DeNA

DeNA Co., Ltd.   Annual Report 2011

DeNA was founded in 1999 as an operator of an online auction service. Since then, the DeNA Group has consistently grown with an ever-expanding lineup of online services ranging from shopping malls, mobile auctions, mobile advertising and mobile social networking to its most recent offering, social games. This was not possible without our high-caliber human resources. DeNA people are keenly aware of their professionalism and carry a strong sense of pride and responsibility in representing DeNA in their respective domains.

The rapid, worldwide penetration of smartphones is providing DeNA with an excellent opportunity to apply its know-how for mobile services accumulated in Japan to the global stage. We have not seen many Japanese companies over the past 30 years that have started from scratch and catapulted to become global leaders in their industries. DeNA has boldly set this challenge for itself and is moving with a speed and decisiveness unmatched in the industry. DeNA's current focus is to establish Mobage as the number one social gaming platform in the world by expanding its virtual community-based network.

CONTENTS

DeNA's Growth

Online Auctions

1999

- DeNA is founded.
- bidders auction site is launched.

Shopping Mall

2001

- Online shopping service is added to bidders.

Mobile Auctions and Mobile Advertising

2004

- Mobaoku mobile phone auction site is launched.
- Pocket bidders mobile phone shopping site is launched.
- Pocket Affiliate, an affiliated advertising network for mobile phones, is launched.

DeNA has created a series of powerful growth engines in the rapidly changing business environment.

DeNA's earnings are evidence of society's valuation of its services. DeNA will continue to create new value added for society.

Highlights in Japan's mobile phone industry

1999	2000	2001	2002	2003	2004
Mobile Internet service begins	Mobile phones with cameras are launched	3G mobile services start		Operators begin offering flat-rate mobile data plans	

Mobile SNS

2005

- DeNA goes public on the Mothers Section of the Tokyo Stock Exchange.

2006

- Mobage* is launched.
- Mobapay payment escrow service is launched.

2007

- DeNA lists on the First Section of the Tokyo Stock Exchange.

2008

- Mobage's membership surpasses 10 million.

* Former name "Moba-ge-town"

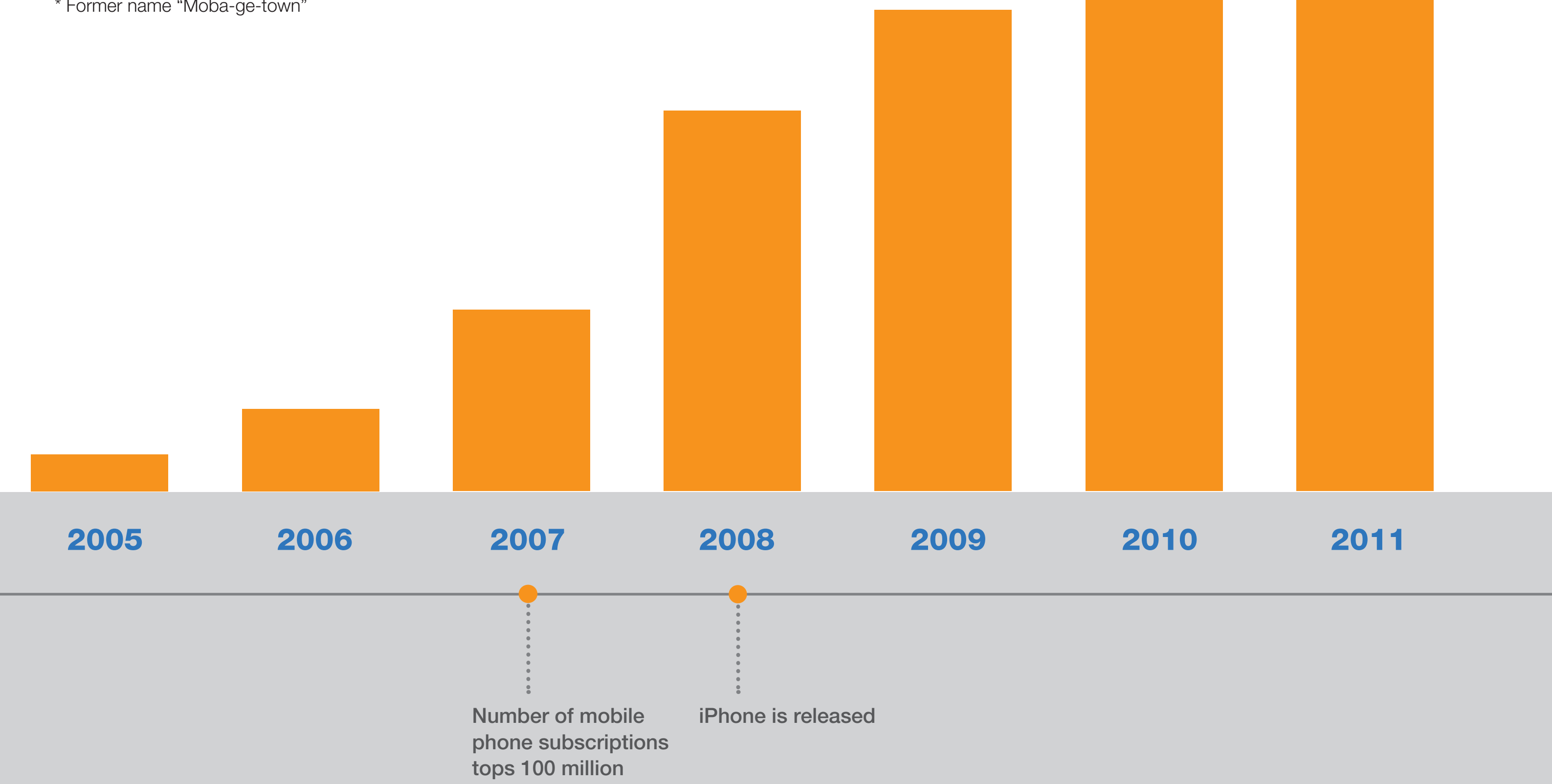
Social Games

2009

- First in-house social games are launched.

2010

- Mobage platform is opened for third-party developers.
- E★Everystar is formally launched.
- Mobage's membership surpasses 20 million.
- Yahoo! Mobage is launched for PCs.
- Mobage for smartphones is launched.



Seven-Year Financial Summary

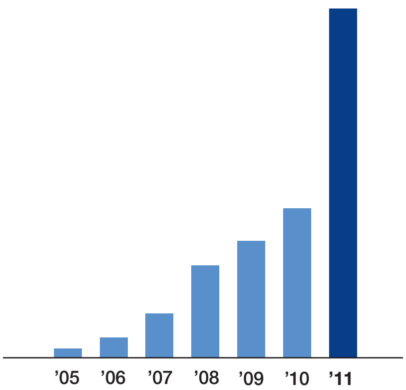
DeNA Co., Ltd. and Consolidated Subsidiaries

As of or for the years ended March 31*1	2005	2006
Net sales	¥2,871	¥ 6,429
Operating income	483	1,883
Net income	440	1,487
Total assets	5,517	13,295
Total net assets*2	4,649	10,888
Net cash provided by operating activities	810	2,464
Net cash used in investing activities	(287)	(296)
Free cash flow*3	523	2,168
Net cash (used in) provided by financing activities	3,280	5,055
Capital expenditures	266	356
Depreciation and amortization	203	238
Ratio of operating income to net sales (%)	16.8	29.3
Return on equity (%)	15.8	19.1
Shareholders' equity ratio (%)	84.3	81.9
Consolidated payout ratio (%)	—	—
Net income per share—basic (Yen)	¥ 3.61	¥10.93
Net income per share—diluted (Yen)	3.59	10.51
Net assets per share (Yen)	34.37	76.44
Cash dividends per share (Yen)	—	—

*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 year ended March 31, 2005 are for the parent company only because consolidated statements were not prepared.
*2: Total net assets as of and before March 31, 2006 is presented in accordance with the previous accounting standard for presentation of net assets under which minority interests are not included in total net assets.
*3: Free cash flow = Net cash provided by operating activities + Net cash used in investing activities
4: 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.
5: The U.S. dollar amounts stated above have been translated from yen, for readers' convenience only, at the rate of ¥83=U.S.$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2011.

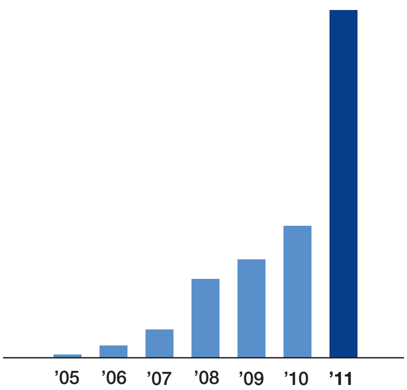
Net Sales

¥112,729 million



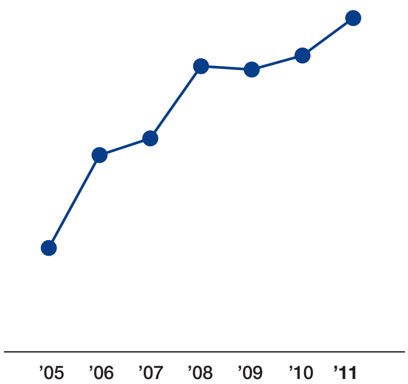
Operating Income

¥56,097 million



Ratio of Operating Income to Net Sales

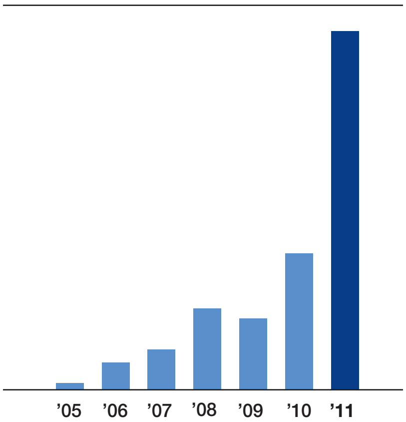
49.8%



	2007	2008	2009	2010	Yen (Millions) 2011	U.S. dollars (Thousands) 2011
	¥14,182	¥29,736	¥37,607	¥48,106	**¥112,729**	**$1,358,181**
	4,506	12,662	15,843	21,266	**56,097**	**675,867**
	2,539	6,776	7,956	11,371	**31,604**	**380,771**
	21,120	32,847	37,335	55,273	**127,216**	**1,532,723**
	14,509	21,234	25,654	36,652	**82,445**	**993,313**
	4,885	9,207	9,471	13,528	**47,916**	**577,301**
	(1,656)	(2,682)	(3,752)	(2,540)	**(18,949)**	**(228,301)**
	3,229	6,525	5,719	10,988	**28,967**	**349,000**
	479	(390)	(4,020)	(1,004)	**(816)**	**(9,831)**
	1,129	1,987	1,648	2,163	**2,474**	**29,807**
	377	889	1,365	1,516	**1,917**	**23,096**
	31.8	42.6	42.1	44.2	**49.8**	
	20.8	40.4	36.1	38.7	**56.8**	
	63.9	61.0	64.5	62.6	**60.2**	
	9.8	12.9	10.9	15.0	**15.5**	
	¥17.72	¥ 46.59	¥ 55.05	¥ 79.84	**¥218.74**	**$2.64**
	17.41	46.48	—	—	**218.10**	**2.63**
	93.02	137.40	169.16	242.97	**519.45**	**6.26**
	1.73	6.00	6.00	12.00	**34.00**	**0.41**

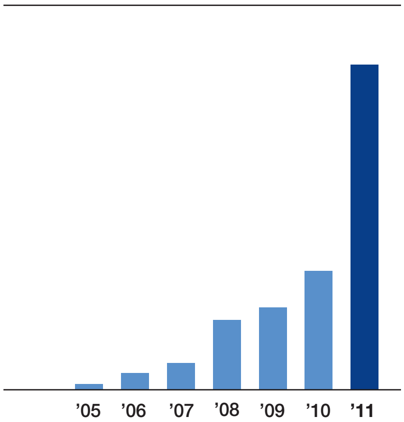
Free Cash Flow

¥28,967 million



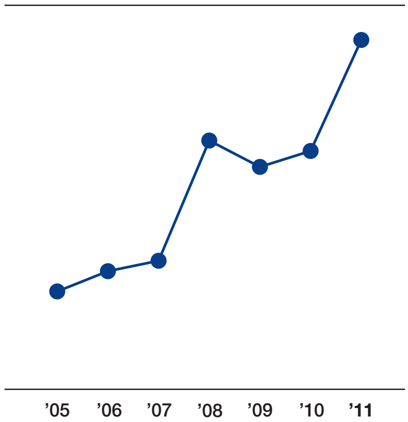
Net Income per Share—Basic

¥218.74



Return on Equity

56.8%



Our Goal Is to Attain Dramatic Growth in the International Arena and Become the World's Number One Social Gaming Platform.

Q1 DeNA reported a strong performance again in fiscal 2010. What factors were responsible for this?

DeNA posted its seventh consecutive year of record high sales and income in fiscal 2010, ended March 31, 2011. We generated ¥112.7 billion in consolidated net sales for a 134% increase over the previous year, and we raised operating income by 164%, to ¥56.1 billion.

The launch of social games on Mobage in October 2009 fueled dramatic growth as sales of virtual goods for social games offered through Mobage became the main driver of our rapid growth in fiscal 2010. This rapid business expansion brought with it increases in fees paid, advertising and promotional expenses and other costs and expenses, but our growing sales of highly profitable social games offset these higher costs.

In social gaming development and operations, we are drawing on our extensive e-commerce site operating expertise as well as our know-how for creating excitement and generating maximum interest in the Mobage virtual community. To help us understand our customers' interests and "touchy-feely" sensibilities, even in areas that have been difficult to quantify, we do intensive analysis on the vast amount of accumulated data we collect. Then, we actively apply our findings to our day-to-day "game tuning" to constantly improve game quality and stimulate customer desire to repeatedly play the games.

To stimulate and satisfy our customers' wide-ranging needs and interests, in January 2010, we introduced the Mobage Open Platform, which enables users to access games of third-party developers in addition to games DeNA has created in-house. By March 31, 2011, we were offering an immense and rich variety of 869 game titles from some 317 game developers. We are not stopping there and are continuing to add new titles all the time.

Our efforts to effectively supply both quality and quantity designed to customer needs have created a perpetual attraction that continues drawing customers back to Mobage. The visible result was the remarkable growth in game-related sales last year.

We are also conducting aggressive advertising and promotional campaigns, especially TV commercials. Our catchphrase and branding theme, "Mobage—for with-it adults," has been well-received, and has broadened our customer base into people in their 30s and higher, who have more purchasing power than the younger people, and increased our average revenue per customer.

Identifying and expanding into new business arenas has been the DeNA modus operandi since our founding and has fueled the growth of the DeNA Group. Looking at the dramatic growth we saw last year, we feel strongly that we are on the verge of entering the next, higher stage in our development.

Q2 What is your growth strategy for the medium-to-long term?

We are aiming to establish the DeNA Group as the number one social gaming platform in the world. Our current long-term vision is to attain annual operating income of ¥200 billion by the year ending in March 2015. None of Japan's Internet-related companies have really achieved major success in the world market. Our aim is to raise annual sales to the ¥400 billion–¥500 billion level by 2015 with 50% from international sales, which would make us a leading company in our industry that is truly global.

We are implementing a two-pronged growth strategy to realize our long-term vision. The first is our cross-device, or X-device, strategy, where we are going to create a multi-device platform that will be fully accessible on all varieties of information terminals, including conventional feature phones, PCs, and smartphones. Our second strategy is our cross-border, or X-border, strategy, in which we take our X-device platform to the global level.

Our key phrase is "smartphone x virtual community x social game." In developing our activities internationally, we are going to concentrate our corporate resources on the social gaming business for smartphones. We plan to fully

Representative Director and President **Isao Moriyasu** leverage the original expertise we have cultivated in Japan, which is a unique asset that sets us apart from competitor companies in the United States and Europe.

We plan to seize the opportunities presented by the rapid growth of the smartphone market worldwide to expand our customer base while simultaneously implementing initiatives to expand our average revenue per customer. We believe these strategies will spark business growth needed to attain our long-term targets.

Q3 What progress did DeNA make toward implementing its growth strategy during fiscal 2010?

The year was a time of major advances in putting into place systems for implementing our growth strategy.

First, we made important progress toward the objectives of our X-device strategy in Japan by making our services, which have been centered around conventional feature phones, accessible on PCs, smartphones, and other devices. In October 2010, based on our tie-up with Yahoo Japan Corporation, we began providing our Yahoo! Mobage service on PCs. In December, we launched Mobage for smartphones, a browser-version service for iPhones and smartphones equipped with Android.

Steps to speed up our X-border strategy included active pursuit of M&A and operating alliances. One major advance was the September 2010 acquisition of Gameview Studios, of the United States, which develops and offers social gaming applications for smartphones. Gameview Studios is now working to expand offerings of our game titles and strengthen its development systems.

We also acquired ngmoco, of the United States, in November 2010 and launched the Mobage service globally in July. This company is also developing the ngCore game development engine, and we seconded staff to ngmoco and focused management resources on the project. The maximum price for the ngmoco acquisition will be US$400 million, making it our largest to date. We expect ngmoco to play a critical role in the international development of DeNA Group activities.

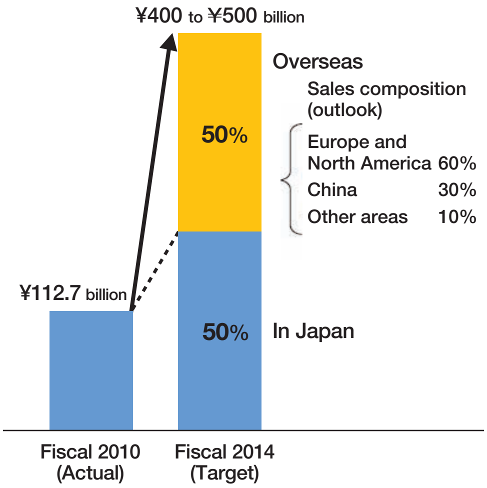
In December 2010, DeNA also concluded a strategic alliance with Samsung Electronics, of South Korea, and preparations are moving ahead to offer Mobage on Samsung Electronics' Android-based smartphones, which the company plans to market worldwide. The first major accomplishment from this alliance was the June 2011 launch of the "Game Hub" Mobage social game platform on Samsung's GALAXY S II, which is marketed in Japan.

Q4 Could you please comment further on the ngCore game engine?

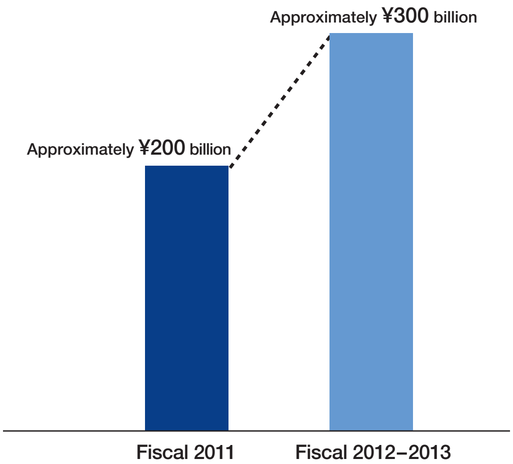
Game engines, such as ngCore, are the basis for new game development, and they play an important role by enabling us to expand our lineup of game offerings and meet a wider range of customer needs and interests.

The DeNA Group is optimizing the ngCore development engine for Mobage and will provide it to game developers. Developers will be able to use ngCore to create games for iPhone and Android terminals. The ngCore game engine will enable developers to take full advantage of the special features of the Mobage platform while the ability to use the engine for both iPhone and Android will shorten the time it takes to create new games and lower their costs.

Net Sales



Social Game Market in Japan



Source: DeNA estimates

Mobage is also compatible with Unreal, Unity, and other game engines that feature high-level graphics. This versatility will give developers even more reason to choose the Mobage platform. The growing abundance of truly dazzling games and the realization of the full potential of smartphones will lure more “core gamers” that were previously beyond the reach of social games accessible on conventional feature phones. Mobage’s compatibility with a range of game engines will enable us to offer a wide spectrum of games from light casual to full-scale games with rich graphics. We expect this to make a quantum difference in the value of the Mobage platform.

Q5 What will be your priority strategies in fiscal 2011?

We think the global expansion of the smartphone market will provide a major boost to the growth of the DeNA Group. The structural change in the market is presenting great opportunities for the Group to expand its business activities and move closer to its objective of being the “world’s number one social gaming platform.” We will do everything in our power to take full advantage of these opportunities. As we capitalize on the unique strengths of maintaining our own gaming platform and our own in-house developed games, we will also aggressively advance our X-device and X-border strategies to attain worldwide market penetration for Mobage. Fiscal 2011 will be a crucial year for making this happen. We will make the most of DeNA’s unrivaled speed for launching into action and continue aggressively developing our business activities.

