retrospective levels at the date of the event or the change in circumstances that caused the transfer.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement. The fair values of financial assets measured based on the fair value hierarchy and recognized in the consolidated statements of financial position are as follows:

As of March 31, 2014

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL				
Investments in capital	—	—	**¥2,858**	**¥2,858**
Stocks	—	—	**378**	**378**
Total financial assets measured at FVTPL	—	—	**¥3,236**	**¥3,236**
Financial assets measured at FVTOCI				
Stocks	**¥3,041**	—	**¥1,081**	**¥4,122**
Total financial assets measured at FVTOCI	**¥3,041**	—	**¥1,081**	**¥4,122**
Total	**¥3,041**	—	**¥4,317**	**¥7,358**

There were no transfers between Levels 1 and 2 during the year ended March 31, 2014.

As of March 31, 2013

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL				
Investments in capital	—	—	¥2,516	¥2,516
Total financial assets measured at FVTPL	—	—	¥2,516	¥2,516
Financial assets measured at FVTOCI				
Stocks	¥47	—	¥1,127	¥1,175
Total financial assets measured at FVTOCI	¥47	—	¥1,127	¥1,175
Total	¥47	—	¥3,643	¥3,690

There were no transfers among Levels 1, 2, and 3 during the year ended March 31, 2013.

As of March 31, 2014

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL				
Investments in capital	—	—	**$27,748**	**$27,748**
Stocks	—	—	**3,670**	**3,670**
Total financial assets measured at FVTPL	—	—	**$31,417**	**$31,417**
Financial assets measured at FVTOCI				
Stocks	**$29,524**	—	**$10,495**	**$40,019**
Total financial assets measured at FVTOCI	**$29,524**	—	**$10,495**	**$40,019**
Total	**$29,524**	—	**$41,913**	**$71,437**

The changes with respect to financial instruments classified as Level 3 in the fair value hierarchy are as follows:

For the year ended March 31, 2014

	Millions of yen	
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at beginning of the year	**¥2,516**	**¥1,127**
Purchases	**1,309**	—
Comprehensive income		
Profit or loss	**26**	—
Other comprehensive income	—	**11**
Sales	**(616)**	**(9)**
Transfer out of Level 3	—	**(48)**
Balance at end of the year	**¥3,236**	**¥1,081**
Gain (loss) recognized in profit or loss from financial instruments held at the year-end, net	**¥ 26**	—

For the year ended March 31, 2013

	Millions of yen	
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at beginning of the year	¥2,611	¥1,272
Purchases	164	—
Comprehensive income		
Profit or loss	1,793	—
Other comprehensive income	—	9
Sales	(2,053)	—
Others	—	(153)
Balance at end of the year	¥2,516	¥1,127
Gain (loss) recognized in profit or loss from financial instruments held at the year-end, net	¥1,793	—

For the year ended March 31, 2014

	Thousands of U.S. dollars	
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at beginning of the year	**$24,427**	**$10,942**
Purchases	**12,709**	—
Comprehensive income		
Profit or loss	**252**	—
Other comprehensive income	—	**107**
Sales	**(5,981)**	**(87)**
Transfer out of Level 3	—	**(466)**
Balance at end of the year	**$31,417**	**$10,495**
Gain (loss) recognized in profit or loss from financial instruments held at the year-end, net	**$ 252**	—

Note: The transfer occurred when the significant inputs used for measurement of fair value became observable.

With respect to the above financial instruments, gains or losses recognized in profit or loss are included in “finance income” and “finance costs” of the consolidated income statement.

The measurement of the fair value of unlisted shares is performed by the administrative section, which is independent from the investment section, in accordance with the applicable rules. For the purpose of the measurement of fair value, the Group sets valuation models that can reflect most appropriately the nature, characteristics and risks of the individual assets.

The rationale for the adoption and the valuation process of the valuation models has been reported to the risk management section of the Corporate Planning Unit; thus, the appropriateness of the policy and procedures of the fair value measurement is secured.