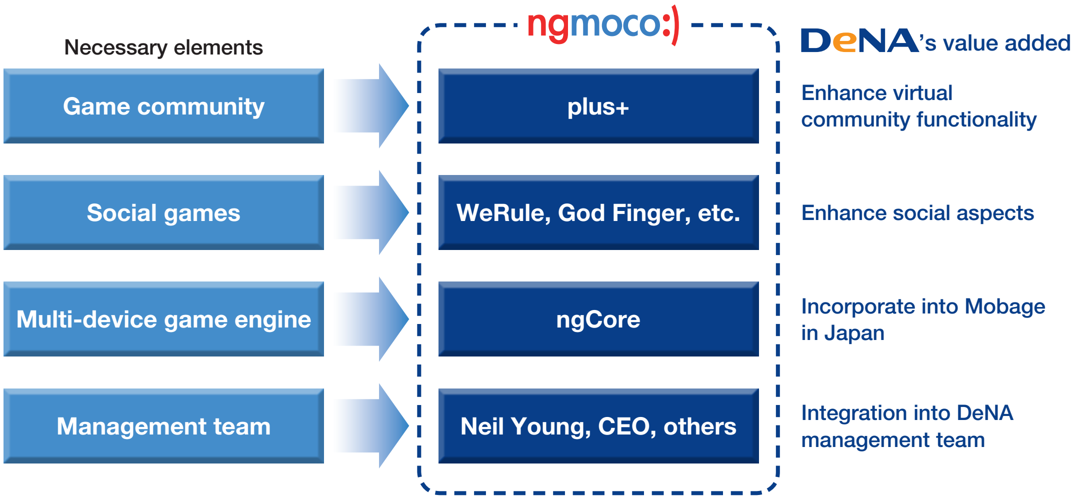
Our plan to develop Mobage outside Japan initially focused on Europe, the United States, and China. We launched Mobage services in Europe and the United States in July 2011. In ngmoco, we have the know-how for developing and operating social games on smartphones in English-speaking countries. In DeNA Japan, we have the capability to develop and operate social games on feature phones and also expertise in operating virtual communities. The global development and launch of Mobage, which utilized know-how from throughout the Group, began with the offering of basic functions on a social game platform and then will be followed by progressive expansion and strengthening of its community functions.

At Gameview Studios, we doubled sales of virtual goods for social games in three months by sharing our know-how for attracting customers and marketing. We are positioning Gameview Studios as a strategic development base for the DeNA Group and are working to strengthen and expand Gameview’s systems.

We will develop Mobage’s position in China by focusing mainly around WAPTX, a company we acquired in 2009. In July 2011, we started offering Mobage for smartphones while also encouraging the active participation of game developers in China. In South Korea, the online game market is highly developed and top-quality game developers are emerging. We established DeNA Seoul Co., Ltd., a subsidiary, in June 2011 have begun building our position in the Korean market.

We are focusing our in-house social game development activities on creating flagship titles that highlight Mobage’s unique features. Our approach is to encourage game developers to participate with us by showing and communicating to the maximum extent just how truly attractive Mobage games can be. We are also seeking to strengthen our partnership ties with game developers and fill out our offerings to include games that have been successes in Japan and overseas.

Objective of the ngmoco Acquisition



We are also actively promoting collaboration with terminal device manufacturers and with overseas telecommunications carriers as a means to further develop our customer base, and will continue to make acquisitions and form tie-ups we believe are necessary to further our progress.

Q6 How will DeNA develop as a social game company in the years ahead?

Our management resources are currently concentrated in the social game business. However, DeNA is by no means aiming to specialize exclusively in social games. Our strengths are our ability to forecast changes in the business environment, respond quickly, and continue to develop new services.

DeNA's core business has shifted direction several times since its foundation. By responding to customer needs and successively creating new services, we have constantly redirected our focus to advance in new and rapidly expanding markets. Looking to the future, we want to aggressively engage in new business creation and realize sustainable growth.

One initiative to achieve sustaining growth will be the formation during fiscal 2011 of a specialized unit inside DeNA dedicated to conducting research and forecasting developments in technology and market trends. One of the DeNA Group's strong points in business development has been our ability to quickly identify signs of change in the market, to focus sharply on the change, and then move faster and more powerfully than other companies to develop and capture the emerging business opportunities. We want to take this to an even higher level. We must be able to forecast changes and be on the spot to offer new services the moment the change surfaces.

Q7 What steps are you taking to maintain and improve your standards of compliance in the years ahead?

In fiscal 2010, the DeNA Group recorded consolidated net sales of over ¥100 billion and employed more than 1,000 persons. As of March 31, 2011, the Group comprised 18 consolidated subsidiaries, 13 of which were located overseas. In view of the expanding scale of our organization and the globalization of our operations, we are committed to conducting thorough reviews of our corporate governance and compliance systems.

While we were proceeding with our compliance efforts, in June 2011, DeNA received an order from the Japan Fair Trade Commission to take the necessary measures to prevent a recurrence of actions that may be in violation of Japan's Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act). This order referred to certain past transactions with a specific social game application provider where there was concern that DeNA may have acted in a manner that restrained fair competition and would, therefore, have been in violation of the Antimonopoly Act. DeNA received the cease and desist order with utmost seriousness and is taking steps to substantially increase the level of corporate ethics internally as well as improve and strengthen its compliance systems.

Q8 DeNA had a change in management in June 2011. How is this expected to affect its operations and performance going forward?

I was appointed Representative Director and President of DeNA on June 25, 2011, and humbly took the position held by its founder, Tomoko Namba. At the same time, Makoto Haruta, formerly Managing Director and Chief Financial Officer, was appointed Director and Chairman, and Shuhei Kawasaki continued in his position as Director and General Manager of Technology. Neil Young, Chief Executive Officer of consolidated subsidiary ngmoco, who has extensive experience in the entertainment content industry in the United States and Europe, became our first non-Japanese director, and Kenji Kobayashi, who was Executive Officer responsible for the development and operation of our in-house social games, was elected as Director. Tomoko Namba will continue as Director and will play an important role focusing principally on international strategy and related issues. This is the first change in the presidency of DeNA; however, we are confident that we have a strong management team in place that will enable us to compete successfully in global markets.

Even though there have been changes in the management team, we are still aiming to establish a position as the world's number one social gaming platform and attain our long-term vision of ¥200 billion in consolidated annual operating income in the year ending March 31, 2015. Former President and CEO Tomoko Namba and I both participated in the preparation of this long-term vision. In the DeNA culture, we have a saying, "focus your vision on two ranks higher." In other words, for the success of the organization and the individual, we ask employees to have an understanding of things that a person two ranks higher in the organization would have and make judgments accordingly. In my case, I have always viewed matters from the perspective of "what would I do if I were president?". I was deeply involved with the preparation of our long-term vision, and it already reflects my views. My assumption of the role of President will have no effect on the vision.

I personally led the start-up of Mobage, and, as the director with prime responsibility for the Mobage business, I have guided its growth and development to become the largest social game platform in Japan. As president of DeNA, I will aim to make Mobage the world's number one social gaming platform.

Q9 What is the ideal company image that DeNA aspires to become?

We at DeNA want to continue to be "an eternal venture opening up the world." As companies grow larger, they tend to become more defensive, and some companies even lose sight of their venture spirit. However, even though we have grown to more than 1,000 people, each and every one of our employees must be ready to accept new challenges, and we want to continue to be a company that is ready and anxious to take on the challenge of entering the global market.

An important task for me as president will be to maintain, at all times, an operating environment where staff can freely speak their minds and are eager to accept challenges to seek out new possibilities. I would like all of us at DeNA to be thinking of our customers and the company and continue creating a foundation to support us as we confront new challenges.

The driving force in our growth will arise from game development using completely new concepts and the creation of services that customers will be strongly motivated to try. My aim is to continue fulfilling the expectations of our stakeholders by continuing to take on challenges and creating new businesses in the Internet universe to sustain our business growth momentum.

I would like to request your renewed support and invite you to watch with anticipation the continuing development of the DeNA Group in the years ahead.

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

Interview with the Management

Tomoko Namba Founder and Director

On June 25, 2011, I resigned from my position as Representative Director and President of DeNA and now continue to serve on the Board of Directors. I greatly appreciate the warm support that you, our shareholders, and other stakeholders, have given me and our company over the past 12 years. I would like to take this opportunity to express my deep gratitude to you all.

Although founders of venture businesses are often considered integral to their companies, I have always envisioned DeNA as a strong corporation, continuing to vibrantly grow beyond my tenure. For this reason, I have deliberately and carefully worked to create an organizational structure that enables longevity and ensures that new generations of DeNA management will thrive. A family situation has compelled me to step down quite unexpectedly, but the management transition has been seamless and I leave my post with full confidence in and excitement about the company's new leadership.

Isao Moriyasu, DeNA's new Representative Director and President, has a keen business sense and exceptional decision-making acumen. His engineering background gives him an intuitive understanding of technology. Isao has been overseeing Mobage from the very beginning and has guided this ambitious initiative as it flourished. His leadership has been exceptional, and I have utter faith in his ability to lead the company to new levels of success. We have also added two new members to DeNA's Board of Directors, both of whose expert guidance will be critical to our path. I believe we have assembled an accomplished management team that is effective, innovative and eager to lead DeNA into the exciting times that lie ahead for the company.

DeNA is in a unique position to grow exponentially by capitalizing on the market opportunity afforded by the explosive expansion of the smartphone market. We believe Mobage's virtual community will be game-changing for DeNA, our shareholders, game players and game developers around the world.

The new leadership will take DeNA into its next phase of growth by expanding our services to the global stage. In my role as a member of DeNA's Board of Directors, I will continue to help frame our global initiatives and recruiting strategies. I am proud of our achievements and enthusiastic about our future. Thank you for your continued support. I look forward to a bright future in the years ahead.

Makoto Haruta Director and Chairman

As DeNA's Chief Financial Officer, my main responsibilities were to supervise the Group's investment and financial strategies and oversee the administrative departments. As chairman, my focus will be to support the president in all corporate endeavors and to promote the ongoing development of the Group.

We will apply all of our strengths to bring Mobage to the global stage and successfully establish it as the world's top social gaming platform. These strengths include the know-how we have cultivated through our operations in Japan, which provides us a powerful point of differentiation from platform providers in Europe and the United States. M&A will be a key strategic tool for accelerating our growth and, while carefully scrutinizing risk potential, we will actively seek acquisition candidates to generate powerful synergies.

As we broaden our business scope, we will also review and strengthen our corporate governance and compliance systems with the objective of establishing consistent and sustainable growth in corporate value. Our risk management systems will be fortified on all levels, including enhancing security for our telecommunications network and computer systems and reinforcing our disaster-response capabilities.

Recruiting and training top-level personnel is a vital element in the DeNA Group's expansion in Japan and internationally. We are enhancing our personnel management systems to stimulate employee motivation, better clarify the delegation of authority, and strengthen the global capabilities as an organization.

The ample cash flow generated by our strong performance will be effectively allocated for an optimal balance of investment return to shareholders and retained earnings to finance our future growth. Our basic policy will be to reward shareholders with performance-linked cash dividends. Our dividend payout ratio was 15.5% on a consolidated basis for the fiscal year ended March 31, 2011. We will consider various and creative methods to increase shareholder investment return, including reviewing the dividend payout ratio, the suitable level of retained earnings, and share buyback programs.

Our goal is nothing less than establishing Mobage as the top social gaming platform in the world. To achieve this, we need to encourage participation by an even broader range of game developers and offer a game lineup that captivates a wide diversity of customers.

Creating an environment for creative, efficient, and rapid game development will be key, and DeNA's development culture is unmatched. We are currently incorporating several game engines, in addition to the Mobage-optimized ngCore in our irresistible development environment for social games on smartphones. We are also preparing for the introduction of the new HTML5 Web language. But, this is just the start. Our sights look over the horizon to creating restriction-free platforms that can be accessed by any terminal device.

Shuhei Kawasaki Director and General Manager of Technology

One of DeNA's strengths is its in-house developed technology for the efficient handling of massive traffic volumes while providing constant and stable operation and service 24/7/365. We credit achievements like this to our talented corps of engineers, who are the pride of DeNA. Their enthusiasm and creative approaches to the challenge to quickly develop Mobage as a low-system cost, worldwide game platform is nothing less than inspirational.

Bringing the DeNA and ngmoco engineers together has revealed differences in ways of thinking and work styles; yet, these differences are sparking eye-popping innovations. This potent blend of Tokyo and Silicon Valley is driving us to our destination of making Mobage the world's top social gaming platform.

The global market outside Japan represents one of DeNA's greatest growth opportunities. Following the acquisition of ngmoco, our now integrated teams are embarking on the roll out of the Mobage service globally.

Our global Mobage network allows application providers to reach customers around the world, while our ngCore technology allows them to build once and deploy on multiple devices. Between our distribution platform and our engine technology we are realizing our cross-platform, cross-border strategy which we believe will begin to unlock the full potential of both DeNA's business and the Mobage platform.

Neil Young Director, CEO of ngmoco, LLC

To reach our global potential we have five vital areas of focus—

(1) Build Mobage into the leading Global Social Game Platform—Ensure that Mobage is a world-class service for consumers featuring the best games and entertainment experiences. (2) The best developer experience—Deliver a powerful, trusted, flexible and ultimately valuable platform for application providers. (3) Ubiquity—Through superior marketing and distribution alliances, ensure that Mobage is easily available to our potential audience and develops into a global consumer brand synonymous with the future of entertainment. (4) Maximize Local Impact—Highly localize our platform business and customize its programming and content for each territory's local tastes and consumer expectations. (5) Focus on Customers—Delight our customers with everything we do.

We are building dedicated teams staffed with experts who understand the local dynamics, users and alliances necessary for success in each territory. These teams will also directly program the content that is surfaced in the network and how it is marketed and communicated to end users.

While we respect that the landscape is evolving, we're confident that our global strategy will enable us to establish Mobage as the definitive destination for games and entertainment and enable DeNA to become a global force in games and entertainment worldwide.

Mobage's social games are different from the video software games people play on home consoles. Social games on mobile devices are mostly played intermittently, for as little as three or five minutes at a time. DeNA's mission is to provide a full sense of satisfaction to the game player with just minutes to play.

Another key quality that sets Mobage's social game apart is the ability of the providers to collect data that enables them to identify the precise points in the games where the player reacted, was stimulated, and, above all, enjoyed.

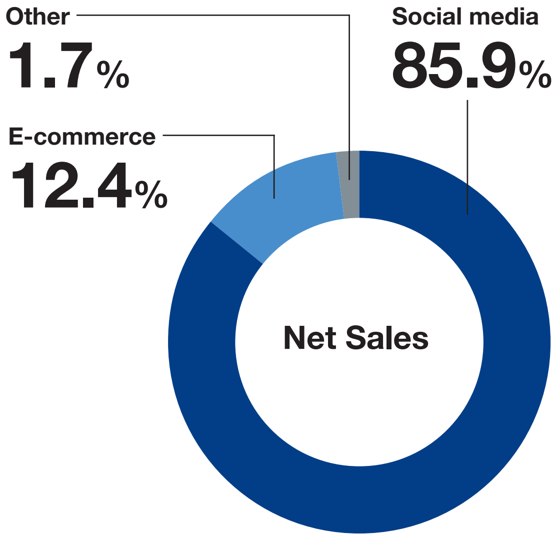
Kenji Kobayashi Director

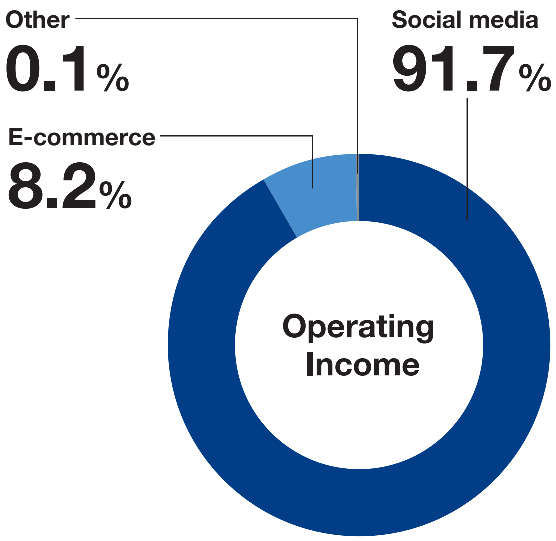
This data we collect is crucial, and we analyze player activity from multiple angles. We use our findings to adjust the structure and balance of the games, and then we see how players react to the new version. Then we do it all again: analyze, tweak, confirm, over and over in a rapid cycle of relentless improvement. Our users respond to this. We see it in the high degree of participation in our games. We are convinced that the game operating and tuning capabilities of our industry-leading staffers as well as our systems base are among the world's finest. Their know-how is the secret behind the competitiveness of our first-party social games, which is a main driver of DeNA earnings.

As we put our cross-device and cross-border strategies into action, we are aggressively developing games for smartphone users around the world. DeNA has the master's touch when it comes to creating irresistible games for the social game market audience, including users of game machines. DeNA does this by combining smartphones' graphic quality and intuitive operation with Mobage's social networking functions and its penetrating analysis of game player activity and behavior. I believe these qualities will make our charge into the global smartphone market a phenomenal success.

At a Glance

For the year ended March 31, 2011

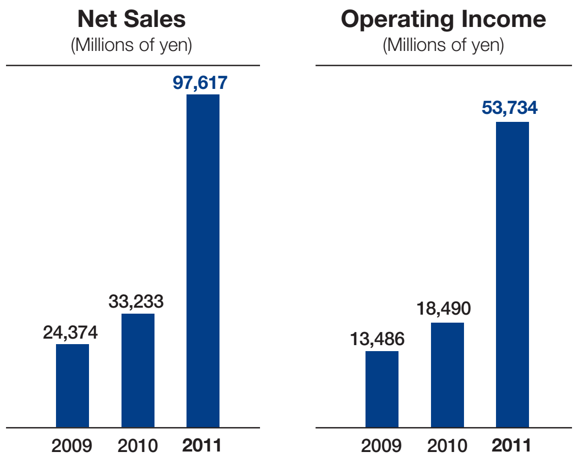




Note: These composition figures are based on the simple sum of net sales and operating income of the business segments.

[Devices]
- Feature phones
- Smartphones
- PCs

Social Media Business



Business domain
Social media and online marketing-related services

Service locations
Japan and other countries

Major Group companies
DeNA
EveryStar Co., Ltd.
ngmoco, LLC
Gameview Studios, LLC
WAPTX LTD.

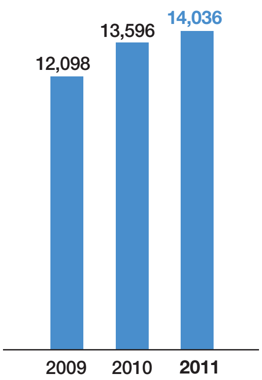
Major services
Mobage
Yahoo! Mobage

Affiliate ad network
Pocket Affiliate

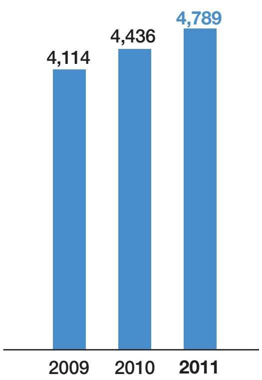
User-generated content sharing
E★Everystar

E-commerce Business

Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Business domain

E-commerce-related services

Service location

Japan

Major Group companies

DeNA
Mobaoku Co., Ltd.
PAYGENT Co., Ltd.

Major services

Online auctions and shopping
bidders

Mobile online shopping
Pocket bidders, Mobadepa

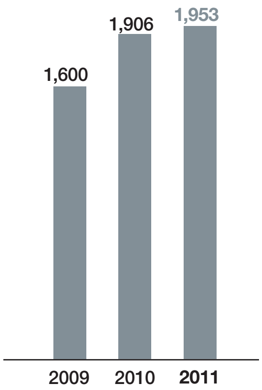
au one Shopping Mall

Mobile auctions
Mobaoku, au one Mobaoku

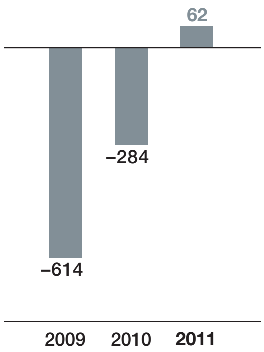
Online payment service
Mobapay

Other

Net Sales
(Millions of yen)



Operating Income (Loss) (Millions of yen)



Businesses

New business development and others

Service location

Japan

Major Group companies

DeNA
AIR LINK CO., LTD.

Major services

Travel and insurance agency services

Online travel arrangement
skygate

Review of Operations

Social Media Business

Social Media Business consolidated sales (after eliminations) for the year ended March 31, 2011 amounted to ¥97,193 million, an increase of 196.7% year on year, and operating income climbed to ¥53,734 million, a gain of 190.6% over the previous fiscal year. This solid expansion was due to growth in sales of virtual goods for social games, which, in turn, was driven by an increase in the number of social game titles provided through the Mobage platform and steady gains in the number of users.

Implementation of the X-Device/X-Border Strategy

In pursuit of its long-term vision of positioning Mobage as the world's top social mobile gaming platform, DeNA is developing business activities following its "X-device" (cross-device) strategy to create a multi-device platform and its "X-border" (cross-border) strategy to offer services on its platform globally.

X-device milestones during the fiscal year under review included Yahoo! Mobage launched in collaboration with Yahoo Japan Corporation in October 2010. Mobage was previously accessible only from Japanese feature phones but Yahoo! Mobage enabled Mobage users to access their accounts from PCs and play PC-based games. In December 2010, Mobage became accessible via mobile browsers on smartphones such as iPhone and Android.