With respect to the securities classified as Level 3, the corresponding increase or decrease in fair value in the event that inputs are changed to reflect reasonably possible alternative assumptions is insignificant.

As to other financial instruments classified as Level 3, a significant increase or decrease in fair value in the event that inputs are changed to reflect reasonably possible alternative assumptions is not expected.

23. Share-based Payments

(1) Information on share-based payment arrangements

The Group employs stock option plans and grants stock options to directors and employees of the Group. The purpose of these plans is to motivate directors to contribute to the enhancement of performance and corporate value, and to provide them with the incentive to raise their awareness toward shareholder-oriented management, by having directors share with the shareholders the benefits of rising stock prices and the risks of falling stock prices. Moreover, these plans increase motivation and morale among employees as well, encouraging them to achieve greater Group performance and corporate value, while securing excellent human resources for the Group.

Options are granted to those individuals approved by the Board of Directors of the Company and its subsidiaries, based on resolution at the general meeting of shareholders of the Company and its subsidiaries. Options not exercised during the exercise period provided in the allocation contract will be forfeited. Moreover, the relevant options will be forfeited if the individual concerned resigns from the Group between the grant date and the vesting date.

With the goal of enhancing medium- to long-term corporate value, the Company has implemented the Stock Grant ESOP Trust as an incentive plan for employees.

Coinciding with this implementation, The Master Trust Bank of Japan, Ltd. (the Stock Grant ESOP Trust Account No. 75481, hereafter “Trust Account”) acquired shares of the Company in October 2011. The full amount that enables the Trust Account to acquire shares of the Company is funded by the Company, so that there is no burden on the employees.

The Company grants stock options and shares of the Company to employees, etc., of acquired companies as an alternate compensation system for business combinations.

The Group accounts for these share-based payment arrangements as equity-settled share-based payment transactions, and ¥460 million ($4,466 thousand) and negative ¥164 million were recorded in the consolidated income statement for the years ended March 31, 2014 and 2013, respectively. The reason for a negative balance for the year ended March 31, 2013 was a reversal of the share-based payments due to forfeiture prior to the vesting date.

(i) Stock options

Stock options granted to directors and employees of the Company and its subsidiaries who meet certain requirements are as follows:

	Number granted (shares)	Grant date	Expiration of the exercise period	Exercise price (yen)	Fair value at grant date (yen)	Exercise price (U.S. dollars)	Fair value at grant date (U.S. dollars)	Vesting conditions
3rd	40,000	July 20, 2010	July 20, 2040	¥ 1	¥2,006	$ 0.01	$19.48	(*1)
4th	114,704	November 2, 2010	November 30, 2018	103	2,034	1.00	19.75	(*2)
5th	348,337	November 2, 2010	October 25, 2019	216	1,958	2.10	19.01	(*2)
6th	758,833	November 2, 2010	April 21, 2020	467	1,822	4.53	17.69	(*2)
7th	298,248	November 2, 2010	June 30, 2020	500	1,808	4.85	17.55	(*2)
8th	297,413	November 2, 2010	November 7, 2020	2,418	1,373	23.48	13.33	(*3)
9th	168,925	May 18, 2011	May 18, 2021	2,894	1,223	28.10	11.87	(*3)
10th	34,560	June 20, 2011	June 20, 2041	1	2,777	0.01	26.96	(*1)
11th	95,465	June 11, 2012	June 11, 2042	1	1,257	0.01	12.20	(*1)
12th	68,036	May 24, 2013	May 24, 2043	1	1,411	0.01	13.70	(*1)

(*1) The vesting conditions are not presented. The exercise conditions of stock options are as follows:

1. Directors to whom the share acquisition rights are granted can exercise their share acquisition rights within 10 days from the following day of their resignation.
2. In the event of the holder's death, heirs of the holder to whom the share acquisition rights are transferred can exercise the share acquisition rights.
3. Other exercise conditions are defined in the "Allocation Contract of Share Acquisition Rights" entered into between the holders and the Company. Contracts for the 3rd, 10th and 11th stock options are based on the resolution of the 12th Ordinary General Meeting of Shareholders held on June 26, 2010, and the resolution of the Board of Directors, whereas contracts for the 12th stock options are based on the resolution of the 15th Ordinary General Meeting of Shareholders held on June 22, 2013, and the resolution of the Board of Directors.

(*2) Continuous employment from the grant date to the vesting date is a vesting condition. The conditions concerning the exercise of stock options are as follows:

1. The share acquisition rights were issued as an alternate compensation for the acquisition of ngmoco, LLC on November 9, 2010.
2. If a Holder of the share acquisition rights (a "Holder") is Terminated for any reason, except death, Disability or for Cause, the Holder may only exercise his or her share acquisition rights which are vested and exercisable on the Termination Date no later than three months after the Termination Date, but in any event no later than the expiration date. If a Holder is Terminated because of death or Disability of the Holder (or the Holder dies within three months of Termination when Termination is for any reason other than the Holder's Disability or for Cause), the Holder or his or her heir(s) may only exercise the share acquisition rights which are vested and exercisable on the Termination Date no later than 12 months after the Termination Date, but in any event no later than the expiration date.

If a Holder is Terminated for Cause, the Holder may only exercise his or her share acquisition rights which are vested and exercisable on the Termination Date only upon such Termination Date.

"Cause" means (i) willful failure substantially to perform the material employment duties and responsibilities to the Employer, the Company or any of the Employer's or the Company's affiliates, or willful violation of a material policy of the Employer, the Company or any of the Employer's or the Company's affiliates; (ii) commission of any act of fraud, embezzlement, material dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Employer, the Company or any of the Employer's or the Company's affiliates; (iii) unauthorized use or disclosure of any proprietary information or trade secrets of the Employer, the Company or any of the Employer's or the Company's affiliates; or (iv) willful breach of any obligations under any written agreement or covenant with the Employer, the Company or any of the Employer's or the Company's affiliates, provided that such breach of any of the foregoing other than (ii) or (iii) is not resolved to the reasonable satisfaction of the Company within 30 calendar days after receipt of written notice of such failure from the Company.

"Disability" means a disability, whether temporary or permanent, partial or total, as determined by the Board of Directors of the Company.

"Employer" means the employer of the Holder or the client of the Holder as a consultant to the extent that it is the Company or any parent or subsidiary of the Company.

"Termination" or "Terminated" means that the Holder has for any reason ceased to provide services as an employee, officer, director or consultant to the Employer. The Holder will not be deemed to have ceased to provide services in the case of sick leave, military leave, or any other leave of absence approved by the Board of Directors of the Company; provided that such leave is for a period of not more than 90 days (a) unless reinstatement upon the expiration of such leave is guaranteed by contract or statute, or (b) unless provided otherwise pursuant to formal policy adopted from time to time by the Board of Directors of the Company and issued and promulgated in writing. The Board of Directors of the Company will have sole discretion to determine whether a Holder has ceased to provide services and the effective date on which the Holder ceased to provide services (the "Termination Date").

(*3) Continuous employment from the grant date to the vesting date is a vesting condition. The conditions concerning the exercise of stock options are as follows:

If a Holder is Terminated for any reason, except death, Disability or for Cause, the holder may only exercise his or her share acquisition rights which are vested and exercisable on the Termination Date no later than three months after the Termination Date, but in any event no later than the expiration date. If a Holder is Terminated because of death or Disability of the Holder (or the Holder dies within three months of Termination when Termination is for any reason other than the Holder's Disability or for Cause), the Holder or his or her heir(s) may only exercise the share acquisition rights which are vested and exercisable on the Termination Date no later than 12 months after the Termination Date, but in any event no later than the expiration date.

If a Holder is Terminated for Cause, the Holder may only exercise his or her share acquisition rights which are vested and exercisable on the Termination Date only upon such Termination Date.