DeNA also moved forward with its X-border strategy through aggressive M&A initiatives to further strengthen its business base. These included the 2010 acquisitions of Gameview Studios, LLC, of the United States, in September and ngmoco, LLC, also of the United States, in November. In December, DeNA concluded a strategic alliance with Samsung Electronics, of South Korea, and the two companies began arrangements to offer Mobage on Samsung Electronics' Android-based smartphones.

In preparation for the development of global services, the service brand was rebranded from "Moba-ge-town" in Japanese characters to Mobage in the Roman alphabet, and DeNA adopted a uniform worldwide service logo.

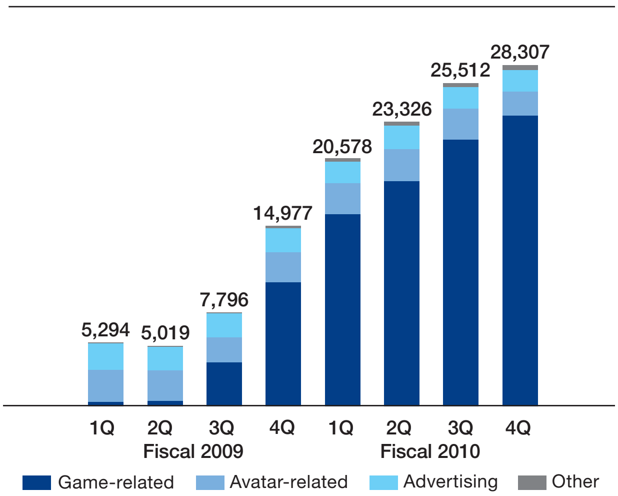
Expanding the Scale of Mobage

DeNA also made significant progress expanding the Mobage game lineup during the fiscal year under review. As of March 31, 2011, a total of 869 game titles offered by 317 game developers were available through Mobage as well as 157 game titles by 92 developers on Yahoo! Mobage. Measures to step up the approach to PC users and TV commercials targeting young adults were also effective. As a result, the number of Mobage members had risen to 27.14 million at the end of the fiscal year, a sharp increase of 9.01 million from the end of the previous fiscal year. Another factor for DeNA's robust performance during the fiscal year was the increased percentage of customers in the 30+ age categories, who have relatively higher average revenue per user (ARPU). The percentage rose from 30% at the end of the previous fiscal year to 41% for the year under review.

Drawing on Mobage's Value as an Ad Medium

DeNA is also implementing new initiatives to capitalize on Mobage's value as an advertisement medium. In October 2010, DeNA ran tie-up advertisements for Coca-Cola's "Georgia" line of coffee beverages within its core in-house developed Kaito Royale social game. DeNA is accelerating development of advertising products for the smartphone market to draw fully on Mobage's media value and take full advantage of the growth anticipated in the mobile device advertising market in the years ahead.

Sales of the Social Media Business (Millions of yen)



Note: Sales amounts are before eliminations.

Mobage

Tie-up advertisement with Coca-Cola (Japan) Company, Limited

E-commerce Business

E-commerce Business consolidated sales (after eliminations) for the fiscal year amounted to ¥13,587 million, an increase of 0.9% year on year. Operating income was ¥4,789 million, up 8.0% year on year. With the aim of improving resource efficiency, in November 2010 DeNA sold all the shares of Mobakore Co., Ltd., which operates the Mobakore mobile shopping site for fashion goods, to Senshukai Co., Ltd.

bidders Auction & Shopping Site

Sales of bidders declined slightly from the previous fiscal year. bidders is currently mainly focused on providing services via mobile phones. The number of stores with memberships in Club bidders, a fee-based organization offering shopping services, decreased 9.6% year on year, and this had an influence on sales. Gross merchandise volume was ¥40,549 million, 4.1% higher than in the prior fiscal year.

Note: bidders business encompasses the full-line shopping site Pocket bidders, Mobadepa, and au one Shopping Mall in addition to bidders for PCs.

Mobile Phone Auction Site Mobaoku

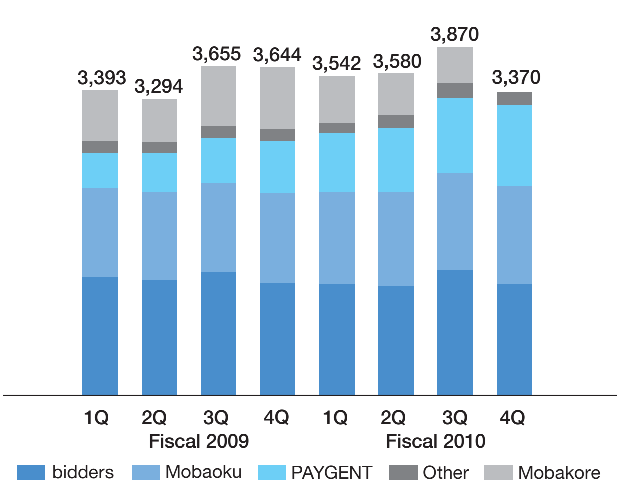
Mobaoku sales held steady. At fiscal year-end, the number of paying members at Mobaoku sites was 1.28 million, which was 30,000 higher than at the end of the previous fiscal year, and monthly revenues from usage also rose. DeNA implemented measures to encourage usage, including the introduction of a point system.

Note: Mobaoku business includes au one Mobaoku.

Payment Gateway Services

Payment gateway services sales increased markedly in the year under review. Growth factors included increased utilization of the Mobapay settlement escrow service by customers on the Mobaoku auction site, an increase in the use of the services within the DeNA Group and increased member stores among e-commerce businesses and others.

Sales of the E-commerce Business (Millions of yen)



Note: Sales amounts are before eliminations.

Full-line, mobile phone shopping site Pocket bidders

Mobile phone auction site Mobaoku

Other

Consolidated sales (after eliminations) of other business for the fiscal year amounted to ¥1,949 million, an increase of 3.5% year on year, and operating income improved markedly, rising to ¥62 million, compared with a loss of ¥284 million in the previous fiscal year. Sales and income expanded in the travel agency business on firm demand for business travel and strengthened initiatives highlighting the advantages of the strong yen to stimulate private travel demand.

In March 2011, SkyGate, the DeNA Group's online travel arrangement service, began operation of an overseas hotel reservation services covering more than 150,000 hotels in some 8,000 cities in 177 countries. We also launched an overseas travel insurance coverage purchasing system for our customers that eliminates the need to input information for insurance separately. This is the first system of its kind in Japan and enables travelers to make application for insurance a simple step in the reservation process.

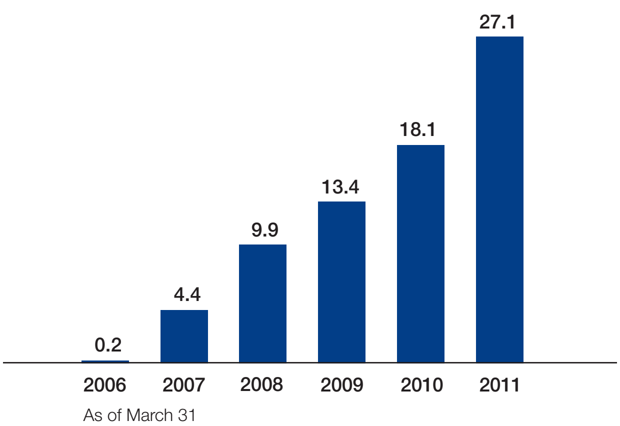
Special Feature: Mobage

DeNA launched Mobage as a mobile-only gaming website in 2006, and the user base has grown by leaps and bounds as a social network. Mobage, with currently more than 30 million members, has become the DeNA Group's primary service. Besides conventional feature phones, Mobage is accessible via smartphone browsers and applications, as well as on PCs via Yahoo! Mobage.

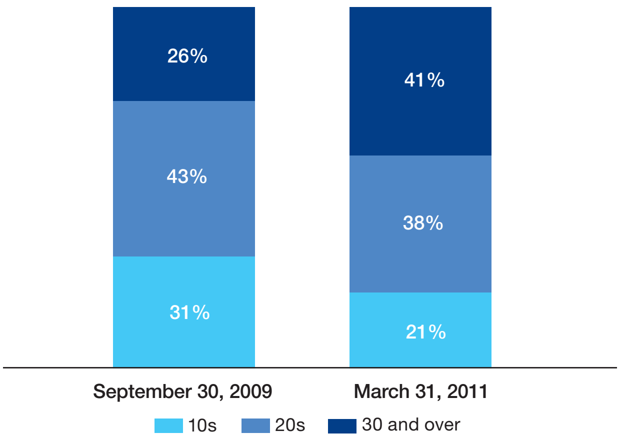
In addition to social games, Mobage offers a vast array of content that is free of charge and attracts a wide diversity of age-groups. This includes fortune-telling, celebrity blogs, social networking features (avatars, status updates and interest-based groups), cell-phone novels, music and utility (news, searches and transportation tools). Mobage is also linked to shopping and auction services operated by the DeNA Group, such as Mobadepa and Mobaoku.

DeNA's introduction of social games on Mobage in October 2009 was an immediate success, and the games quickly became the core driver of Mobage's growth. A key factor in this success is that, because of the unique features of mobile devices, Mobage's social games can be played anytime and anywhere for short intervals. For this reason, even people who do not play video software games on home consoles have accepted Mobage games, and the user base has expanded. Opening the Mobage platform to external game developers has enabled games to be offered from a wide variety of sources and with the diversity to satisfy the full spectrum of customer interests and tastes.

Number of Members (Million persons)



Trends in Age Composition of the Customer Base



Smartphones Virtual Community Social Games

The smartphone market is exploding around the world. An increasing number of people are using smartphones for the access to a wider range of content and functions. Smartphone shipments totaled some 305 million units worldwide in 2010. This figure is expected to grow more than threefold to 982 million by 2015, according to the U.S. research company IDC.

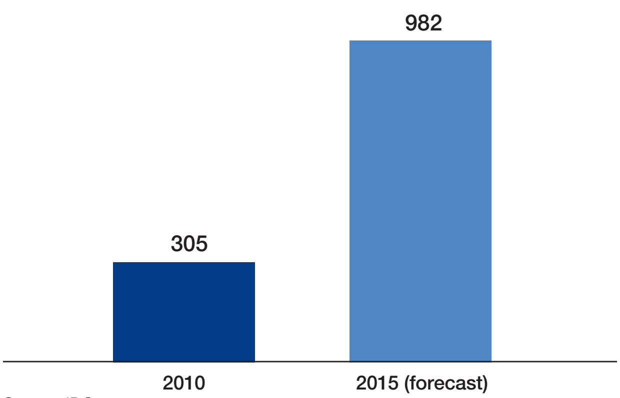
Smartphones' anytime-anywhere accessibility to the Internet, easy usability and large displays with vibrant colors make them perfect gaming devices. This functionality leads DeNA to believe the social gaming market will expand in tandem with the growth in the smartphone market.

The DeNA Group aims to offer Mobage as a worldwide social gaming platform for smartphones. We have implemented a variety of measures to make the platform the first and preferred choice of both smartphone users and game developers.

In fiscal 2010, DeNA acquired the U.S. companies ngmoco and Gameview Studios, both of which have a wealth of experience developing social games for smartphones. We are also moving forward with the development of ngCore, a game development engine that will enable developers to create games for both iPhone and Android from a single source code. In addition, we have established a strategic alliance with Samsung Electronics and preparations moved forward for offering Mobage on Samsung's Android-based smartphones.

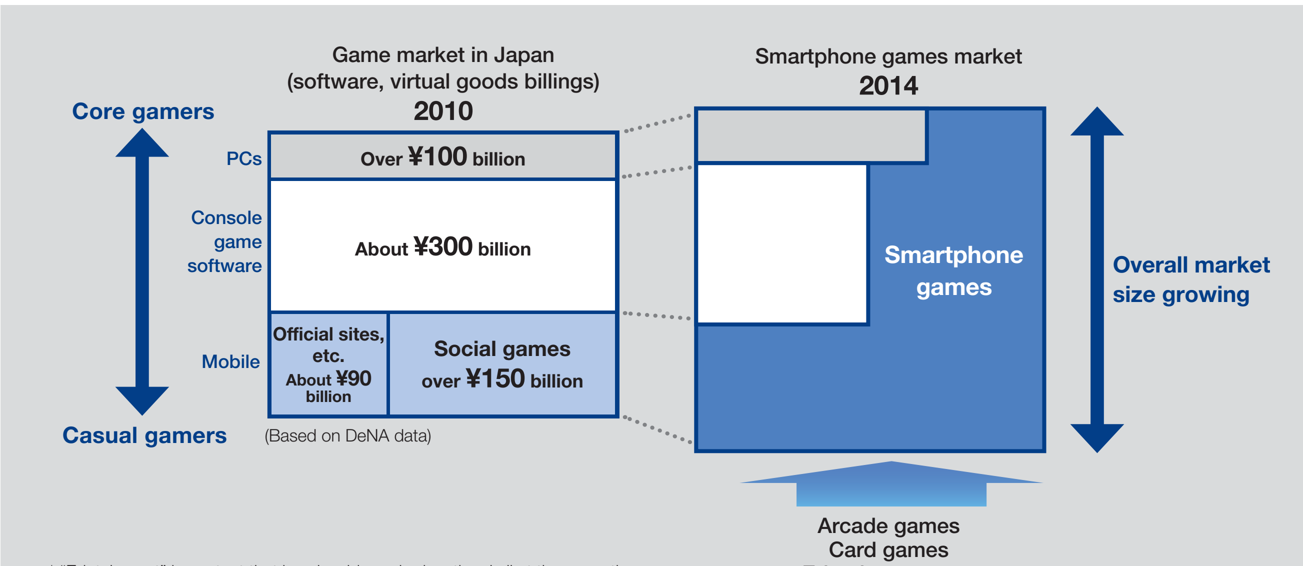
Mobage for smartphones (Ninja Royale)

Worldwide Shipments of Smartphones (Million units)



Source: IDC

Potential of the Smartphone Games Market in Japan



* "Edutainment" is content that is enjoyable and educational all at the same time.

Smartphones **Virtual Community** Social Games

One of Mobage's key features is the virtual social graph of its user network. Mobage aims to provide a virtual space where people with shared interests can get to know one another easily and safely via the network and enjoy interacting in a comfortable cyberspace. Mobage users can take advantage of short intervals of time that open up when commuting to work or to school or when having lunch. They can enjoy these precious moments that might otherwise be lost by accessing Mobage and engaging in games or interacting in cyberspace with friends. Another favorite time for Mobage users is just before going to bed.

On Facebook and other social networking services based on real-life relationships, people tend to play social games with existing friends and families. This means that game members are limited to people they actually know. In Mobage, total strangers can meet online inside the games and become virtual friends within the parameters of the game. This creates a dynamic of anonymity even as the network constantly expands. In addition, Mobage offers incentives to users who "upgrade" an in-game friend to an inter-game friend. Inter-game friends gain the benefit of being able to interact with each other using Mobage's social networking features, such as direct messages, status updates and forums, which can further deepen their virtual relationships. Users can also invite their inter-game friends to new games, creating an autonomous source for network expansion.

Unlike most social networking services where people generally use photographs of themselves, Mobage customers are required to use avatars for their profile pictures and may customize them as they like. This gives users an extra layer of anonymous enjoyment and the fun of trying on different personalities not possible on other common social networking services. Mobage's avatars give people greater freedom to express themselves by allowing users to communicate and maintain relationships without the concerns that may arise from meeting in the real world. This element of freedom is a key feature that drives Mobage's popularity.

Avatar

Avatar

Profile page on Mobage

Examples of Communication Between Users within Mobage

Greeting one another via avatars

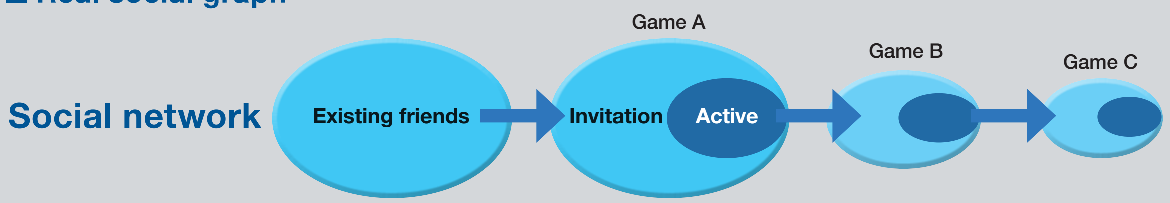
Communication through sumo matches

Q&A community

Superiority of the Virtual Social Graph

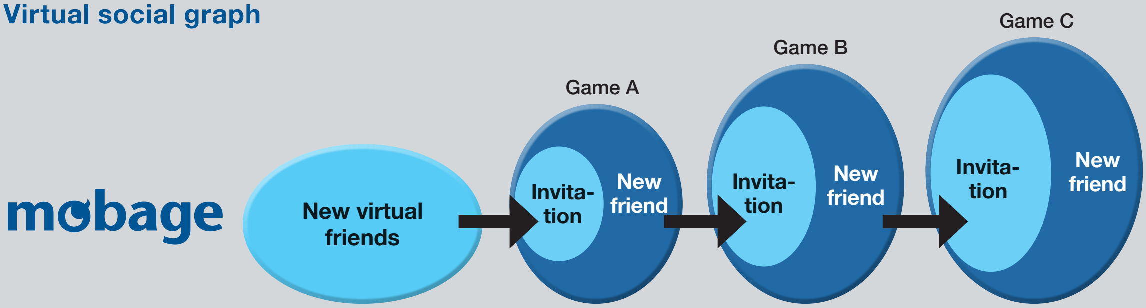
Real vs. Virtual

■ Real social graph



Players tend to enjoy games within real-life relationships.

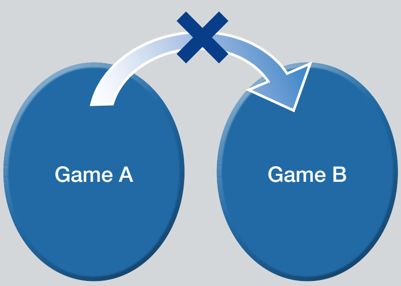
■ Virtual social graph



User base expands as users make new friends in each game.

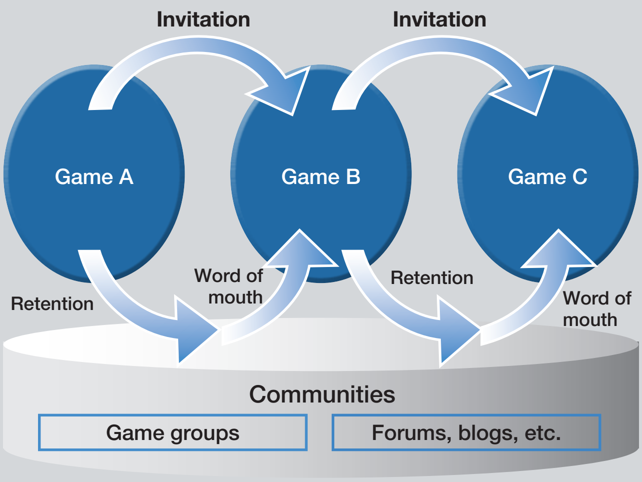
Non-social vs. Social

■ Games that are not on a social networking platform



Popularity of games heavily depends on rankings.

■ Games that are on a social networking platform



Word of mouth plays a key role.

Smartphones Virtual Community **Social Games**

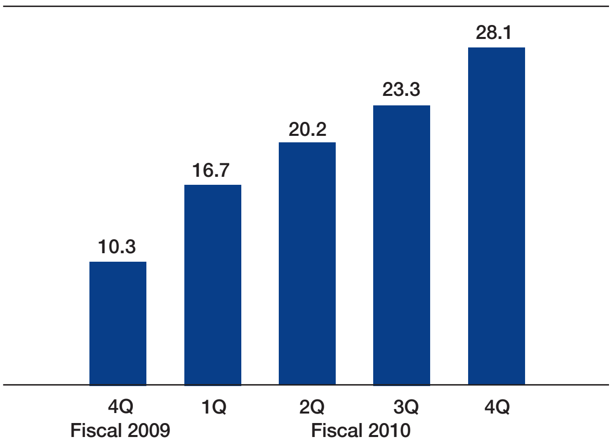
Mobage began offering social games in October 2009 and opened the platform to third-party game developers in January 2010. Today, an array of game developers offer a variety of games that are played by a diverse range of users.

Hit social games have the following characteristics and are closely integrated into the social network:

Ninja Royale

We Rule

Consumption of Moba-coins (Billions of yen)



① Intuitive, simple content

② Ample free-of-charge enjoyment

Users can accumulate in-game points by playing the game frequently and then exchange points for virtual items without paying real money. Paid virtual items are typically higher quality than the point-bought items and help users save time when advancing in the game.

③ Little communication barrier

Although users are not required to communicate with one another to advance in the games, Mobage allows them to communicate casually. Communicating with other users often provides in-game benefits, which also deepens relations between users.