(ii) Stock grants

An outline of stock grants provided to employees, etc., of the Company and its subsidiaries who meet certain requirements is as follows:

	Number granted (shares)	Grant date	Fair value at grant date (yen)	Fair value at grant date (U.S. dollars)	Vesting conditions
Stock grant (excluding ESOP)	1,363,343	November 2, 2010	¥2,418	$23.48	(*1)
2013 Stock grant (ESOP)	123,842	April 2012–March 2013	1,638–3,025	15.90–29.37	(*2)
2014 Stock grant (ESOP)	250,890	April 2013–March 2014	1,775–2,868	17.23–27.84	(*2)

(*1) Continuous employment from the grant date to the vesting date is a vesting condition. This stock grant was an alternate compensation for the acquisition of ngmoco, LLC, which became a subsidiary as of November 9, 2010.

(*2) Continuous employment from the grant date to the vesting date is a vesting condition.

(2) Assumptions in determination of fair values

(i) Stock options

The Company's stock options are valued using the Black-Scholes model. The assumptions used in the Black-Scholes model for stock options granted for the years ended March 31, 2014 and 2013 are as follows:

	11th	12th
Stock price at grant date (yen)	¥1,721	¥2,039
Exercise price (yen)	¥1	¥1
Stock price at grant date (U.S. dollars)	$16.71	$19.80
Exercise price (U.S. dollars)	$0.01	$0.01
Expected volatility (*1)	57.30%	57.41%
Expected remaining period	15 years	15 years
Expected dividend per share (yen) (*2)	¥36	¥50
Risk free rate (*3)	1.36%	1.32%

(*1) Calculated based on historical weekly stock prices over the most recent period corresponding to the expected remaining period.
(*2) Calculated based on past dividends paid.
(*3) The yield of the Japanese government bond for a period approximately corresponding to the expected remaining period is adopted.

(ii) Stock grants

With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values. The number and weighted average fair value of the shares granted during the years ended March 31, 2014 and 2013 are as follows:

	2014	2013
Number of shares granted under ESOP	250,890	123,842
Weighted average fair value of the shares granted (yen)	¥2,354	¥2,533
Weighted average fair value of the shares granted (U.S. dollars)	$22.85	$24.59

(3) Number and weighted average exercise price

For the year ended March 31, 2014

	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	Stock grants
Exercise price (yen)	¥1	¥103	¥216	¥467	¥500	¥2,418	¥2,894	¥1	¥1	¥1	—
Exercise price (U.S. dollars)	$0.01	$1.00	$2.10	$4.53	$4.85	$23.48	$28.10	$0.01	$0.01	$0.01	—
Outstanding at the beginning of the year (shares)	40,000	15,680	16,579	80,926	53,815	60,829	50,940	34,560	76,372	—	389,196
Granted during the year (shares)	—	—	—	—	—	—	—	—	—	68,036	250,890
Forfeited during the year (shares)	—	—	3,740	6,789	8,263	28,993	33,078	—	—	—	223,025
Exercised during the year (shares)	—	2,040	12,839	32,075	28,184	—	—	—	—	—	126,283
Expired during the year (shares)	—	—	—	—	—	—	—	—	—	—	—
Outstanding at the end of the year (shares)	40,000	13,640	—	42,062	17,368	31,836	17,862	34,560	76,372	68,036	290,778
Exercisable at the end of the year (shares)	40,000	13,640	—	42,062	17,368	31,836	14,517	34,560	76,372	68,036	—
Remaining contract years	26.3 years	4.7 years	5.6 years	6.1 years	6.2 years	6.6 years	7.1 years	27.2 years	28.2 years	29.1 years	—