④ Repeat visits

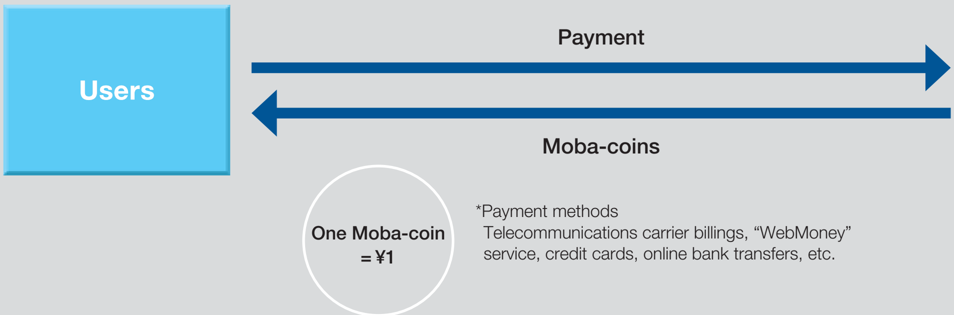
On Mobage, game progressions are often tied to physical time, which requires users to go back to the games on a regular basis. Other users' actions, such as virtual gifts and messages, also pique curiosity and encourage regular visits. Since the games are accessible from mobile devices, users can use a spare moment virtually anywhere to check on their game status.

⑤ Word-of-mouth effect

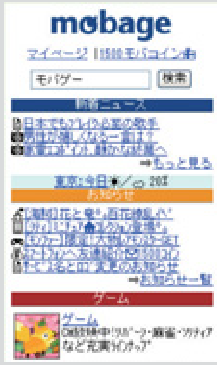
On Mobage, users can invite their inter-game friends to play individual games, making it easy for them to spread the word about games through the social network. Adding in-game friends to the inter-game friends list is rewarded with in-game incentives, which further encourages activity. Virtual social graph with the games as the nexus is a key difference between Mobage and real identity-based networks, such as Facebook.

Business Model of Virtual Goods

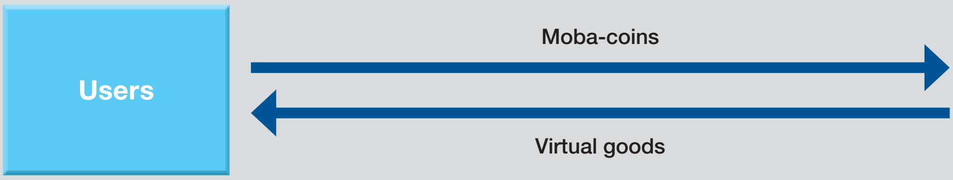
① Moba-coin: Mobage's in-game virtual currency



*Payment methods
Telecommunications carrier billings, "WebMoney" service, credit cards, online bank transfers, etc.



② Purchases of in-game virtual goods



Virtual item shop

Accounting treatment:
Payments received for Moba-coins are treated as advances from customers, and then transferred to sales after they have been consumed.
Moba-coins expire one year after the purchase date or one year after the last usage of Moba-coins.

Open Platform Business Model

Mobage

*Shared Revenue:
After deduction of fees for Moba-coin payment and other, income is shared with game developers, with 70% going to the developers and 30% to DeNA.

Corporate Governance

Basic Approach

With the understanding that effective functioning of corporate governance is indispensable to sustain the increasing trend in DeNA's corporate value, DeNA is working to strengthen and improve its governance system. First, to fulfill its disclosure responsibilities to shareholders, DeNA makes timely and appropriate disclosure of information and places emphasis on ensuring the transparency of management. Moreover, DeNA has structured management systems that enable prompt decision making and the conduct of operations to make it possible for DeNA 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 thoroughgoing compliance with laws and regulations based on 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. Although no outside directors have been appointed, DeNA management believes that in today's fast-changing business environment, where it is necessary to rapidly conduct DeNA's business, a Board of Directors made up of directors with in-depth knowledge of DeNA's businesses is appropriate for making business decisions in a timely and proper manner to implement strong and effective business strategies. On the other hand, DeNA has strengthened its corporate auditing function by appointing three outside corporate auditors, including one full-time corporate auditor, who have a high degree of independence to maintain and improve the soundness and transparency of management as well as ensure objective and neutral auditing functions.

Through the operation of this system, it is management's judgment that the conduct of business by the directors and corporate auditing functions are being performed sufficiently, and outside directors have not been elected. However, if the necessity for outside directors increases under future circumstances, it is DeNA's intent to appoint individuals appropriate for acting as outside directors.

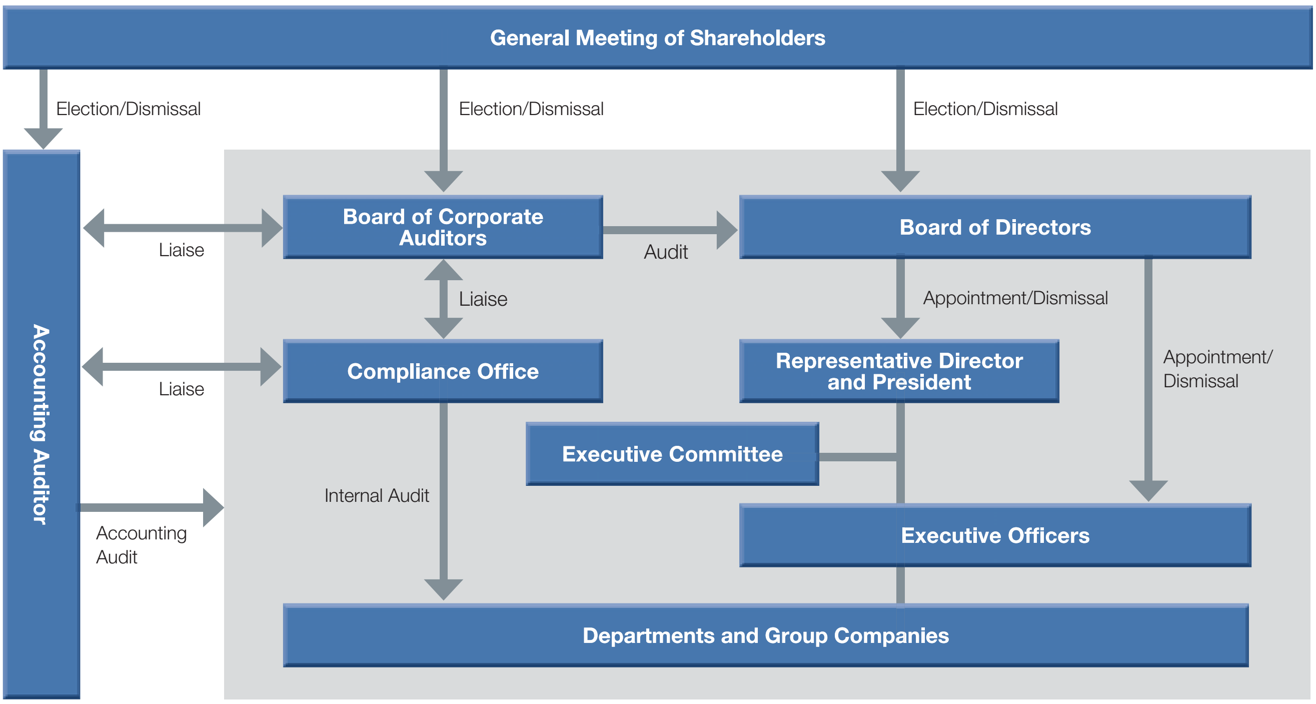
•Board of Directors

DeNA's Board of Directors is composed of six directors, four of whom are full-time and the remaining two are part-time. In addition to a monthly regular meeting, special meetings of the Board of Directors are convened when necessary. The Board of Directors makes important management decisions, taking account of discussions held in the meetings of the Executive Committee (explained below), and performs an oversight function for the conduct of business by individual directors.

•Executive Committee

In addition to the meetings of the Board of Directors, 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

Corporate Governance Structure (As of June 25, 2011)



officers. The Executive Committee considers 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 businesses and reflect this in their business activities.

•Executive Officer System

At DeNA, we have introduced the executive officer system to accelerate the decision-making process and to increase management efficiency through the delegation of authority. There are 11 executive officers (including 4 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 the authority delegated to them in their respective areas of responsibility.

•Board of Corporate Auditors

The Board of Corporate Auditors has four members, three of whom are outside corporate auditors, including one full-time corporate auditor.

There are no special interest relationships between the outside corporate auditors and DeNA. DeNA has filed the required notifications with the Tokyo Stock Exchange regarding the absence of conflicts of interest between the three outside corporate auditors and the regular shareholders of DeNA and the independence of the outside corporate auditors.

Under the guidelines issued by the Japan Corporate Auditors Association regarding standards for auditing by corporate auditors *(Code of Corporate Auditor 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 auditor conducts audits on the directors' performance of their duties from an independent standpoint while also sharing information in the meetings of the Board of Corporate Auditors, and works to perform his or her auditing duties efficiently and with a high degree of effectiveness.

The full-time corporate auditor has experience as a representative director in another company and has considerable management experience regarding Internet-related services. One of the outside corporate auditors has many years of experience at a financial institution and substantial knowledge regarding finance and accounting. Outside corporate auditors also include individuals with legal and academic experience. The corporate auditors perform their duties of auditing the directors' decision making and conduct of the business, and perform the role of strengthening and contributing to the improvement of the Company's corporate governance.

The corporate auditors hold quarterly meetings with the independent accounting auditor, Ernst & Young ShinNihon LLC, and at other periodic intervals as deemed necessary to exchange opinions and information regarding the auditing system, auditing plans, and the status of audits, as they maintain a mutually collaborative relationship. In addition, the corporate auditors hold periodic meetings as necessary with the Compliance Office, the unit in charge of internal auditing, to exchange opinions and information regarding the auditing system, auditing plans, and the status of audits, as they also maintain a mutually collaborative relationship.

The corporate auditors monitor and verify the status of the internal control systems and provide advice and guidance as necessary. In addition, the Compliance Office verifies the internal control systems and reports its findings to the internal control units. Based on this information, the internal control units take steps to make improvements in the internal control system. These units also work with the independent accounting auditor as appropriate to further the aims of the internal control units.

Executive Compensation

The compensation of directors comprises a basic compensation and compensation in the form of stock options. The compensation of corporate auditors is composed of a basic compensation. The basic compensation for directors includes a fixed portion and a variable portion that is set based on DeNA's performance in the previous fiscal year. The basic compensation of corporate auditors comprises a fixed amount only. The stock option incentive system

Compensation Paid to Directors and Corporate Auditors (For the year ended March 31, 2011)

Position	Total Compensation (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)		Number of Executives
		Basic Compensation	Stock Options	
Directors	261	181	80	5
Corporate auditors (Excluding outside corporate auditors)	1	1	—	1
Outside corporate auditors	9	9	—	3

Note: The amounts paid include the value of stock options granted for the purchase of new shares that was included in expenses for the fiscal year under review (¥80 million for directors).

for compensation ensures that full-time directors, like the shareholders, share the merits of stock prices rising, and also share the risks of stock prices falling, thus giving them an incentive to improve performance and increase corporate value as well as place emphasis on the interests of the shareholders.

The upper limit on annual basic compensation for directors was set at the 12th Ordinary General Meeting of Shareholders held on June 26, 2010, at ¥500 million. For corporate auditors, the upper limit was set at ¥60 million at the Extraordinary General Meeting of Shareholders held on September 28, 2004. The limit on stock option compensation, which is separate from the annual basic compensation for directors, was set at the 12th Ordinary General Meeting of Shareholders held on June 26, 2010, at ¥200 million or less.

The compensation of individual directors is set based on DeNA's performance on a consolidated basis and on the individual's contribution. The compensation of corporate auditors is set based on discussion among the corporate auditors.

Internal Audits

Internal audits are conducted by personnel responsible for internal audits in the Compliance Office. Such personnel in charge of internal audits 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 president. The results of these internal audits are reported directly to the president, and the applicable departments and subsidiaries 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, compliance, and risk management are designed and implemented 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 have an in-depth understanding of corporate social responsibility, and, in their daily work, they comply with relevant laws and regulations and maintain behavior that follows social ethical standards.

The Corporate Planning Head Office is the organizational unit in charge of structuring and maintenance of compliance systems. The Compliance Office, as the unit in charge of internal auditing, verifies whether the conduct of operations is in accord with applicable laws, the DeNA Articles of Incorporation, and internal regulations. In addition, DeNA 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 very important for DeNA as a company handling such personal information, matters related to this law are the responsibility of the personal Information Management Committee, which is chaired by the president.

When conduct is considered to be questionable from a compliance perspective, DeNA has created and operates an internal reporting system that enables employees to report such conduct to persons in charge within DeNA or receive advice from external legal counsel.

•Risk Management

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

The implementation of DeNA's *Risk Management Regulations,* the *Emergency Crisis Manual,* and preparation of other aspects of the risk management system are the responsibility of the director in charge of the Corporate Planning Head Office, and such Head Office is in charge of the implementation of related 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 president. These committees are working to strengthen the related management systems.

When unexpected developments occur, emergency headquarters are formed headed by the president in order to take quick action, prevent, and/or limit loss or damages from such unexpected developments, and minimize the potential effects of the event. DeNA has a Business Continuity Plan in place in case of a major disruption in its business and operations.

Investor Relations (IR) Activities

The IR Department is in charge of DeNA's IR activities. An IR section has been prepared for the DeNA corporate website which provides access to disclosure documents, videos of corporate results presentations, and other up-to-date information. The very latest information is sent out via e-mail and RSS*.

The Ordinary General Meeting of Shareholders is held on Saturdays to maximize the number of shareholders who can attend. To provide convenient services for shareholders, provisions have been made for proxy voting over the Internet on PCs and mobile terminals. Also for institutional investors, DeNA participates in an electronic proxy voting platform.

On the days when quarterly results are announced, DeNA holds results presentation meetings in Japan for securities analysts, institutional investors, and the media. In addition, approximately once a year, DeNA holds a presentation meeting for individual investors.

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

Corporate Social Responsibility

DeNA has been practicing active corporate citizenship since its beginning, starting with an online auction service giving users an avenue for helping to realize a "recycling-oriented society." Other CSR initiatives have included participating in the programs led by the C.W. Nicol Afan Woodland Trust to revitalize Japan's abundant forests and other activities to promote the wholesome and appropriate use of the Internet. We also provide services through the Internet that open doors for our staff members, DeNA stakeholders, and a wide range of people to participate in our CSR activities. Going forward, DeNA will actively pursue CSR activities.

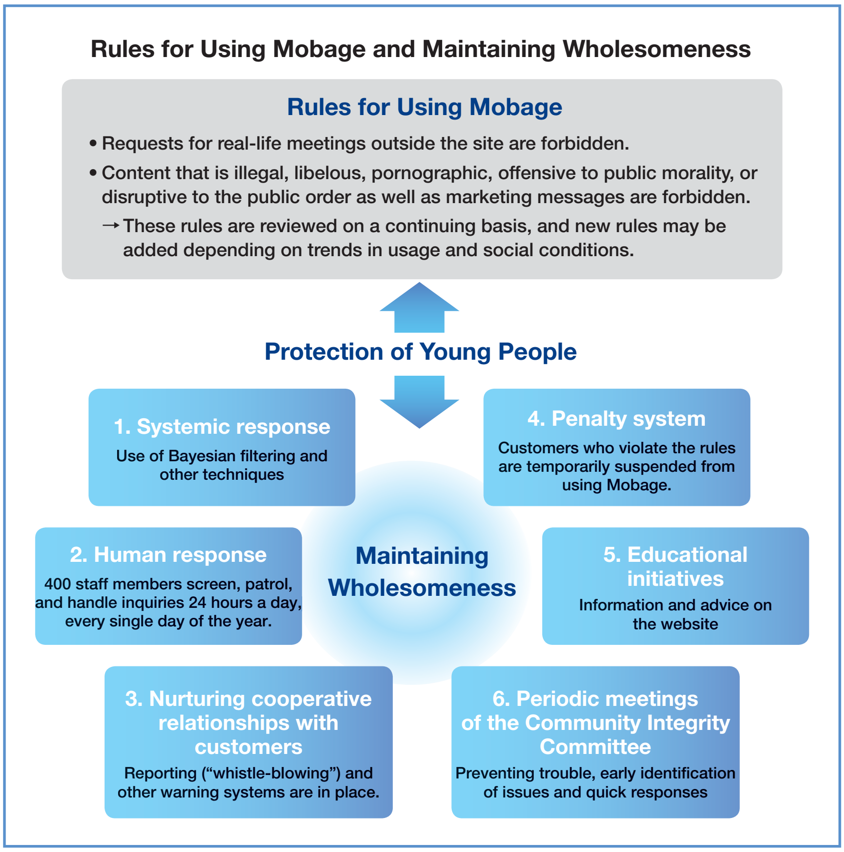
Mobage customer support center

Promoting the Wholesome and Appropriate Use of Mobage

The rapid increase in online personal interaction in recent years led to social issues arising when some younger people get involved in unfortunate incidents. As a company operating social networking services (SNS), DeNA works to prevent such incidents before they occur through proactive steps to discover and eliminate potential sources of trouble.

DeNA's Response to the Great East Japan Earthquake

DeNA is implementing programs to solicit relief donations from its customers via its services and its own corporate donations for the disaster relief. In addition, we are recruiting from the regions affected by the disaster for positions at the Niigata Customer Support Center. Employment conditions have become a grave concern for the livelihood of the people in the stricken regions, and providing job opportunities is an important way that DeNA can provide assistance.



Note: Violation cases are recorded in the database, and the system automatically detects similar violations.

Board of Directors and Corporate Auditors (As of June 25, 2011)

Directors

Makoto Haruta
Director and Chairman

After graduating from the Faculty of Law of Kyoto University in March 1992, Makoto Haruta entered the Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation), in April of the same year. After resigning from Sumitomo Bank, he entered DeNA in February 2000 and was appointed Director in September, the same year. In July 2008, he became Managing Director, and, in April 2009, Managing Director and Chief Financial Officer. In June 2011, he assumed his current position as Director and Chairman.

Isao Moriyasu
Representative Director and President

After completing his studies at University of Tokyo Graduate School (Department of Aeronautics and Astronautics, School of Engineering) in 1998, Isao Moriyasu joined Oracle Corporation Japan in April of the same year. In November 1999, he entered DeNA as a systems engineer. In 2004, he established DeNA services Mobaoku and Pocket Affiliate, and then founded Mobage in 2006. He was appointed Director in June 2006, and then became Director and Chief Operating Officer in April 2009. He assumed his current position as Representative Director and President in June 2011.

Shuhei Kawasaki
Director and General Manager of Technology

Shuhei Kawasaki entered DeNA as a systems engineer in January 2002 while he was still studying for his doctorate at the University of Tokyo Graduate School. After completing the units needed for his doctorate in 2004, he became a regular employee of DeNA in April 2004. He was appointed Director in June 2007, and then became Director and Chief Technology Officer in April 2011. He assumed the offices of Director and General Manager of Technology in June 2011.

Neil Young
Director, CEO of ngmoco, LLC

After entering Imagitec Software, Ltd., in June 1988, Neil Young then entered Probe Software Ltd. in October 1990, and moved to Virgin Games, Inc., in July 1992. In April 1997, he entered Origin Systems, Inc., and then Electronic Arts, Inc., in May 1999. He founded ngmoco, Inc., in June 2008 and became CEO. He then assumed the office of CEO at ngmoco, LLC, in November 2010, and was appointed to the Board of Directors of DeNA in June 2011.

Kenji Kobayashi
Director

Kenji Kobayashi completed his studies at the Graduate School of Humanities and Sociology, University of Tokyo (Aesthetics Course) in 2005 and entered Corporate Directions, Inc., in April of that year. He joined DeNA in April 2009 and became Executive Officer and General Manager of the Human Resources Head Office. In April 2010, he was appointed Executive Officer and General Manager of the Social Game Business Division, Social Media Business Head Office. He became Director of DeNA in June 2011.

Tomoko Namba
Founder and Director

Tomoko Namba entered McKinsey & Company, Inc., Japan, in April 1986. After resigning from McKinsey in 1988, she entered Harvard Business School and received her MBA in 1990. She then returned to her position at McKinsey in Japan. In 1999, she founded DeNA and became its first Representative Director, President, and Chief Executive Officer. In June 2011, she assumed the position of Director.

Corporate Auditors

Taketsune Watanabe
Standing Corporate Auditor (Outside)

Masaru Iida
Corporate Auditor (Outside)

Lawyer

Hisaaki Fujikawa
Corporate Auditor (Outside)

Lawyer
Professor, Faculty of Law,
Aoyama Gakuin University

Chika Otobe
Corporate Auditor

Financial Section

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 consolidated subsidiaries (collectively, the "DeNA Group" or the "Group") for the year ended March 31, 2011 (fiscal 2010).

Overview

The DeNA Group is the largest social gaming platform provider in Japan, in terms of both the number of members as of March 31, 2011 and consolidated net sales for fiscal 2010. In addition, the Group offers related services, including an affiliate advertising network, a user-generated content site, and online auction and shopping marketplaces, principally for mobile phones.