For the year ended March 31, 2013

	3rd	4th	5th	6th	7th	8th	9th	10th	11th	Stock grants
Exercise price (yen)	¥1	¥103	¥216	¥467	¥500	¥2,418	¥2,894	¥1	¥1	—
Outstanding at the beginning of the year (shares)	40,000	63,299	117,995	434,477	120,723	136,563	108,797	34,560	—	1,171,186
Granted during the year (shares)	—	—	—	—	—	—	—	—	95,465	123,842
Forfeited during the year (shares)	—	29,821	64,662	254,908	54,721	75,734	57,857	—	—	479,927
Exercised during the year (shares)	—	17,798	36,754	98,643	12,187	—	—	—	19,093	425,905
Expired during the year (shares)	—	—	—	—	—	—	—	—	—	—
Outstanding at the end of the year (shares)	40,000	15,680	16,579	80,926	53,815	60,829	50,940	34,560	76,372	389,196
Exercisable at the end of the year (shares)	40,000	15,680	16,579	80,926	53,815	60,829	32,289	34,560	76,372	—
Remaining contract years	27.3 years	5.7 years	6.6 years	7.1 years	7.2 years	7.6 years	8.1 years	28.2 years	29.2 years	—

(4) Exercise of stock options

The exercise of stock options is as follows:

For the year ended March 31, 2014

	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	Stock grants
Exercised during the year (shares)	—	2,040	12,839	32,075	28,184	—	—	—	—	—	126,283

For the year ended March 31, 2013

	3rd	4th	5th	6th	7th	8th	9th	10th	11th	Stock grants
Exercised during the year (shares)	—	17,798	36,754	98,643	12,187	—	—	—	19,093	425,905

The weighted average stock prices for the years ended March 31, 2014 and 2013 are ¥2,147 ($20.84) and ¥2,423, respectively.

24. Finance Income and Finance Costs

(1) Finance income

The breakdown of finance income for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Interest income			
Financial assets measured at amortized cost	**¥ 17**	¥ 24	**$ 165**
Dividend income			
Financial assets measured at FVTOCI	**11**	11	**107**
Gains on securities			
Financial assets measured at FVTPL	**37**	1,792	**359**
Foreign exchange gains	**651**	723	**6,320**
Others	**—**	—	**—**
Total	**¥716**	¥2,549	**$6,951**

(2) Finance costs

The breakdown of finance costs for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Interest expenses			
Financial liabilities measured at amortized cost	**¥10**	¥ 34	**$ 97**
Others	**2**	3	**19**
Losses on securities			
Financial assets measured at FVTPL	**—**	—	**—**
Foreign exchange losses	**—**	—	**—**
Others	**43**	236	**417**
Total	**¥55**	¥273	**$534**

* Others in finance costs are chiefly losses on sales of stocks of subsidiaries and associates.

25. Revenue

Substantially all revenue is derived from services rendered.

26. Cost of Sales

The breakdown of cost of sales for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Employee benefit expenses	**¥ 4,476**	¥ 4,190	**$ 43,456**
Commission fees	**31,925**	33,252	**309,951**
Depreciation and amortization	**7,103**	5,173	**68,961**
Outsourcing expenses	**10,665**	8,702	**103,544**
Advertising media expenses	**414**	425	**4,019**
Rent expenses	**1,641**	1,507	**15,932**
Communication expenses	**1,024**	891	**9,942**
Others	**2,529**	2,462	**24,553**
Total	**¥59,777**	¥56,604	**$580,359**

The breakdown of employee benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Wages and salaries	**¥3,727**	¥3,405	**$36,184**
Legal welfare expenses	**427**	402	**4,146**
Others	**322**	383	**3,126**
Total	**¥4,476**	¥4,190	**$43,456**

27. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Employee benefit expenses	**¥11,536**	¥10,151	**$112,000**
Commission fees	**27,545**	24,622	**267,427**
Advertising expenses	**6,427**	11,178	**62,398**
Sales promotion expenses	**10,013**	11,715	**97,214**
Depreciation and amortization	**1,060**	827	**10,291**
Outsourcing expenses	**3,165**	2,161	**30,728**
Recruiting expenses	**1,038**	1,288	**10,078**
Rent expenses	**2,462**	2,582	**23,903**
Others	**4,655**	4,551	**45,194**
Total	**¥67,901**	¥69,075	**$659,233**