Aiming to establish a position as the world's number one social gaming platform with a target of boosting operating income to ¥200 billion for the year ending March 31, 2015, the DeNA Group is aggressively implementing a dual strategy, consisting of a cross-device (X-device) strategy and a cross-border (X-border) strategy, for further strengthening its Mobage social gaming platform.

During the fiscal year under review, the DeNA Group structured and implemented measures to create and strengthen the social gaming platform. Consolidated net sales of the DeNA Group for the fiscal year amounted to ¥112,729 million, a climb of 134.3% over the previous year. Operating income was ¥56,097 million, up 163.8%, and net income increased to ¥31,604 million, or 177.9%. Both sales and operating income set record highs for the seventh consecutive fiscal year since the Company's stock was listed on the Tokyo Stock Exchange in February 2005.

Fortunately, DeNA Group employees suffered no injuries as a result of the Great East Japan Earthquake, which occurred on March 11, 2011. The physical damage resulting from the earthquake and tsunami has not had an impact on the Group's ability to undertake its business activities. However, because companies in Japan, including clients of the Group, temporarily refrained from conducting normal advertising and promotional activities in the aftermath of the disaster, there was a slight adverse impact on sales in March 2011.

Results of Operations

Net Sales

Consolidated net sales were ¥112,729 million, a gain of 134.3% over the previous year, exceeding the ¥100 billion mark for the first time since the foundation of the Company. In the Social Media Business, sales of virtual goods for social games offered through Mobage showed a substantial increase and drove the performance of the Group as a whole. For further details, please refer to the Segment Analysis section below.

Operating Income

Cost of sales stood at ¥15,452 million, a 44.6% rise year on year. Of this total, commission fees were ¥5,873 million, which were 211.3% higher than in the previous fiscal year, as sales of virtual goods for social games offered jointly with third-party game developers expanded, while revenue sharing payments also rose. Business consignment expenses amounted to ¥2,363 million, representing an increase of 57.7%, as subcontracting fees for the development of virtual goods and other content used in social games increased. On the other hand, advertising media costs were ¥2,413 million, down 17.9% year on year, because of a decline in sales of affiliate advertising to media of other companies.

As a consequence of these and other factors, gross profit rose 159.9% year on year, to ¥97,277 million.

Selling, general and administrative (SG&A) expenses were ¥41,180 million, 154.9% above the level for the previous year. Of this total, commission fees were ¥10,363 million, compared with ¥482 million in the previous year. This increase was due to a marked rise in the usage of Moba-coins, the dedicated in-game virtual currency for Mobage, resulting in a substantial increase in payments of fees to mobile phone carriers for the collection of accounts receivable. In addition, because of aggressive advertising and promotional activities, especially TV commercials, advertising expenses rose to ¥11,693 million, a year-on-year increase of 540.7%, and promotional expenses rose to ¥7,942 million, representing a gain of 142.7% over the previous fiscal year.

The ratio of operating income to net sales in the Social Media Business (calculated from sales and operating income before eliminations for consolidation) rose to 55.0%. As the percentage of total net sales accounted for by the highly profitable Social Media Business rose to 85.9%, representing an increase of 17.7 percentage points, it was possible to absorb the increases in cost of sales and SG&A expenses. As a result, operating income was ¥56,097 million, 163.8% higher than in the previous fiscal year, and the operating income ratio climbed to 49.8%, an increase of 5.6 percentage points.

Income before Income Taxes and Minority Interests

Among other income items, accompanying the growth in the size of business operations, gain on expiry of points* amounted to ¥181 million, an increase of 69.2% year on year. Also, among other expenses, the Group recognized impairment losses of ¥309 million and losses of ¥197 million on the liquidation of subsidiaries resulting from a review of business strategies and measures to strengthen smartphone-related initiatives in the Social Media Business as well as other factors. However, there were no valuation losses recognized for the year under review, in contrast with the valuation losses of ¥844 million on stocks of subsidiaries and affiliates reported in the previous year. As a result of these various factors, income before income taxes and minority interests climbed to ¥55,308 million, an increase of 166.9%.

* Gain on expiry of points comprises mainly (1) payables related to point programs for which payment is no longer necessary because of their expiration under point program contracts and (2) payables for which payment is no longer necessary under Pocket Affiliate contracts because customers have cancelled their memberships or for other reasons, and these payables have, therefore, been reversed.

Net Income

Along with the increase in operating income, income taxes also rose, but as minority interests declined due to losses reported by certain consolidated subsidiaries and other factors, net income rose 177.9% year on year, to ¥31,604 million.

As a result of the inclusion of the foreign currency translation adjustment account in the statement of comprehensive income, comprehensive income was ¥31,820 million.

Segment Analysis

Social Media Business

Sales and operating income of the Social Media Business on a consolidated basis during the fiscal year showed marked expansion, with net sales rising to ¥97,193 million, an increase of 196.7% year on year, and operating income increasing to ¥53,734 million, 190.6% higher than in the previous year.

Of total net sales, game-related sales* posted strong expansion, rising to ¥79,483 million, an increase of 440.6%, due to a substantial increase in sales of virtual goods for social games offered on Mobage. Factors contributing to this growth included improvements in the lineup of social games that match customer interests and tastes following the opening up of the Mobage platform and an expansion in the number of members to 27.14 million, 49.7% more than in the prior year, because of aggressive advertising and other strategies. Other reasons for growth were the favorable impact of TV commercials targeted at adults. These commercials led to expansion of the user base to include a higher percentage of persons in their 30s and older, who have greater purchasing power. This, in turn, resulted in an increase in the average revenue per user. Avatar-related sales were ¥9,880 million, an increase of just 1.0%, due to the decline in the linked portion of affiliate advertising. Advertising sales totaled ¥7,038 million, a drop of 13.5%, because of a decline in sales of affiliate advertising to media of other companies. Other sales in this segment were ¥1,322 million, representing a gain of 184.8%.

* Figures on the breakdown of sales within the Social Media Business are before elimination of intersegment sales and transfers.

E-commerce Business

Consolidated sales and operating income of the E-commerce Business held firm, with sales standing at ¥13,587 million, an increase of 0.9% year on year, and operating income rising to ¥4,789 million, an increase of 8.0%.

The bidders auction and shopping site continued to develop its mobile-focused operations. Gross merchandise volume on a consolidated basis rose to ¥40,549 million, an increase of 4.1% year on year, but the number of paid membership stores fell to 4,257, a decline of 9.6% year on year, and sales* were ¥5,100 million, down 2.5%.

The mobile phone auction service Mobaoku had 1.28 million paid subscribers at the end of the fiscal year, an increase of 3.2% year on year, and sales were ¥4,209 million, representing a rise of 6.6% year on year. Sales of the payment gateway services related to e-commerce transactions were ¥3,094 million, an increase of 63.0% year on year, as the usage of the services inside the DeNA Group and outside expanded. Because of the sale, on November 30, 2010, of all the shares of Mobakore Co., Ltd., which operates the mobile phone-based fashion shopping site Mobakore, total net sales of this company from the beginning of the fiscal year through the date of the divestiture are included in the consolidated net sales (amounting to ¥1,386 million for the eight-month period versus ¥2,403 million for 12 months in the previous fiscal year).

* Figures on the breakdown of sales by service within the E-commerce Business are before elimination of intersegment sales and transfers.

Other

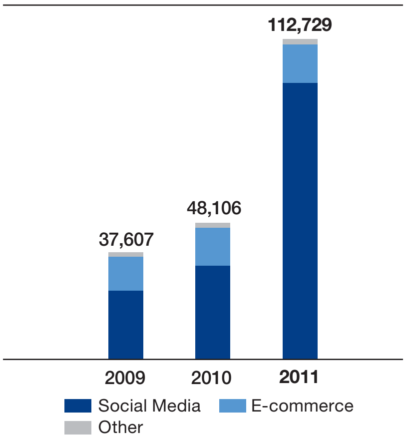
Consolidated sales of the other businesses for the fiscal year were ¥1,949 million, 3.5% higher than in the previous fiscal year, and operating income showed a marked improvement, standing at ¥62 million for the fiscal year, compared with an operating loss of ¥284 million in the previous fiscal year. In the travel agency business, demand for overseas business and individual travel expanded, and both sales and income in this business increased.

Financial Position

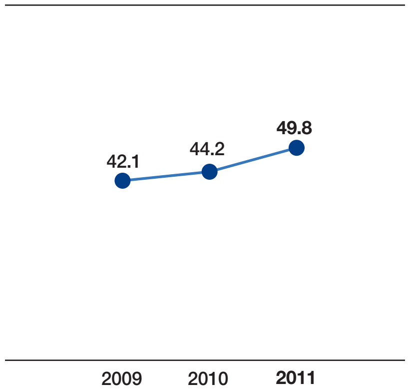
Total assets at March 31, 2011 stood at ¥127,216 million, representing an increase of ¥71,943 million year on year.

Current assets were ¥90,601 million, ¥41,520 million higher than at the previous fiscal year-end. The principal factors causing the

Net Sales (Millions of yen)



Ratio of Operating Income to Net Sales (%)



rise in current assets included an increase in cash and deposits, to ¥62,640 million, an increase of ¥29,168 million year on year, owing to the expansion in cash on hand because of the Group's favorable performance. Accounts receivable, trade stood at ¥17,772 million, ¥7,620 million above the previous fiscal year-end, due to expansion in sales from virtual goods billings in social games offered on Mobage. Other factors included deferred tax assets, which rose to ¥3,274 million, representing an increase of ¥2,178 million year on year.

Property and equipment stood at ¥1,135 million, ¥68 million higher year on year, owing primarily to an increase in servers and other equipment.

Investments and other assets stood at ¥35,480 million at the end of the fiscal year, an increase of ¥30,355 million year on year. As a result of acquisitions, including ngmoco, LLC, goodwill increased ¥28,063 million. Investment securities amounted to ¥2,046 million, an increase of ¥1,349 million year on year, principally as a result of an increase in investments in partnerships.

Current liabilities were ¥44,750 million, representing an increase of ¥26,175 million. Of this total, income taxes payable stood at ¥21,232 million, ¥15,186 million higher than at the end of the previous fiscal year, reflecting the rise in income against a background of strong corporate performance. Accompanying the rise in sales from social game billings for virtual goods, accounts payable, other rose to ¥12,314 million, a gain of ¥7,013 million year on year, as payments of fees to mobile phone carriers for the collection of proceeds and revenue sharing payments to game developers increased.

Long-term liabilities stood at ¥21 million, which represented a drop of ¥25 million year on year because of a decrease in impairment losses on leased assets and other factors.

Total net assets were ¥82,445 million, representing an increase of ¥45,793 million year on year. Of this total, retained earnings stood at ¥58,896 million, which was ¥29,932 million higher than at the end of the previous fiscal year. In addition, because of the issuance of new common shares and subscription rights to shares in connection with the acquisition of ngmoco, capital surplus rose ¥6,105 million, common stock increased ¥6,063 million, and share subscription rights rose ¥3,042 million.

Liquidity and Capital Resources

Cash Requirements and Sources

For the DeNA Group to sustain growth, it must maintain and strengthen its competitiveness, and continuing capital investments will be necessary. Moreover, to expand the scale of business activities and diversify sources of earnings, management believes it will be necessary to take initiatives in developing new services and new businesses. The Group will basically meet its funding needs from cash on hand, and raise additional funds as necessary.

Capital Expenditures

Total capital investments, including property and equipment, software, and other assets, during the fiscal year on a consolidated basis totaled ¥2,474 million.

In the Social Media Business, the Group made investments amounting to ¥1,620 million in servers, software, and other related items to expand the scale of the Mobage service. In the E-commerce Business, the Group made investments totaling ¥444 million in servers and software for the mobile field, including Mobaoku and the processing settlement services of PAYGENT Co., Ltd. In other businesses, the Group made investments of ¥304 million, mainly in servers and software for new services. The Group also invested ¥106 million mainly in servers and software for its Head Office administrative departments.

Total depreciation and amortization on a consolidated basis on tangible noncurrent assets and intangible noncurrent assets came to ¥1,917 million.

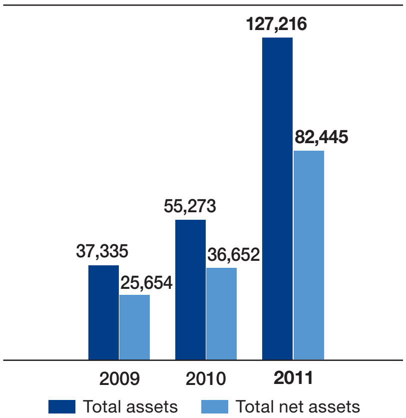
Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of the fiscal year ended March 31, 2011, rose ¥29,200 million year on year and stood at ¥62,620 million. The principal developments influencing cash flows were as follows.

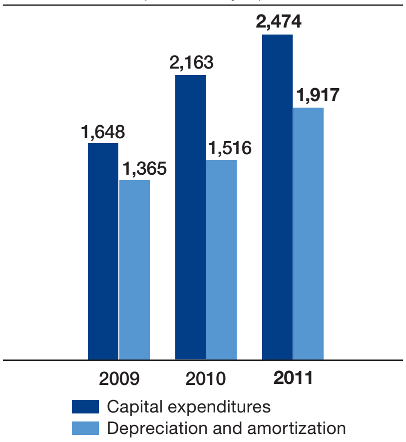
Cash Flows from Operating Activities

Net cash provided by operating activities was ¥47,916 million, ¥34,388 million, or 254.2%, higher year on year. The principal item contributing to this increase was income before income taxes and

Total Assets/Total Net Assets
(Millions of yen)



Capital Expenditures/ Depreciation and Amortization
(Millions of yen)



minority interests of ¥55,308 million, which was ¥34,584 million, or 166.9%, higher than in the prior fiscal year.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥18,949 million, an increase of ¥16,409 million, or 646.0% year on year. Principal factors accounting for this were investments of ¥13,117 million in the acquisitions of ngmoco and Gameview Studios, which expanded the scope of consolidation of the DeNA Group. Moreover, there were no proceeds from sales and redemption of short- and long-term investment securities reported during the fiscal year under review, compared with the ¥1,544 million in such proceeds reported in the previous fiscal year.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥816 million, a decrease of ¥188 million, or 18.7%, year on year. Cash dividends paid totaled ¥1,636 million, which was ¥782 million, or 91.6%, higher than in the previous fiscal year. However, the principal factor was an increase in short-term loans payable of ¥480 million and proceeds from stock issuance to minority shareholders of ¥480 million in connection with the establishment of subsidiary EveryStar Co., Ltd. To pay for the acquisition of ngmoco, the Company also issued new shares with a total paid-in value of ¥12,105 million and issued subscription rights to shares with a total value of ¥3,246 million in a third-party allotment. However, these were transactions among consolidated companies, and they have no impact on consolidated cash flow.

Fiscal 2011 Forecast

Looking forward, in the social game market, which is the Group's principal business, the speed of market growth continues to be difficult to forecast because the market has just recently been established and because of the continued expansion in the range and diversity of related devices. In addition, profitability is greatly influenced by many uncertainties, such as the availability of titles that suit consumer tastes and the popularity of individual games. Furthermore, for similar reasons, it is not possible to forecast accurately the profitability of the Mobage business, which the Group will begin to expand overseas during the fiscal year. Accordingly, since it is not feasible to prepare reliable forecasts for performance for the full fiscal year and the interim period, the Company will issue an outlook for the following quarter at the time of each quarterly results announcement.

Policy for Distribution of Profit and Dividends for Fiscal 2011

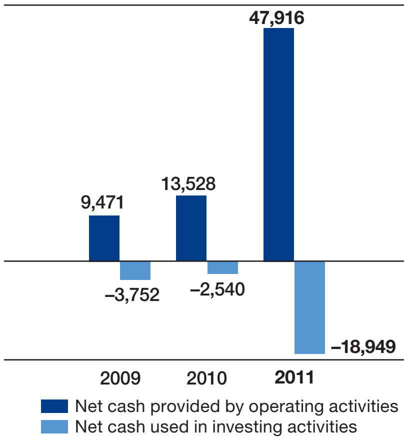
The Company regards continuing expansion in its corporate value and returning a portion of net income to shareholders as important management priorities. The Company's basic policy for allocating net income to shareholders through the payment of dividends is to link such allocations to its performance. As one approach to capital management policy to respond flexibly to changes in the Company's stock price and conditions in the operating environment and return a portion of net income to shareholders, after due and timely consideration, the Company purchases its own shares from the market.

Based on this policy, after taking into consideration the substantial increase in net income during the fiscal year under review, the Company will increase the return to shareholders and is scheduled to pay a regular cash dividend of ¥34 per common share (versus a cash dividend of ¥12 per share for the previous fiscal year, retroactively adjusted for the 300-for-1 stock split executed on June 1, 2010).

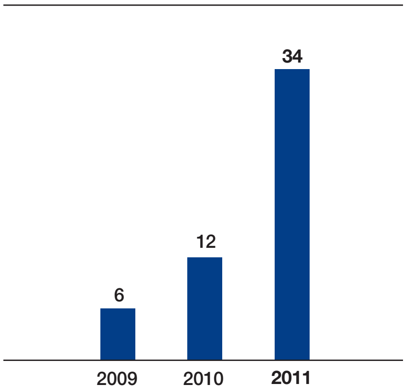
Regarding retained earnings, the Company's objective is to make effective investments to create a powerful earnings base.

Although the Company has not disclosed a forecast for its cash dividend in fiscal 2011, ending March 31, 2012, it will make an announcement promptly when it is possible to do so. Currently, the Company expects to provide a forecast at the time of the announcement of financial results for the third quarter of fiscal 2011. The basic policy regarding the payment of dividends from capital surplus is to pay a year-end dividend once a year.

Cash Flows (Millions of yen)



Cash Dividends per Share (Yen)



Risk Factors

This section reviews the principal matters among the various items related to the business and accounting situation that may constitute risks for DeNA Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "DeNA Group" or the "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 document. 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

Forecasts call for the size of the mobile content market to increase to about ¥670 billion by fiscal 2015. Within this market, the entertainment segment, including games, is forecast to expand. In addition, the mobile advertising market will grow to about ¥330 billion by fiscal 2015 and account for 35% of the Internet advertising market. Also, the business-to-consumer e-commerce (EC) market will be driven by mobile-based EC, which has already become established on Internet-connected devices, and will grow from ¥7.3 trillion in fiscal 2010 to about ¥11.8 trillion in fiscal 2015 (according to forecasts prepared by Nomura Research Institute, Ltd.).

However, in the event that growth in this market weakens significantly, this may have an adverse impact on the Group's business and performance. Even if the market continues to expand, the Group may not necessarily grow smoothly at the same pace. 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. Moreover, since the market is still in the process of growing, sudden changes in market share going forward owing to new entrants into the industry may have an adverse impact on the Group's business and performance.

(b) Competition

The Group strives to increase its competitiveness by creating websites 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 mobile and PC games, social networking services, EC, advertising and other services may have an adverse impact on the Group's business and performance.

(c) Responding to Technological Developments

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 mobile-related services, but the pace of change in mobile technology is rapid, and new services based on these technologies are being introduced constantly. The number of smartphone units being shipped annually in Japan is forecast to rise from about 6.75 million in fiscal 2010 (estimated outlook) to approximately 24 million in fiscal 2015 (based on research by MM Research Institute). Therefore, multi-functional information equipment, differing from conventional feature phones, as typified by smartphones, is coming into wider use.

As a result, while the Group is endeavoring to recruit and develop engineers and provide a creative work environment, in the event that the Group lags behind technological innovations, 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 customer 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 customer needs and introduce content that satisfies them, the appeal of the Group's services to customers may decline. In addition, it is necessary to make improvements and upgrades in content on a continuing basis, but in the event that these do not proceed according to plan, this may have an adverse impact on the Group's business and performance.

Also, in the event that the content provided by an external developer causes serious problems, the legal responsibility of the Group may become an issue regardless of the contents of customer contract bylaws and terms/conditions. Even where this is not the case, such incidents may damage the Group's brand image, and this may have an adverse impact on the Group's business and performance.

(b) E-commerce Business

In the EC sites offered by the Group, such as Mobaoku and bidders as well as NETSEA, 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 member terms and conditions 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 Japan's Act on Specified Commercial Transactions which restrict 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 customers on websites run by the Group, regardless of the contents of customer contract bylaws 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 this may have an adverse impact on the Group's business and performance.

(c) Internet Advertising Business

The Group offers a wide range of advertising services, including banner ads, affiliate advertising, and tie-up ads. However, in the event that new advertising methods appear that advertisers wish to use and the Group's response to this change is delayed, this may have an adverse impact on the Group's business and performance. Moreover, 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, this may have an adverse impact on the Group's business and performance.

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

(d) Payment Gateway Business

The Group provides payment gateway services in connection with transactions that take place on bidders, Mobaoku, and other sites, based on requests from sellers (the parties putting items up for sale) and buyers (the successful bidders in auction transactions and shoppers). In addition, the Group offers such payment services for businesses other than Group companies.

In the conduct of these services, in some cases, Group company PAYGENT provides payment to the seller before receiving compensation from the buyer. As a result, during the time between the payment to the seller and collection of this amount from the buyer, PAYGENT must raise the necessary funds. In the event that the usage of this service spreads more rapidly than is currently anticipated, it may be impossible to raise the necessary funds at an appropriate cost, and this may have an adverse impact on the Group's business and performance.

PAYGENT has the responsibility for supervising the 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, this may have an adverse impact on the Group's business and performance.

Moreover, the Group takes measures to maintain the complete confidentiality of sensitive information to provide safe and secure payment services for customers. 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, but if problems arise that were not anticipated under these standards, this may have an adverse impact on the Group's business and performance.

Looking ahead, in the event that legal and other restrictions are placed on payment services and this Group business is placed under constraints, this 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, such natural disasters 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, this may have an adverse impact on the Group's business and performance.

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, Consumer Contract Act, Act against Unjustifiable Premiums and Misleading Representations, and other regulations. Looking ahead, in the event that these laws are changed, this may have an adverse impact on the Group's business and performance.

(f) 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 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. This may have an adverse impact on the Group's business and performance.

(g) Venture Investments

The Group identifies and provides early development assistance and support for companies offering software applications in Japan and overseas and other companies that have high growth potential. The Group invests in limited partnerships (funds) with the aims of making contributions to increasing the corporate value of these enterprises as well as expand and further develop the social media market. The unlisted companies that these funds invest in 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 this may have an adverse impact on the Group's business and performance.

(h) Overseas Business

The Group is aiming to establish its position as the number one social gaming platform provider in the world, which is its principal business for the foreseeable future. Accordingly, the Group is aggressively investing its corporate resources in the development and strengthening of its overseas business activities. To attain its objective, the Company established a subsidiary in China in July 2006 and another subsidiary in the United States in January 2008. Through these local subsidiaries and companies that the Group has newly established or acquired, the Group is providing mobile social networking services and conducting other activities. In November 2010, DeNA concluded a major acquisition of ngmoco, LLC, which is engaged in the development and offering of social games for smartphones, and in the operation of a game community platform, and made that company a subsidiary.

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, culture, and 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 this may have an adverse impact on the Group's business and performance.

If the development of overseas business activities does not proceed according to the Group's plans, the need may arise to recognize impairment losses on goodwill, and this may have an adverse impact on the Group's business and performance.

In addition, since the financial statements of overseas 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. Looking ahead, the value of the Group's transactions in foreign currencies will rise. In the event that the prevailing market foreign currency conversion rate diverges from the rate assumed by the Group, this may have an adverse impact on the Group's business and performance.

(i) Providing Services to the General Public

The Group provides services to a large number of individual customers who make use of the websites it operates, such as Mobage. Accounts that are receivable from these customers 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 means, the incidence of uncollected receivables is minimal, but as the range of customers expands and the balance of uncollected receivables increases, the costs of collecting these receivables and the uncollected balance will rise. This may have an adverse impact on the Group's business and performance.

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

The Group is taking initiatives to strengthen its surveillance systems, but in the cases of sites where the number of members is expanding rapidly, it may be difficult to fully supervise the behavior of members on the Group's sites. In the event that inappropriate behavior of members leads to trouble, regardless of the contents of customer contract bylaws 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, this may have an adverse impact on the Group's business and performance.

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

To expand the scale of its business operations and diversify sources of earnings, the DeNA Group is working aggressively to take initiatives in new businesses. 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 acquisitions 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 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), this would have a very serious effect on the Group's business and performance. Also, in the event that computer systems break down because of unpredictable developments, such as a sudden increase in the number of customers accessing the Group's sites, an electric power outage, or other problems, this may have an adverse impact on the Group's business and performance.

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, this may have an adverse impact on the Group's business and performance.

(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 substantially expand personnel in each of its departments. However, in the event that the training of Group personnel does not keep pace with the expansion of the scale of business, and qualified human resources cannot be recruited from the outside as planned, it will be difficult to assign proper personnel. If this results in a decline in competitiveness and constraints on the expansion of the business, this may have an adverse impact on the Group's business and performance.

(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 a Compliance Office, 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 this may have an adverse impact on the Group's business and performance.

(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, this may have an adverse impact on the Group's business and performance.

In preparation for such contingencies, the Group has prepared business continuation plans and is taking other measures in advance of their occurrence. However, in the event that natural disasters result in severe damage to physical objects and injuries to human beings that exceed all expectations, this may make the continuation of business operations difficult.

(6) Compliance Risk

(a) Maintaining Site Integrity

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

To nurture healthy customer 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 customers on a continuing basis. Customers that violate the site agreements are asked to remedy their behavior, and measures may be taken to cancel their memberships. In addition, the Group 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 customers 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 site has qualified under the Accreditation Standards for Supervision of the Operation of Community Sites, indicating that its operating standards meet or exceed specific criteria as judged objectively by the Content Evaluation and Monitoring Association. However, in the case of services where the number of members is expanding rapidly, it is difficult to fully supervise the conduct of members within the site. In the event that improper member behavior causes trouble, regardless of the contents of customer contract bylaws 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 this may have an adverse impact on the Group's business and performance.

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 an increase in expenses, this may have an adverse impact on the Group's business and performance.

(b) Legal Restrictions

The Japanese government's Intellectual Property Strategy Headquarters has requested substantially greater autonomous activities against violations of intellectual property rights on Internet auction sites, and the DeNA Group is implementing related measures. The personal information provided by customers to services offered by the Group is subject to Japan's Act on the Protection of Personal Information. In addition, the Act on the Prohibition of Unauthorized Computer Access forbids the use of another person's ID or password without prior consent. Furthermore, under the Act on Specified Commercial Transactions and the Act on Regulation of Transmission of Specified Electronic Mail, when sending a specific volume of advertisements and promotional e-mail, the Group has a legal duty to include certain items. Besides these regulations, as an electronic communication company, the Group is subject to the provisions of the Telecommunications Business Act.

The Group's Mobage and other sites offer social networking service functions as one of their services, but these services assume healthy communication among customers. 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 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 in the previous item, the Group is continuing to step up its activities to maintain the integrity of its sites. To the maximum extent possible, the Group makes it possible for customers to gain access to contents even when filtering functions are operative.

In addition to the foregoing, the Group's Moba-coins, 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 subcontracts 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, when the business scale of services offered by the DeNA Group is large, the implementation of the DeNA Group's policies and the content of its agreements (regulations) that form the basis for these transactions, which are intended to maintain a healthy transactions environment for its business partners, may raise issues in the light of Japan's Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

The Group is responding in good faith to the previously mentioned legal regulations, but in the event that, under unforeseen circumstances, the Group should violate these regulations and is subject to government administrative action, 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, this may have an adverse impact on the Group's business and performance.

Regarding legal regulations, please also refer to the preceding section numbered (2) (b) (e) and the section below numbered (6) (c).

(c) 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 Japan's 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 addition, the Group is working to improve its related training programs, which are conducted principally by personnel who have passed the test to become certified protectors of personal information administered by the All-Japan Information Sciences Promotion Association. The Group is also endeavoring through these and other activities to raise the awareness of protecting personal information among personnel. In the systems area also, the Group is implementing information security technology measures, and bidders has obtained a TRUSTe certification* following examination by a third-party organization. In its outlets, bidders 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, this may result in claims for damages and result in a loss of trust in the Group. These circumstances may have an adverse impact on the Group's business and performance.

* TRUSTe is a certification recognizing the qualifications for the protection of personal information that is awarded by a third-party organization and represents an objective judgment on the reliability of personal information protection on websites. The organization providing these certifications in Japan is the Japan Privacy Accreditation Council.

(d) 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 management and employees, unforeseen trouble arising with customers, transaction partners, and third parties may result in lawsuits and litigation. 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, they may have an adverse impact on the Group's business and performance. 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 it operates and the services it provides. In addition, the Group has acquired patent rights, as necessary, for its originally developed systems and business models that are eligible for this protection. However, in cases where competitors have patents and other intellectual property rights, depending on their content, the Group may be subject to lawsuits, and this may have an adverse impact on the Group's business and performance.

Moreover, when other companies piggyback on intellectual property rights that are owned by the Group, the Group's patents lose their uniqueness and value, and if the brands decline in value, this may have an adverse impact on the Group's business and performance.

(8) Stock Value Dilution Risk

When the Company acquired ngmoco, LLC in November 2010, it issued share subscription rights to provide for a portion of the acquisition cost. In addition, by approximately June 2012, depending on the performance of ngmoco, the Company may issue common shares or increase the number of rights to purchase new shares as an additional payment for the acquisition. As a result, as of March 31, 2011, the maximum potential increase in the number of the Company's outstanding shares was 2,723,507, which represented 1.85% of the total number of shares outstanding (excluding treasury stock) at that time of 147,466,418.

In addition, to provide motivation for improving corporate performance and raise morale, the Group has introduced stock options and has granted share subscription rights to Company directors and Group employees.

If new common shares are issued to ngmoco or share subscription rights, there is a possibility that this will dilute earnings per share. Moreover, if there are short-term changes in the supply and demand balance in the stock market, this may influence the level of the Company's stock price.

Consolidated Balance Sheets

DeNA Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2011 and 2010

ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current assets:			
Cash and deposits (Notes 12, 14 and 15)	¥ 62,640	¥33,472	$ 754,699
Accounts receivable (Note 12):			
Trade	17,772	10,152	214,120
Other	5,192	3,470	62,554
Allowance for doubtful accounts	(152)	(221)	(1,831)
Deferred tax assets (Note 8)	3,274	1,096	39,446
Other current assets	1,875	1,112	22,590
Total current assets	90,601	49,081	1,091,578
Property and equipment (Note 10)**:**			
Buildings	512	459	6,169
Equipment	3,383	2,579	40,759
Total	3,895	3,038	46,928
Accumulated depreciation	(2,760)	(1,971)	(33,253)
Property and equipment, net	1,135	1,067	13,675
Investments and other assets:			
Investment securities (Notes 12 and 13)	2,046	697	24,651
Investments in stocks of unconsolidated subsidiaries and affiliates (Notes 12 and 13)	1,176	1,454	14,169
Goodwill (Notes 7 and 17)	28,063	—	338,108
Software	1,871	1,487	22,542
Deferred tax assets (Note 8)	685	562	8,253
Other assets	1,773	1,076	21,361
Allowance for doubtful accounts	(134)	(151)	(1,614)
Total investments and other assets	35,480	5,125	427,470
Total assets	¥127,216	¥55,273	$1,532,723

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

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Accounts payable (Notes 12 and 14):			
Trade	**¥ 489**	¥ 375	**$ 5,892**
Other	**12,314**	5,301	**148,361**
Income taxes payable (Note 12):	**21,232**	6,046	**255,807**
Advances received	**3,000**	2,100	**36,145**
Deposits received (Note 12):	**4,687**	4,019	**56,470**
Provision for bonuses	**156**	—	**1,880**
Other current liabilities	**2,872**	734	**34,602**
Total current liabilities	**44,750**	18,575	**539,157**
Long-term liabilities:			
Provision for point programs	**—**	10	**—**
Other long-term liabilities	**21**	36	**253**
Total long-term liabilities	**21**	46	**253**
Commitments and contingencies (Note 10)			
Net assets (Note 4)**:**			
Shareholders' equity:			
Common stock:			
Authorized—540,900,000 shares in 2011 and 1,803,000 shares in 2010			
Issued —150,806,064 shares in 2011 and 485,966 shares in 2010	**10,392**	4,329	**125,205**
Capital surplus	**10,419**	4,314	**125,530**
Retained earnings	**58,896**	28,964	**709,590**
Treasury stock, at cost—3,339,646 shares in 2011 and 11,236 shares in 2010	**(2,972)**	(3,000)	**(35,807)**
Total shareholders' equity	**76,735**	34,607	**924,518**
Accumulated other comprehensive income (loss):			
Unrealized holding loss on available-for-sale securities	**(28)**	(3)	**(338)**
Foreign currency translation adjustments	**(106)**	—	**(1,277)**
Total accumulated other comprehensive income (loss)	**(134)**	(3)	**(1,615)**
Share subscription rights	**3,042**	—	**36,651**
Minority interests	**2,802**	2,048	**33,759**
Total net assets	**82,445**	36,652	**993,313**
Total liabilities and net assets	**¥127,216**	¥55,273	**$1,532,723**

Consolidated Statements of Income

DeNA Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Net sales	**¥112,729**	¥48,106	¥37,607	**$1,358,181**
Cost of sales	**15,452**	10,684	8,797	**186,169**
Gross profit	**97,277**	37,422	28,810	**1,172,012**
Selling, general and administrative expenses (Note 6)	**41,180**	16,156	12,967	**496,145**
Operating income	**56,097**	21,266	15,843	**675,867**
Other income (expenses):				
Interest and dividend income	**26**	86	129	**313**
Gain on expiry of points	**181**	107	100	**2,181**
Gain on transfer of business	**—**	175	—	**—**
Impairment loss (Note 7)	**(309)**	—	(919)	**(3,723)**
Loss on valuation of stocks of subsidiaries and affiliates	**—**	(844)	—	**—**
Other, net (Note 7)	**(687)**	(66)	(12)	**(8,277)**
Income before income taxes and minority interests	**55,308**	20,724	15,141	**666,361**
Income taxes (Note 8)**:**				
Current	**25,650**	9,420	6,756	**309,036**
Deferred	**(2,297)**	(703)	(81)	**(27,675)**
Total income taxes	**23,353**	8,717	6,675	**281,361**
Income before minority interests	**31,955**	12,007	8,466	**385,000**
Minority interests	**351**	636	510	**4,229**
Net income	**¥ 31,604**	¥11,371	¥ 7,956	**$ 380,771**

	Yen			U.S. dollars
Per share of common stock (Notes 2 (m) and 11)**:**				
Basic net income	**¥218.74**	¥79.84	¥55.05	**$2.64**
Diluted net income	**218.10**	—	—	**2.63**
Cash dividends applicable to the year	**34.00**	12.00	6.00	**0.41**

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

Consolidated Statement of Comprehensive Income

DeNA Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	**2011**
Income before minority interests	**¥31,955**	**$385,000**
Other comprehensive income (loss) (Note 9)**:**		
Unrealized holding loss on available-for-sale securities	**(25)**	**(301)**
Foreign currency translation adjustments	**(110)**	**(1,326)**
Total other comprehensive income (loss)	**(135)**	**(1,627)**
Comprehensive income	**¥31,820**	**$383,373**
Comprehensive income attributable to (Note 9)**:**		
Shareholders of DeNA Co., Ltd.	**¥31,474**	**$379,205**
Minority interests	**346**	**4,168**

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

Consolidated Statements of Changes in Net Assets

DeNA Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen									
	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 4)	Total shareholders' equity	Unrealized holding gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2008	¥ 4,329	¥ 4,314	¥11,384	¥ —	¥20,027	¥ 1	¥ 4	¥ —	¥1,202	¥21,234
Cash dividends paid			(875)		(875)					(875)
Net income			7,956		7,956					7,956
Purchases of treasury stock				(3,000)	(3,000)					(3,000)
Changes in scope of consolidation			(17)		(17)					(17)
Net changes in items other than those in shareholders' equity						1	(4)		360	357
Net changes for the year	—	—	7,064	(3,000)	4,064	1	(4)	—	360	4,421
Balance at March 31, 2009	4,329	4,314	18,448	(3,000)	24,091	2	—	—	1,562	25,655
Cash dividends paid			(855)		(855)					(855)
Net income			11,371		11,371					11,371
Net changes in items other than those in shareholders' equity						(5)			486	481
Net changes for the year	—	—	10,516	—	10,516	(5)	—	—	486	10,997
Balance at March 31, 2010	4,329	4,314	28,964	(3,000)	34,607	(3)	—	—	2,048	36,652
Issuance of new shares	**6,052**	**6,053**			**12,105**					**12,105**
Issuance of new shares—exercise of share subscription rights	**11**	**11**			**22**					**22**
Cash dividends paid			**(1,709)**		**(1,709)**					**(1,709)**
Net income			**31,604**		**31,604**					**31,604**
Disposal of treasury stock		**41**		**28**	**69**					**69**
Purchases of treasury stock				**0**	**0**					**0**
Changes in scope of consolidation			**37**		**37**					**37**
Net changes in items other than those in shareholders' equity						**(25)**	**(106)**	**3,042**	**754**	**3,665**
Net changes for the year	**6,063**	**6,105**	**29,932**	**28**	**42,128**	**(25)**	**(106)**	**3,042**	**754**	**45,793**
Balance at March 31, 2011	**¥10,392**	**¥10,419**	**¥58,896**	**¥(2,972)**	**¥76,735**	**¥(28)**	**¥(106)**	**¥3,042**	**¥2,802**	**¥82,445**

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 4)	Total shareholders' equity	Unrealized holding gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2010	$ 52,157	$ 51,976	$348,963	$(36,144)	$416,952	$ (37)	$ —	$ —	$24,675	$441,590
Issuance of new shares	**72,915**	**72,928**			**145,843**					**145,843**
Issuance of new shares—exercise of share subscription rights	**133**	**132**			**265**					**265**
Cash dividends paid			**(20,590)**		**(20,590)**					**(20,590)**
Net income			**380,771**		**380,771**					**380,771**
Disposal of treasury stock		**494**		**337**	**831**					**831**
Purchases of treasury stock				**0**	**0**					**0**
Changes in scope of consolidation			**446**		**446**					**446**
Net changes in items other than those in shareholders' equity						**(301)**	**(1,277)**	**36,651**	**9,084**	**44,157**
Net changes for the year	**73,048**	**73,554**	**360,627**	**337**	**507,566**	**(301)**	**(1,277)**	**36,651**	**9,084**	**551,723**
Balance at March 31, 2011	**$125,205**	**$125,530**	**$709,590**	**$(35,807)**	**$924,518**	**$(338)**	**$(1,277)**	**$36,651**	**$33,759**	**$993,313**

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

Consolidated Statements of Cash Flows

DeNA Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Operating activities				
Income before income taxes and minority interests	**¥55,308**	¥20,724	¥15,141	**$666,361**
Adjustments for:				
Income taxes paid	**(10,641)**	(7,338)	(7,699)	**(128,205)**
Depreciation and amortization, excluding goodwill	**1,917**	1,516	1,365	**23,096**
Amortization of goodwill	**154**	—	85	**1,855**
Impairment loss	**309**	—	919	**3,723**
Loss on liquidation of subsidiary	**197**	—	—	**2,373**
Gain on transfer of business	**—**	(175)	—	**—**
(Decrease) increase in allowance for doubtful accounts	**(87)**	16	201	**(1,048)**
Increase in provision for bonuses	**156**	—	—	**1,880**
Decrease in provision for point programs	**—**	(68)	(63)	**—**
Loss on valuation of investment securities	**—**	62	—	**—**
Loss on valuation of stocks of subsidiaries and affiliates	**—**	844	—	**—**
Loss on disposal of fixed assets	**218**	93	45	**2,627**
Changes in operating assets and liabilities:				
Accounts receivable, trade	**(7,245)**	(4,874)	(821)	**(87,289)**
Accounts receivable, other	**(1,727)**	(1,705)	—	**(20,807)**
Accounts payable, trade	**293**	(17)	14	**3,530**
Accounts payable, other	**6,797**	2,121	342	**81,892**
Advances received	**500**	387	188	**6,024**
Deposits received	**665**	2,116	—	**8,012**
Other, net	**1,102**	(174)	(246)	**13,277**
Net cash provided by operating activities	**47,916**	13,528	9,471	**577,301**
Investing activities				
Purchases of short-term and long-term investment securities	**(2,302)**	(1,997)	(2,171)	**(27,735)**
Proceeds from sales and redemption of short-term and long-term investment securities	**—**	1,544	—	**—**
Payments for loans made	**—**	(207)	—	**—**
Purchases of fixed assets	**(944)**	(568)	(545)	**(11,373)**
Purchases of intangible assets	**(1,674)**	(1,453)	(1,146)	**(20,169)**
Payments for guarantee deposits	**(849)**	(87)	(47)	**(10,229)**
Proceeds from collection of guarantee deposits	**82**	188	209	**988**
Proceeds from transfer of business	**—**	186	—	**—**
Purchases of investments in subsidiaries resulting in change in scope of consolidation	**(13,117)**	—	—	**(158,036)**
Other, net	**(145)**	(146)	(52)	**(1,747)**
Net cash used in investing activities	**(18,949)**	(2,540)	(3,752)	**(228,301)**
Financing activities				
Increase in short-term loans payable	**480**	—	—	**5,783**
Proceeds from stock issuance to minority shareholders	**480**	—	—	**5,783**
Purchases of treasury stock	**—**	—	(3,000)	**—**
Cash dividends paid	**(1,636)**	(854)	(870)	**(19,711)**
Cash dividends paid to minority shareholders	**(150)**	(150)	(150)	**(1,807)**
Other, net	**10**	—	—	**121**
Net cash used in financing activities	**(816)**	(1,004)	(4,020)	**(9,831)**
Effect of exchange rate changes on cash and cash equivalents	**1**	—	—	**12**
Net increase in cash and cash equivalents	**28,152**	9,984	1,699	**339,181**
Cash and cash equivalents at beginning of the year	**33,420**	23,436	21,780	**402,651**
Decrease in cash and cash equivalents due to changes in the scope of consolidation	**—**	—	(43)	**—**
Increase in cash and cash equivalents from newly consolidated subsidiary	**1,048**	—	—	**12,626**
Cash and cash equivalents at end of the year (Note 15)	**¥62,620**	¥33,420	¥23,436	**$754,458**

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

Notes to Consolidated Financial Statements

DeNA Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011, 2010 and 2009

1. Basis of Presentation

The accompanying consolidated financial statements of DeNA Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with regulations under the Financial Instruments and Exchange Law of Japan and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In presenting these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically for the convenience of readers outside Japan.