The breakdown of employee benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Wages and salaries	**¥ 8,551**	¥ 8,247	**$ 83,019**
Share-based payments	**460**	(164)	**4,466**
Legal welfare expenses	**1,153**	1,016	**11,194**
Others	**1,373**	1,052	**13,330**
Total	**¥11,536**	¥10,151	**$112,000**

28. Other Income and Other Expenses

(1) Other income

The breakdown of other income for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Gain on expiration of contractual obligations	**¥286**	¥285	**$2,777**
Gain on bad debts recovered	**76**	89	**738**
Gain on sales of fixed assets	**12**	6	**117**
Others	**187**	224	**1,816**
Total	**¥560**	¥603	**$5,437**

(2) Other expenses

The breakdown of other expenses for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Loss on sales and disposals of fixed assets	**¥857**	¥365	**$8,320**
Others	**140**	186	**1,359**
Total	**¥997**	¥551	**$9,680**

29. Other Comprehensive Income

The breakdown of each component of other comprehensive income and related tax effect for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			**2014**		
	Before tax effect	Tax effect	After tax effect	Before tax effect	Tax effect	After tax effect	Before tax effect	Tax effect	After tax effect
Other comprehensive income attributable to owners of the parent									
Gains (losses) from investments in equity instruments									
Amount arising during the year	**¥3,276**	**¥(1,179)**	**¥2,097**	¥ (3)	¥140	¥ (143)	**$31,806**	**$(11,447)**	**$20,359**
Foreign currency translation adjustments									
Amount arising during the year	**3,370**	**—**	**3,370**	4,760	—	4,760	**32,718**	**—**	**32,718**
Others									
Amount arising during the year	**23**	**—**	**23**	46	—	46	**223**	**—**	**223**
Total other comprehensive income attributable to owners of the parent	**6,668**	**(1,179)**	**5,489**	4,804	140	4,664	**64,738**	**(11,447)**	**53,291**
Other comprehensive income attributable to non-controlling interests									
Gains (losses) from investments in equity instruments									
Amount arising during the year	**0**	**(0)**	**0**	1	0	0	**0**	**(0)**	**0**
Foreign currency translation adjustments									
Amount arising during the year	**1**	**—**	**1**	1	—	1	**10**	**—**	**10**
Total other comprehensive income attributable to non-controlling interests	**1**	**(0)**	**1**	2	0	2	**10**	**(0)**	**10**
Total other comprehensive income	**¥6,668**	**¥(1,179)**	**¥5,489**	¥4,806	¥140	¥4,666	**$64,738**	**$(11,447)**	**$53,291**

30. Earnings per Share

The basis for calculating earnings per share attributable to owners of the parent for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Profit for the year attributable to owners of the parent	**¥31,661**	¥45,581	**$307,388**

	Number of shares	
	2014	2013
Weighted average number of common shares outstanding during the year—basic	**130,527,052**	136,741,257
Effect of dilutive potential common shares:		
Stock options, etc.	**312,819**	405,265
Weighted average number of common shares outstanding during the year—diluted	**130,839,871**	137,146,522

	Yen		U.S. dollars
	2014	2013	**2014**
Earnings per share attributable to owners of the parent			
Basic earnings per share	**¥242.56**	¥333.34	**$2.35**
Diluted earnings per share	**241.98**	332.35	**2.35**

31. Business Combinations

Not applicable.

32. Contingent Liabilities

The Group has no significant contingent liabilities.

33. Commitments

The Group has no significant contract liabilities.

34. Subsequent Events

Not applicable.

35. Related Party Transactions

(1) Related party transactions

Transactions and the balances of debts and credits with associates as of and for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Trade and other current receivables	**¥ 76**	¥ 82	**$ 738**
Other current financial assets	**—**	53	**—**
Other non-current financial assets	**—**	—	**—**
Trade and other current payables	**1,106**	1,570	**10,738**
Revenue	**727**	136	**7,058**
Cost of sales	**8,515**	2,668	**82,670**

(2) Key management compensation

Key management compensation for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Short-term employee benefits	**¥365**	¥409	**$3,544**
Share-based payments	**96**	120	**932**
Total	**¥461**	¥529	**$4,476**

36. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Company's Chairman of the Board of Directors, Makoto Haruta, and Representative Director, President, and CEO, Isao Moriyasu, on June 23, 2014.

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Independent Auditor's Report

The Board of Directors
DeNA Co., Ltd.

We have audited the accompanying consolidated financial statements of DeNA Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2014, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DeNA Co., Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with Internal Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 23, 2014

Corporate Overview

Corporate Information (As of March 31, 2014)

Company Name	DeNA Co., Ltd.
Date of Establishment	March 4, 1999
Headquarters	Shibuya Hikarie, 21-1, Shibuya 2-chome, Shibuya-ku, Tokyo 150-8510, Japan
Capital	¥10,397 million
Number of Employees	2,197 (Consolidated)
Business Profile	Social Media Business, E-commerce Business, Other
Fiscal Year-end	March 31
Accounting Auditor	Ernst & Young ShinNihon LLC

Directors and Corporate Auditors (As of June 21, 2014)

Directors	Director and Chairman	Makoto Haruta	
	Representative Director, President, and Chief Executive Officer	Isao Moriyasu	
	Founder and Director	Tomoko Namba	
	Director and Chief Technology Officer	Shuhei Kawasaki	
	Director and General Manager of Multi-Region Game Division	Kenji Kobayashi	
	Outside Director	Rehito Hatoyama	Managing Director, Sanrio Company, Ltd.
Corporate Auditors	Standing Corporate Auditor (Outside)	Taketsune Watanabe	
	Corporate Auditor (Outside)	Masaru Iida	Lawyer
	Corporate Auditor (Outside)	Hisaaki Fujikawa	Lawyer; Professor, Graduate School of Law of Aoyama Gakuin University Faculty of Law
	Corporate Auditor	Yukinao Kondo	

Principal Consolidated Subsidiaries (As of March 31, 2014)

Company Name	Country	Paid-in Capital	Ownership Percentages	Principal Lines of Business
Mobaoku Co., Ltd.	Japan	¥200 million	66.6%	Operation of a shopping site and a mobile auction site
Paygent Co., Ltd.	Japan	¥400 million	50.0%	Processing settlement services for e-commerce transactions
AIR LINK Co., Ltd.	Japan	¥100 million	100% (14.4%)	Travel agency business, insurance agency business
EveryStar Co., Ltd.	Japan	¥800 million	70.0%	Operation of user-generated content media on mobile devices
Yokohama DeNA Baystars Baseball Club, Inc.	Japan	¥100 million	97.7%	Operation of a professional baseball team
DeNA Global, Inc.	U.S.A.	US$519 million	100%	Operation of social media business outside Japan
ngmoco, LLC	U.S.A.	US$150 million	100% (100%)	Same as company above
WAPTX LTD.	British West Indies	US$24 million	99.0%	Same as company above

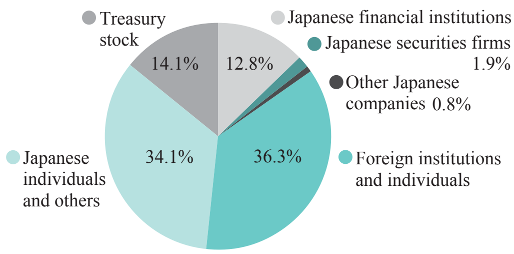
Note: Ownership percentages in parentheses indicate the portion within the total percentage ownership that is held indirectly.