The accompanying consolidated financial statements are expressed in Japanese yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥83=U.S.$1, the approximate rate of exchange prevailing at March 31, 2011. This translation should not be construed as a representation that the yen amounts shown could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. As of March 31, 2011, there were 18 consolidated subsidiaries (five in 2010). Foreign subsidiaries are consolidated using their financial statements as of their fiscal year-end, which falls on December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries (goodwill) are amortized by the straight-line method over periods not exceeding 20 years. However, immaterial goodwill and negative goodwill are charged or credited to income in the year of acquisition.

(b) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statements of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments and minority interests in the consolidated financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time, and short-term investments with maturities of six months or less when purchased in 2011, and three months or less in 2010 and 2009, which can easily be converted to cash and are subject to little risk of change in value.

(d) Investment securities

Securities other than equity securities issued by subsidiaries and affiliates of the Company are classified into two categories: held-to-maturity or available-for-sale securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as available-for-sale securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost. Cost of securities sold is determined by the moving-average method. Investments in limited partnerships consist primarily of the Company's contributed capital in investment partnerships. The investments in these partnerships are accounted for by the equity method on the Company's consolidated balance sheets and statements of income.

(e) Property and equipment

Depreciation of property and equipment of the Group is calculated principally by the declining-balance method at rates based on the estimated useful lives and the residual values determined by the Group, while the straight-line method is applied to equipment related to web services operated by the Group. The range of useful lives is principally from 3 to 18 years for buildings and from 2 to 20 years for equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

(f) Software

Software for internal use is amortized by the straight-line method over the estimated useful lives, from two to four years for software related to web services operated by the Group, and for five years for other software.

(g) Leases

For finance leases that do not transfer ownership of the leased assets to the lessee, depreciation and amortization are computed using the straight-line method over the lease period as the useful life and assuming no residual value. Finance lease transactions that do not transfer ownership, commencing on or before March 31, 2008 or earlier, are accounted for as operating leases.

(h) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

(i) Provision for bonuses
Provision for bonuses is provided to cover the estimated amount of bonuses to be paid to employees for services rendered as of the consolidated balance sheet date.

(j) Provision for point programs
Provision for point programs related to sales promotional activities for travel services is provided to cover the estimated future costs of redeeming earned points of the point programs as incurred as of the consolidated balance sheet date.

(k) Income taxes
Deferred tax assets and liabilities have been recognized in the accompanying consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(l) Consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(m) Per share information
Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of share subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and minority interests and the number of common shares outstanding at the year-end. Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years.

On June 1, 2010, the Company made a 300-for-1 stock split and 145,303,834 shares in aggregate were issued to shareholders of record on May 31, 2010. All per share information in the accompanying consolidated financial statements has been retroactively adjusted to reflect the stock split.

3. Accounting Changes

(a) Effective the year ended March 31, 2011, the Group adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ) Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). The effects of adopting these standards on the consolidated statement of income for the year ended March 31, 2011 were to decrease operating income by ¥65 million ($783 thousand) and income before income taxes and minority interests by ¥200 million ($2,410 thousand).

(b) Effective the year ended March 31, 2011, the Group adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 revised on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 revised on December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 revised on December 26, 2008).

(c) Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010). In accordance with this new standard, the consolidated statement of comprehensive income for the year ended March 31, 2011 has been presented herein. Accumulated other comprehensive income is presented in the consolidated balance sheets and the consolidated statements of changes in net assets. Comparative information for the year ended March 31, 2010 is disclosed in Note 9.

4. Net Assets

Information regarding changes in net assets for the years ended March 31, 2011, 2010 and 2009 was as follows:

a. Shares issued/Treasury stock

For the year ended March 31, 2011

	Number of shares			
	March 31, 2010	Increase	Decrease	March 31, 2011
Shares issued: Common stock (Note 1)	**485,966**	**150,320,098**	**—**	**150,806,064**
Treasury stock: Common stock (Note 2)	**11,236**	**3,359,772**	**31,362**	**3,339,646**

Notes: 1. Details of the changes are mainly as follows:

Increase due to stock split	145,303,834 shares
Increase due to allocation of new shares to a third party related to the acquisition of a subsidiary	5,006,210 shares

2. Details of the changes are mainly as follows:

Increase due to stock split	3,359,564 shares
Decrease due to exercising share subscription rights	31,362 shares

For the year ended March 31, 2010

	Number of shares			
	March 31, 2009	Increase	Decrease	March 31, 2010
Shares issued: Common stock	485,966	—	—	485,966
Treasury stock: Common stock	11,236	—	—	11,236

For the year ended March 31, 2009

	Number of shares			
	March 31, 2008	Increase	Decrease	March 31, 2009
Shares issued: Common stock	485,966	—	—	485,966
Treasury stock: Common stock (Note)	—	11,236	—	11,236

Note: Details of the changes are as follows:

Increase due to purchase of shares	11,236 shares

b. Share subscription rights

For the year ended March 31, 2011

			Number of shares				Millions of yen	Thousands of U.S. dollars
Company	Description	Type of shares	March 31, 2010	Increase	Decrease	March 31, 2011	Balance at March 31, 2011	Balance at March 31, 2011
The Company	Share subscription rights as stock options		—	—	—	—	¥ 80	$ 964
	Other (Note)	Common stock	—	1,817,535	164,563	1,652,972	2,944	35,470
Consolidated subsidiaries	Share subscription rights as stock options		—	—	—	—	18	217
Total			—	1,817,535	164,563	1,652,972	¥3,042	$36,651

Note: Details of the changes are mainly as follows:

Increase due to allocation of new share subscription rights to a third party related to the acquisition of a subsidiary	1,817,535 shares
Decrease due to forfeiture or expiration	123,147 shares

c. Dividends

1) Dividends paid

For the year ended March 31, 2011

		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Resolution	Type of shares	Total dividends	Total dividends	Dividends per share	Dividends per share	Cut-off date	Effective date
Annual general meeting of the shareholders on June 26, 2010	Common stock	¥1,709	$20,590	¥12	$0.14	March 31, 2010	June 28, 2010

For the year ended March 31, 2010

		Millions of yen	Yen		
Resolution	Type of shares	Total dividends	Dividends per share	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2009	Common stock	¥855	¥6	March 31, 2009	June 29, 2009

For the year ended March 31, 2009

		Millions of yen	Yen		
Resolution	Type of shares	Total dividends	Dividends per share	Cut-off date	Effective date
Annual general meeting of the shareholders on June 21, 2008	Common stock	¥875	¥6	March 31, 2008	June 23, 2008

2) Dividends with the cut-off date in the year ended March 31, 2011 and the effective date in the year ending March 31, 2012

		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Resolution	Type of shares	Total dividends	Total dividends	Source of dividends	Dividends per share	Dividends per share	Cut-off date	Effective date
Annual general meeting of the shareholders on June 25, 2011	Common stock	¥5,014	$60,410	Retained earnings	¥34	$0.41	March 31, 2011	June 27, 2011

5. Stock Option Plans

The Company

Stock options outstanding as of March 31, 2011 are as follows:

Stock option	Grantees	Type and number of shares	Grant date	Exercise period
3rd Stock Option	4 directors	40,000 shares of common stock	July 20, 2010	From July 21, 2010 to July 20, 2040

Notes: Conditions for the exercise of share subscription rights are as follows:
1. Directors to whom the share subscription rights are granted can exercise the stock options within 10 days after their resignation.
2. In the results of the holder's death, the share subscription rights can be transferred to an inheritor.
3. Exercise conditions are defined in "allotment of share subscription rights agreement" entered into between the holders and the Company based on the resolution of the shareholders' meeting held on June 26, 2010.

Stock option activity for the year ended March 31, 2011 is as follows:

	Number of shares
	3rd Stock Option
Non-vested	
Outstanding as of March 31, 2010	—
Granted	40,000
Forfeited/expired	—
Vested	40,000
Outstanding as of March 31, 2011	—
Vested	
Outstanding as of March 31, 2010	—
Vested	40,000
Exercised	—
Forfeited/expired	—
Outstanding as of March 31, 2011	40,000
Exercise price (yen)	¥ 1
Average stock price at exercise (yen)	—
Fair value price at the grant date (yen)	2,006
Exercise price (U.S. dollars)	$ 0.01
Average stock price at exercise (U.S. dollars)	—
Fair value price at the grant date (U.S. dollars)	24.17

Stock option expense included in "Selling, general and administrative expenses" for the year ended March 31, 2011 amounted to ¥80 million ($964 thousand). For the years ended March 31, 2010 and 2009, there were no options granted.

The fair value of options granted is estimated by using the Black-Scholes model with the following assumptions.

	3rd Stock Option
Volatility of stock price (Note 1)	58.65%
Expected remaining term (Note 2)	15 years
Expected dividend per share (Note 3)	¥12
Risk-free interest rate (Note 4)	1.55%

Notes: 1. Volatility of stock price is computed based on historical stock prices.
2. Because there is not enough data to make a reasonable estimation, the expected remaining term is based on the assumption that the options are exercised in the middle of their exercisable periods.
3. The expected dividend per share is based on the dividends paid in the past.
4. The risk-free interest rate is the yield on government bonds for the period that corresponds to the remaining term of the option.

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited/expired for the options already vested.

Consolidated Subsidiaries

Stock options outstanding as of March 31, 2011 are as follows:

Issuer	Grantees	Type and number of shares	Grant date	Vesting period	Exercise period
DeNA Pacific Communications Inc.	2 directors 41 employees	44,000,010 shares of common stock	March 31, 2010	1/3 of the shares granted will vest on October 15, 2010, and the remaining 2/3 will vest in 24 equal monthly installments. The options will be forfeited upon termination of services before the vesting date.	10 years from the grant date
WAPTX LTD. (1)	1 employee	120,000 shares of common stock	September 15, 2009	No vesting conditions	10 years from the grant date
WAPTX LTD. (2)	23 employees	62,000 shares of common stock	September 15, 2009	1/20 of the shares granted will vest on the last day of each full 90-day period following the vesting date effective from May 1, 2005 to April 17, 2008. The options will be forfeited upon termination of services before the vesting date.	10 years from the grant date
WAPTX LTD. (3)	1 director	585,000 shares of common stock	April 8, 2010	No vesting conditions	10 years from the grant date

Stock option activity for the year ended March 31, 2011 is as follows:

	Number of shares			
	DeNA Pacific Communications Inc.	WAPTX LTD. (1)	WAPTX LTD. (2)	WAPTX LTD. (3)
Non-vested				
Outstanding as of March 31, 2010	**—**	**—**	**18,750**	**—**
Granted	**44,000,010**	**—**	**—**	**585,000**
Forfeited/expired	**79,420**	**—**	**6,500**	**—**
Vested	**17,080,227**	**—**	**8,600**	**585,000**
Outstanding as of March 31, 2011	**26,840,363**	**—**	**3,650**	**—**
Vested				
Outstanding as of March 31, 2010	**—**	**120,000**	**37,250**	**—**
Vested	**17,080,227**	**—**	**8,600**	**585,000**
Exercised	**—**	**—**	**—**	**—**
Forfeited/expired	**—**	**—**	**27,500**	**—**
Outstanding as of March 31, 2011	**17,080,227**	**120,000**	**18,350**	**585,000**
Exercise price (U.S. dollars)	**$0.000403275**	**$0.001**	**$2.12**	**$1.0775**
Average stock price at exercise (U.S. dollars)	**—**	**—**	**—**	**—**
Fair value price at the grant date (U.S. dollars)	**0.005150853**	**0.452**	**—**	**—**

Stock option expense included in “Selling, general and administrative expenses” for the year ended March 31, 2011 amounted to ¥19 million ($229 thousand). For the years ended March 31, 2010 and 2009, there were no options granted.

The fair value of the stock options was measured at their intrinsic value. The valuation method was based on the net asset approach. As a result, the intrinsic value per unit of the stock options was measured at “¥0” in the following case: where the intrinsic value of the stock option is less than the amount to exercise the option.

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited/expired for the options already vested.

6. Selling, General and Administrative Expenses

The components of "Selling, General and Administrative Expenses" for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Advertising expenses	**¥11,693**	¥ 1,825	¥ 1,074	**$140,880**
Promotional expenses	**7,942**	3,273	2,857	**95,687**
Salaries and allowances	**3,305**	2,843	2,451	**39,819**
Other salaries	**1,758**	1,440	1,370	**21,181**
Commission fee	**10,363**	482	106	**124,855**
Business consignment expenses	**731**	2,792	1,403	**8,807**
Allowance for doubtful accounts	**45**	125	219	**542**
Provision for bonuses	**105**	—	—	**1,265**
Amortization of goodwill	**154**	—	85	**1,855**
Other	**5,084**	3,376	3,402	**61,254**
Total	**¥41,180**	¥16,156	¥12,967	**$496,145**

7. Impairment Loss

The following table summarizes the fixed assets for which impairment losses were recognized for the year ended March 31, 2011:

Location	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
DeNA (Tokyo)		Goodwill	**¥276**	**$3,325**
DeNA Global, Inc. (US)		Goodwill	**104**	**1,253**
IceBreaker U.S., Inc. (US)		Software	**2**	**24**
IceBreaker China Co., Ltd. (China)		Equipment	**1**	**12**
	Social Media business	Software	**23**	**277**
		Other	**1**	**12**
Shanghai Zongyou Network Technology Co., Ltd. (China)		Equipment	**14**	**169**
		Software	**14**	**169**
		Other	**1**	**12**
Shanghai Wapu Network Technology Co., Ltd. (China)		Equipment	**5**	**60**

Fixed assets are grouped on a managerial accounting basis. Impairment losses were recognized under "Accounting Standard for Impairment of Fixed Assets," issued by the Business Accounting Council on August 9, 2002, due to a business reorganization accompanied by a revision of strategies such as responding to the proliferation of smartphones in the Social Media business in the U.S. and China. The recoverable value was measured by value in use. Since future cash flow was expected to be negative, it was assumed that there was no recoverable value. The above details include certain impairment losses under loss on liquidation of subsidiaries.

The following table summarizes the fixed assets for which impairment losses were recognized for the year ended March 31, 2009:

Location	Use	Type of assets	Millions of yen
DeNA (Tokyo)	—	Goodwill	¥637
		Buildings	19
		Equipment	17
Air Link Co., Ltd. (Tokyo)	Tour agency business	Software	198
		Leased equipment	17
		Other	31

Fixed assets are grouped on a managerial accounting basis. Impairment losses were recognized under "Accounting Standard for Impairment of Fixed Assets" due to the low profitability of the tour agency business. The recoverable value was measured by value in use. Since future cash flow was expected to be negative, it was assumed that there was no recoverable value.

8. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 40.7% for the years ended March 31, 2011, 2010 and 2009. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation between the effective tax rates reflected in the accompanying consolidated statement of income and the statutory tax rate for the year ended March 31, 2009 was as follows:

	2009
Statutory tax rate	40.7%
Effect of:	
Expenses not deductible for income tax purposes	0.2
Per capita inhabitant tax	0.1
Non-taxable income	(0.9)
Change in valuation allowance	5.0
Change in tax loss carryforwards	1.2
Goodwill impairment loss	(1.7)
Goodwill amortization	(0.2)
Other	(0.3)
Effective tax rate	44.1%

A reconciliation between the effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 and the statutory tax rate is not presented because the difference between the effective tax rates and the statutory tax rate was less than 5% of the statutory tax rate.

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets (current):			
Allowance for doubtful accounts	**¥ 45**	¥ 92	**$ 542**
Provision for bonuses	**57**	—	**687**
Accrued enterprise taxes	**1,643**	467	**19,795**
Accrued payroll	**43**	28	**518**
Accounts payable, other	**1,247**	536	**15,024**
Accrued expenses	**17**	15	**205**
Accounts receivable, trade	**187**	—	**2,253**
Asset retirement obligations	**77**	—	**928**
Head office transfer cost	**68**	—	**819**
Other	**68**	55	**819**
Total gross deferred tax assets	**3,452**	1,193	**41,590**
Valuation allowance	**(151)**	(97)	**(1,819)**
Total deferred tax assets (current)	**¥3,301**	¥1,096	**$39,771**

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets (non-current):			
Depreciation of property and equipment	**¥ 95**	¥ 111	**$ 1,145**
Amortization of intangible fixed assets	**497**	388	**5,988**
Depreciation of lump-sum depreciable assets	**32**	29	**385**
Allowance for doubtful accounts	**75**	82	**903**
Impairment loss on fixed assets	**69**	83	**831**
Impairment loss on leased assets	**—**	32	**—**
Loss on valuation of stocks of subsidiaries and affiliates	**1,367**	1,168	**16,470**
Tax loss carryforwards	**1,298**	901	**15,639**
Unrealized holding loss on available-for-sale securities	**20**	—	**241**
Other	**181**	86	**2,181**
Total gross deferred tax assets	**3,634**	2,880	**43,783**
Valuation allowance	**(2,949)**	(2,318)	**(35,530)**
Total deferred tax assets (non-current)	**¥ 685**	¥ 562	**$ 8,253**
Deferred tax liabilities (current):			
Consumption tax payable	**¥ 27**	¥ —	**$ 325**
Total deferred tax liabilities (current)	**¥ 27**	¥ —	**$ 325**
Deferred tax assets (current), net	**¥3,274**	¥1,096	**$39,446**
Deferred tax liabilities (non-current):			
Other	**¥ 4**	¥ —	**$ 48**
Total deferred tax liabilities (non-current)	**¥ 4**	¥ —	**$ 48**

9. Comprehensive Income

The following table presents components of other comprehensive income (loss) and comprehensive income for the year ended March 31, 2010:

	Millions of yen
	2010
Other comprehensive income (loss):	
Unrealized holding loss on available-for-sale securities	¥ (5)
Total other comprehensive income (loss)	¥ (5)
Comprehensive income attributable to:	
Shareholders of DeNA Co., Ltd.	¥11,366
Minority interests	636
Total	¥12,002

10. Lease Transactions

Information on leased assets under finance lease transactions that do not stipulate the transfer of ownership of the leased assets to the lessee for the years ended March 31, 2011 and 2010 was as follows:

Classification of leased assets:

Property and equipment: Mainly office automation equipment

Intangible fixed assets: Software

Depreciation and amortization of leased assets:

As stated in Note 2. Summary of Significant Accounting Policies (g) Leases

Finance leases that do not transfer ownership of the leased property to the lessee, commencing on or before March 31, 2008, are accounted for as operating leases. Pro forma information on an "as if capitalized" basis for the years ended March 31, 2011 and 2010 was as follows:

For the year ended March 31, 2011

	Millions of yen			
	Acquisition cost	Accumulated depreciation/ amortization	Accumulated impairment loss	Net book value
Equipment	**¥ 54**	**¥ 36**	**¥ 1**	**¥17**
Software	**189**	**168**	**21**	**—**
Total	**¥243**	**¥204**	**¥22**	**¥17**

	Thousands of U.S. dollars			
	Acquisition cost	Accumulated depreciation/ amortization	Accumulated impairment loss	Net book value
Equipment	**$ 651**	**$ 434**	**$ 12**	**$205**
Software	**2,277**	**2,024**	**253**	**—**
Total	**$2,928**	**$2,458**	**$265**	**$205**

For the year ended March 31, 2010

	Millions of yen			
	Acquisition cost	Accumulated depreciation/ amortization	Accumulated impairment loss	Net book value
Equipment	¥ 87	¥ 36	¥ 25	¥26
Software	269	99	170	—
Total	¥356	¥135	¥195	¥26

Obligations under finance leases at March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥33**	¥ 62	**$398**
Due after one year	**8**	41	**96**
Total	**¥41**	¥103	**$494**

Allowance for impairment loss on leased assets of ¥24 million ($289 thousand) as of March 31, 2011 and ¥78 million as of March 31, 2010 is not included in obligations under finance leases.

Depreciation and amortization expense, interest expense and other information related to leased assets under finance leases for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Depreciation and amortization expense	**¥ 9**	¥ 9	**$109**
Interest expense	**2**	4	**24**
Total	**¥11**	¥13	**$133**
Lease payments	**¥64**	¥90	**$771**
Reversal of allowance for impairment loss on leased assets	**55**	81	**663**

No impairment loss was recorded for the years ended March 31, 2011 and 2010.

Depreciation and amortization expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum obligations under non-cancellable operating leases at March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Due within one year	**¥2**	**$24**
Due after one year	**2**	**24**
Total	**¥4**	**$48**

There were no significant minimum lease obligations at March 31, 2010.

11. Amounts per Share

Information on amounts per share is as follows.

a. Basic and diluted net income per share

The bases for calculation for the years ended March 31, 2011, 2010 and 2009, retroactively adjusted to reflect the 300-for-1 stock split effected on June 1, 2010, are as follows:

	Thousands of shares		
	2011	2010	2009
Weighted average number of shares for basic net income	**144,479**	142,419	144,523
Effect of dilutive securities—share subscription rights	**427**	—	—
Number of shares used to calculate diluted net income	**144,906**	142,419	144,523

The Company had no dilutive shares during the years ended March 31, 2009 and 2010, and therefore there is no difference between basic and diluted net income per share attributable to shareholders of the Company.