Stock Information

(As of March 31, 2014)

Securities Code	2432
Stock Listing	Tokyo Stock Exchange, First Section
Date of Listing	February 16, 2005
Number of Shares per Trading Unit	100
Annual General Meeting of Shareholders	June
Record Date for Dividends	March 31
Shareholder Registrar	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Number of Shares	Authorized: 540,900,000 shares
	Issued: 150,810,033 shares
Number of Shareholders	45,210

Distribution of Ownership (Thousands of shares)



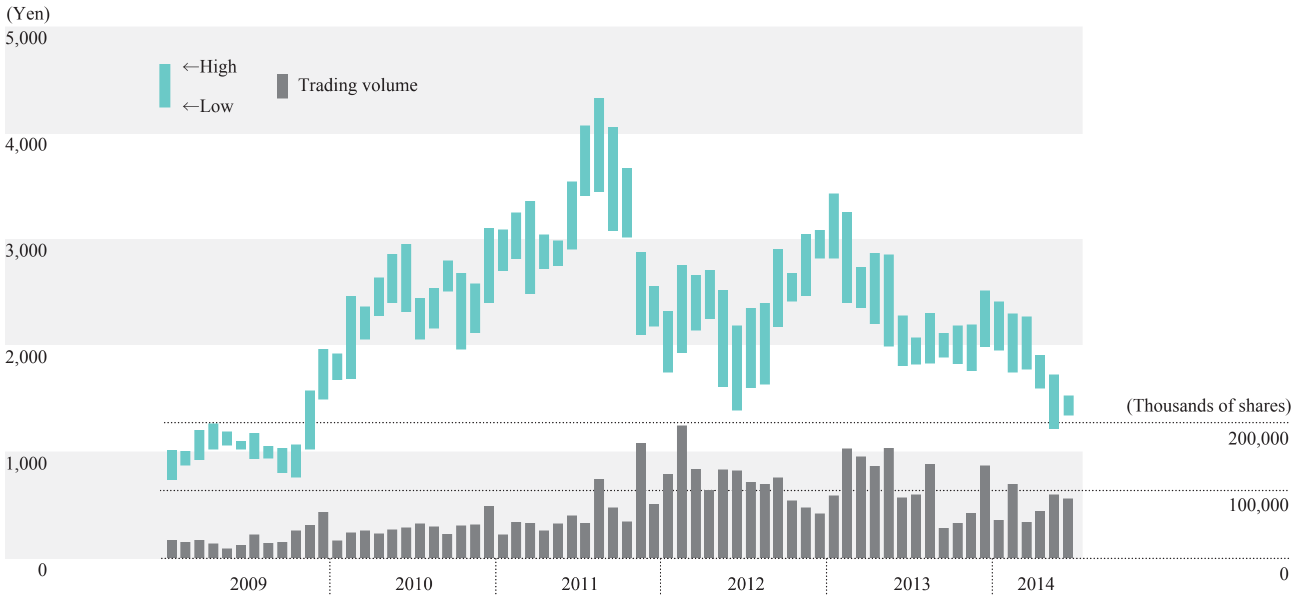
Note: Treasury stock includes 648,844 Company shares held in an employee stock ownership plan (ESOP).

Principal Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Total Outstanding Shares (%)
Tomoko Namba	19,733	15.24
MSCO Customer Securities	10,878	8.40
Shogo Kawada	4,029	3.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,495	2.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,940	2.27
JP MORGAN CHASE BANK 380072	2,873	2.22
Japan Trustee Services Bank, Ltd. (Trust Account)	2,846	2.20
OM 04 SSB Client Omnibus	2,538	1.96
Chase Manhattan Bank GTS Clients Account Escrow	2,089	1.61
BNP Paribas Securities Services Luxembourg Jasdec Securities	2,050	1.58

Notes: 1. Ownership percentages have been calculated after the deduction of 21,283,601 shares of treasury stock (including 648,844 Company shares held in ESOP trust).
2. The Company holds 21,283,601 shares of treasury stock, but they have been excluded from the list of principal shareholders shown above.
3. The number of shares held is rounded down to the nearest thousand, whereas percentage of total outstanding shares is rounded off to two decimal places.

Stock Price and Trading Volume (As of June 30, 2014)



Note: The Company conducted a 3-for-1 stock split on November 18, 2005, and a 300-for-1 stock split on June 1, 2010. Stock prices and trading volume have been adjusted retroactively to maintain continuity within historical stock prices and trading volume.

DeNA Co., Ltd.

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