The following securities were excluded from the computation of diluted net income per share since the effect would be anti-dilutive for the year ended March 31, 2011: Certain portion of the share subscription rights of the Company issued in November 2010 to acquire ngmoco, Inc. (the number of shares: 385,602 shares)

b. Net assets per share

	Yen		U.S. dollars
	2011	2010	**2011**
Net assets per share	**¥519.45**	¥242.97	**$6.26**

The bases for calculation at March 31, 2011 and 2010, retroactively adjusted to reflect the 300-for-1 stock split effected on June 1, 2010, are as follows:

	Thousands of shares	
	2011	2010
Number of shares of common stock used for the calculation of net assets per share	**147,466**	142,419

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Total net assets	**¥82,445**	¥36,652	**$993,313**
Amounts deducted from total net assets:			
Share subscription rights	**3,042**	—	**36,651**
Minority interests	**2,802**	2,048	**33,759**
Net assets attributable to shareholders of common stock	**¥76,601**	¥34,604	**$922,903**

12. Financial Instruments

Overview

(1) Policy for financial instruments

The Group finances its working capital and capital expenditure mainly through internally generated funds, and it manages temporary cash surpluses through low-risk financial assets. The Group does not enter into derivative transactions.

(2) Types of financial instruments and related risk

Trade accounts receivable are exposed to credit risk in relation to customers. Substantially all other accounts receivable have payment due dates within one year.

Investment securities are composed of mainly held-to-maturity debt securities, the shares of unconsolidated subsidiaries and affiliates, the shares related to business alliances and investments in limited partnerships. Debt securities and marketable stocks are exposed to market risk.

Substantially all accounts payable, income taxes payable and deposits received have payment due dates within one year.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors creditworthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group only acquires held-to-maturity debt securities with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is insignificant.

At the balance sheet date, the carrying values of the financial assets represent the maximum credit risk exposures of the Group.

(b) Monitoring of market risks

For investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Group manages liquidity risk by confirming cash positions on a timely basis.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

(5) Concentration of credit risk

As of March 31, 2011, 32.7% of the total of trade accounts receivable is from certain major customers of the Group (29.2% in 2010).

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the accompanying consolidated balance sheets as of March 31, 2011 and 2010 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

As of March 31, 2011

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	**¥62,640**	**¥62,640**	**¥—**
Accounts receivable, trade	**17,772**	**17,772**	**—**
Accounts receivable, other	**5,192**	**5,192**	**—**
Investment securities:			
Held-to-maturity debt securities	**300**	**306**	**6**
Available-for-sale securities	**182**	**182**	**—**
Total assets	**¥86,086**	**¥86,092**	**¥ 6**
Liabilities:			
Accounts payable, trade	**¥ 489**	**¥ 489**	**¥—**
Accounts payable, other	**12,314**	**12,314**	**—**
Income taxes payable	**21,232**	**21,232**	**—**
Deposits received	**4,687**	**4,687**	**—**
Total liabilities	**¥38,722**	**¥38,722**	**¥—**

	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	**$ 754,699**	**$ 754,699**	**$—**
Accounts receivable, trade	**214,120**	**214,120**	**—**
Accounts receivable, other	**62,554**	**62,554**	**—**
Investment securities:			
Held-to-maturity debt securities	**3,615**	**3,687**	**72**
Available-for-sale securities	**2,193**	**2,193**	**—**
Total assets	**$1,037,181**	**$1,037,253**	**$72**
Liabilities:			
Accounts payable, trade	**$ 5,892**	**$ 5,892**	**$—**
Accounts payable, other	**148,361**	**148,361**	**—**
Income taxes payable	**255,807**	**255,807**	**—**
Deposits received	**56,470**	**56,470**	**—**
Total liabilities	**$ 466,530**	**$ 466,530**	**$—**

Note: Methods to determine the estimated fair value of financial instruments and other matters related to securities

Cash, deposits and accounts receivable
Since these items are settled in a short period of time, their carrying value approximates fair value.

Investment securities
The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 13, "Investment Securities" of these notes to the consolidated financial statements.

Accounts payable, income taxes payable and deposits received
Since these items are settled in a short period of time, their carrying value approximates fair value.

As of March 31, 2010

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥33,472	¥33,472	¥—
Accounts receivable, trade	10,152	10,152	—
Accounts receivable, other	3,470	3,470	—
Investment securities:			
Held-to-maturity debt securities	300	308	8
Total assets	¥47,394	¥47,402	¥ 8
Liabilities:			
Accounts payable, trade	¥ 375	¥ 375	¥—
Accounts payable, other	5,301	5,301	—
Income taxes payable	6,046	6,046	—
Deposits received	4,019	4,019	—
Total liabilities	¥15,741	¥15,741	¥—

Notes: 1. Methods to determine the estimated fair value of financial instruments and other matters related to securities

Cash, deposits and accounts receivable
Since these items are settled in a short period of time, their carrying value approximates fair value.

Investment securities
The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 13, "Investment Securities" of these notes to the consolidated financial statements.

Accounts payable, income taxes payable and deposits received
Since these items are settled in a short period of time, their carrying value approximates fair value.

2. Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Unlisted stocks	**¥1,077**	¥1,555	**$12,976**
Convertible bonds issued by an unlisted company	**65**	—	**783**
Investments in limited partnerships	**1,597**	297	**19,241**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

3. Redemption schedule for receivables and marketable securities with maturities

As of March 31, 2011

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**¥62,619**	**¥—**	**¥ —**	**¥—**
Accounts receivable, trade	**17,772**	**—**	**—**	**—**
Accounts receivable, other	**5,192**	**—**	**—**	**—**
Investment securities:				
Held-to-maturity debt securities	**—**	**—**	**300**	**—**
Available-for-sale securities	**—**	**65**	**—**	**—**
Total	**¥85,583**	**¥65**	**¥300**	**¥—**

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**$ 754,446**	**$ —**	**$ —**	**$—**
Accounts receivable, trade	**214,120**	**—**	**—**	**—**
Accounts receivable, other	**62,554**	**—**	**—**	**—**
Investment securities:				
Held-to-maturity debt securities	**—**	**—**	**3,615**	**—**
Available-for-sale securities	**—**	**783**	**—**	**—**
Total	**$1,031,120**	**$783**	**$3,615**	**$—**

As of March 31, 2010

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥33,464	¥—	¥ —	¥—
Accounts receivable, trade	10,152	—	—	—
Accounts receivable, other	3,470	—	—	—
Investment securities:				
Held-to-maturity debt securities	—	—	300	—
Total	¥47,086	¥—	¥300	¥—

13. Investment Securities

As of March 31, 2011

(1) Information regarding securities classified as held-to-maturity debt securities and available-for-sale securities

Held-to-maturity debt securities

	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Corporate bonds	**¥300**	**¥306**	**¥6**
Total	**¥300**	**¥306**	**¥6**

	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Corporate bonds	**$3,615**	**$3,687**	**$72**
Total	**$3,615**	**$3,687**	**$72**

Available-for-sale securities

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain
Securities whose carrying value exceeds their acquisition cost:			
Stock	**¥182**	**¥163**	**¥19**
Total	**¥182**	**¥163**	**¥19**

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain
Securities whose carrying value exceeds their acquisition cost:			
Stock	**$2,193**	**$1,964**	**$229**
Total	**$2,193**	**$1,964**	**$229**

(2) Reclassification of securities

During the year ended March 31, 2011, equity securities issued by an affiliate (¥387 million ($4,663 thousand) on the consolidated balance sheet) were reclassified as available-for-sale securities. The company ceased to be an affiliate due to a decrease in shareholdings and the retirement of dispatched officers from the Company. As a result, the securities were recognized at fair value on the consolidated balance sheet as of March 31, 2011 with a reduction in value of ¥35 million ($422 thousand).

As of March 31, 2010

(1) Information regarding securities classified as held-to-maturity debt securities

Held-to-maturity debt securities

	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Corporate bonds	¥300	¥308	¥8
Total	¥300	¥308	¥8

(2) Sales of securities classified as available-for-sale securities and the aggregate gain

	Millions of yen
	2010
Sales proceeds	¥11
Aggregate gain	6

14. Pledged Assets

Pledged assets and liabilities secured by the pledged assets at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Pledged assets:			
Cash and deposits	**¥20**	¥52	**$241**
Liabilities secured by the pledged assets:			
Accounts payable, trade	**19**	21	**229**

15. Supplementary Cash Flow Information

A reconciliation of cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2011 and 2010 to the corresponding amounts disclosed in the consolidated balance sheets as of March 31, 2011 and 2010, respectively, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and deposits	**¥62,640**	¥33,472	**$754,699**
Pledged time deposits	**(20)**	(52)	**(241)**
Cash and cash equivalents	**¥62,620**	¥33,420	**$754,458**

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of ngmoco, LLC and Gameview Studios, LLC in the year ended March 31, 2011, related to acquisition costs and net disbursement:

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Current assets	**¥ 1,145**	**$ 13,795**
Fixed assets	**639**	**7,699**
Goodwill	**27,856**	**335,614**
Current liabilities	**(679)**	**(8,181)**
Long-term liabilities	**(4)**	**(48)**
Acquisition value of shares	**28,957**	**348,879**
Shares issued due to the share acquisitions	**(12,062)**	**(145,325)**
Subscription rights to shares issued due to the share acquisitions	**(3,189)**	**(38,422)**
Cash and cash equivalents of acquired companies	**(589)**	**(7,096)**
Net disbursement due to the share acquisition	**¥13,117**	**$158,036**

16. Segment Information

Effective from the year ended March 31, 2011, the Group adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008). Segment information for the years ended March 31, 2010 and 2009 has been restated in accordance with such accounting standards for comparative purposes.

Outline of reportable segments

The reportable segments of the Group are the individual business units for which the Group is able to obtain respective financial information separately in order for the Board of Directors to evaluate regularly in determining how to allocate resources and assess their business performance. The Group provides principally Internet services for mobile devices and PCs. The Group organizes business divisions by services and each of these divisions formulates comprehensive business strategies for the services it provides and undertakes related business activities. Therefore, the Group's business segments are classified by type of service that is determined by the business divisions. The reportable segments of the Group are the Social Media business and the E-commerce business.

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

Reportable segment	Types of services
Social Media	Social media and Internet marketing related services (provided in Japan and overseas) Principal services: Mobage and Pocket Affiliate
E-commerce	E-commerce related services (provided in Japan) Principal services: bidders, Pocket bidders, Mobaoku, Mobakore, Mobapay, etc. (Note)

Note: As of November 30, 2010, the Company sold all its holdings in former consolidated subsidiary Mobakore Co., Ltd., the operating company of the Mobakore mobile phone-based fashion goods shopping site, and it was excluded from the scope of consolidation. However, up to the date of the sale of the shares, the results of this company were consolidated with the parent on the consolidated statements of income.

Methods of calculating sales and segment income (loss), identifiable assets, and other items by reportable segment

Accounting methods applying business segments are the same as described in Note 2, "Summary of Significant Accounting Policies." Segment income by reportable segment is calculated based on operating income. Intersegment sales and transfers are calculated based on third-party trading prices.

Information on sales and income (loss), identifiable assets, and other items by reportable segment

The reportable segment information for the Group for the years ended March 31, 2011, 2010 and 2009 is as follows:

	Millions of yen						
	2011						
	Reportable segments						
	Social Media	E-commerce	Subtotal	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales to third parties	¥97,193	¥13,587	¥110,780	¥1,949	¥112,729	¥ —	¥112,729
Inter-segment sales and transfers	424	449	873	4	877	(877)	—
Total sales	97,617	14,036	111,653	1,953	113,606	(877)	112,729
Segment income	¥53,734	¥ 4,789	¥ 58,523	¥ 62	¥ 58,585	¥ (2,488)	¥ 56,097
Segment assets	¥65,432	¥15,353	¥ 80,785	¥3,469	¥ 84,254	¥42,962	¥127,216
Other items:							
Depreciation and amortization, excluding goodwill	1,193	488	1,681	118	1,799	118	1,917
Capital expenditures	1,620	444	2,064	304	2,368	106	2,474

	Thousands of U.S. dollars						
	2011						
	Reportable segments						
	Social Media	E-commerce	Subtotal	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales to third parties	$1,171,000	$163,699	$1,334,699	$23,482	$1,358,181	$ —	$1,358,181
Inter-segment sales and transfers	5,108	5,410	10,518	48	10,566	(10,566)	—
Total sales	1,176,108	169,109	1,345,217	23,530	1,368,747	(10,566)	1,358,181
Segment income	$ 647,397	$ 57,699	$ 705,096	$ 747	$ 705,843	$ (29,976)	$ 675,867
Segment assets	$ 788,337	$184,976	$ 973,313	$41,795	$1,015,108	$517,615	$1,532,723
Other items:							
Depreciation and amortization, excluding goodwill	14,373	5,880	20,253	1,422	21,675	1,421	23,096
Capital expenditures	19,518	5,349	24,867	3,663	28,530	1,277	29,807

	Millions of yen						
	2010						
	Reportable segments						
	Social Media	E-commerce	Subtotal	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales to third parties	¥32,759	¥13,464	¥46,223	¥1,883	¥48,106	¥ —	¥48,106
Inter-segment sales and transfers	474	132	606	23	629	(629)	—
Total sales	33,233	13,596	46,829	1,906	48,735	(629)	48,106
Segment income (loss)	¥18,490	¥ 4,436	¥22,926	¥ (284)	¥22,642	¥ (1,376)	¥21,266
Segment assets	¥10,337	¥11,823	¥22,160	¥2,151	¥24,311	¥30,962	¥55,273
Other items:							
Depreciation and amortization, excluding goodwill	817	453	1,270	97	1,367	149	1,516
Capital expenditures	1,291	512	1,803	267	2,070	93	2,163

	Millions of yen						
	2009						
	Reportable segments						
	Social Media	E-commerce	Subtotal	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales to third parties	¥24,091	¥11,926	¥36,017	¥1,590	¥37,607	¥ —	¥37,607
Inter-segment sales and transfers	283	172	455	10	465	(465)	—
Total sales	24,374	12,098	36,472	1,600	38,072	(465)	37,607
Segment income (loss)	¥13,486	¥ 4,114	¥17,600	¥ (614)	¥16,986	¥ (1,143)	¥15,843
Segment assets	¥ 4,923	¥ 8,271	¥13,194	¥1,622	¥14,816	¥22,519	¥37,335
Other items:							
Depreciation and amortization, excluding goodwill	672	447	1,119	119	1,238	127	1,365
Capital expenditures	970	361	1,331	211	1,542	106	1,648

Notes: 1. "Other" incorporates those operations not included in reportable segments, including travel agency business and insurance agency business.
2. Adjustments are as follows:
(1) Adjustments of segment income (loss) amounting to ¥2,488 million ($29,976 thousand), ¥1,376 million and ¥1,143 million for the years ended March 31, 2011, 2010 and 2009, respectively, are corporate expenses pertaining to the corporate account not allocated to any specific reportable segments. The corporate account expenses mainly consist of administrative expenses.
(2) Adjustments of segment assets amounting to ¥42,962 million ($517,615 thousand), ¥30,962 million and ¥22,519 million as of March 31, 2011, 2010 and 2009 are mainly surplus funds provided to the Company and assets related to administrative divisions.
(3) Adjustments to capital expenditures amounting to ¥106 million ($1,277 thousand), ¥93 million and ¥106 million for the years ended March 31, 2011, 2010 and 2009 are capital investments in the assets related to administrative divisions.
3. Segment income is adjusted against operating income on the consolidated statements of income.

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2011, 2010 and 2009 are not presented because over 90% of total sales were from operations domiciled in Japan.

Property and equipment by countries or areas

Property and equipment by countries or areas grouped according to geographical classification at March 31, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Japan	**¥ 930**	**$11,205**
United States	**203**	**2,446**
Other	**2**	**24**
Total	**¥1,135**	**$13,675**

Property and equipment by geographical classification at March 31, 2010 and 2009 are not presented because over 90% of total assets were located in Japan.

Information by major clients

Information by major clients for the years ended March 31, 2011, 2010 and 2009 is not shown since outside sales to major clients accounted for less 10% of net sales on the consolidated statements of income.

Impairment loss on fixed assets by reportable segment

Impairment loss on fixed assets by reportable segment for the years ended March 31, 2011, 2010 and 2009 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Social Media	**¥441**	¥—	¥ —	**$5,313**
E-commerce	**—**	—	—	**—**
Reportable segment total	**441**	—	—	**5,313**
Other	**—**	—	919	**—**
Total	**441**	—	919	**5,313**
Adjustments	**—**	—	—	**—**
Consolidated	**¥441**	¥—	¥919	**$5,313**

Amortization and balance of goodwill

The following table presents the amortization and balance of goodwill as of and for the year ended March 31, 2011 by reportable segment:

	Millions of yen						
	2011						
	Reportable segments						
	Social Media	E-commerce	Subtotal	Other	Total	Eliminations/ Corporate	Consolidated
Amortization of goodwill	**¥ 154**	**¥—**	**¥ 154**	**¥—**	**¥ 154**	**¥—**	**¥ 154**
Balance at end of year	**¥28,063**	**¥—**	**¥28,063**	**¥—**	**¥28,063**	**¥—**	**¥28,063**

	Thousands of U.S. dollars						
	2011						
	Reportable segments						
	Social Media	E-commerce	Subtotal	Other	Total	Eliminations/ Corporate	Consolidated
Amortization of goodwill	**$ 1,855**	**$—**	**$ 1,855**	**$—**	**$ 1,855**	**$—**	**$ 1,855**
Balance at end of year	**$338,108**	**$—**	**$338,108**	**$—**	**$338,108**	**$—**	**$338,108**

There is no corresponding information on goodwill to be reported as of and for the years ended March 31, 2010 and 2009.

17. Business Combinations

For the year ended March 31, 2011

Acquisitions

Acquisition of Gameview Studios, LLC

1. Outline of the transaction

1) Name and business of the acquired company

Name: Gameview Studios, LLC

Business: Develops and provides social game applications for smartphones

2) Principal reasons for the business combination

The objectives of the acquisition of Gameview Studios, LLC are to enhance the Group's competitive strength in the social game market and benefit from excellent marketing and development know-how for creating fun game content.

3) Date of the business combination

September 10, 2010 (The acquisition date was deemed as the date of the fiscal year-end.)

4) Legal form of the business combination

Acquisition of shares

5) Name of the company subsequent to the combination

No change in corporate name

6) Ratio of voting rights acquired

100%

7) Basis of the acquisition

DeNA Global, Inc., a consolidated subsidiary, acquired the shares of Gameview Studios, LLC through an all-cash transaction.

2. Period for which the acquired company's financial results are included in the Company's consolidated financial statements

No operating results are included in the consolidated financial statements, since the date of the fiscal year-end was the deemed acquisition date.

3. Acquisition cost and breakdown

	Millions of U.S. dollars
Purchase of shares	**$30**
Related costs	**0**
Acquisition cost	**$30**

4. Amount of goodwill; reason for recognition; amortization method and period

Amount of goodwill: $29 million

Reason for recognition: Goodwill was recognized as the difference between the investment amount reflecting future expected income and the fair value of net assets at the date of the business combination.

Amortization method and period:

Straight-line method over 12 years

5. Assets acquired and liabilities assumed in the business combination

	Millions of U.S. dollars
Current assets	**$3**
Non-current assets	**0**
Total assets	**$3**
Current liabilities	**$2**
Total liabilities	**$2**

6. Details of conditional acquisition price stipulated in the agreement and related future accounting treatment

In the event that additional payments are made in accordance with the Acquisition Price Adjustment Covenant, which applies to business performance after the acquisition, the acquisition cost, which is as of the date of acquisition, will be adjusted. Therefore, the amount of goodwill and its amortization may also be adjusted in such circumstances.

7. Estimated effect of corporate combination on consolidated statement of income assuming acquisition had been completed at April 1, 2010 (beginning of fiscal year)

	Millions of U.S. dollars
Net sales	**$7**
Gross profit	**5**

(Calculation method and underlying assumptions)

The above figures reflect the estimated differences in net sales and gross profit in the consolidated statement of income resulting from the corporate combination, assuming that the combination had been completed at the beginning of the fiscal year.

The amounts shown above have not been audited by external auditors.

Acquisition of ngmoco, Inc.

1. Outline of the transaction

1) Name and business of the acquired company

Name: ngmoco, Inc.

Business: Develops and provides social game applications for smartphones

2) Principal reasons for the business combination

The objectives of acquisition of ngmoco, Inc. are to accelerate the creation of the global social game platform through business cooperation with the Group and ngmoco, Inc., which has a specific business base in the smartphone market.

3) Date of the business combination

November 9, 2010 (The acquisition date was deemed as the fiscal year-end.)

4) Legal form of the business combination

Trilateral merger and reverse-trilateral merger arrangements pursuant to United States law.

The Company established Stream Acquisition Corporation, which was merged with ngmoco, Inc., the surviving entity, and Stream Acquisition Corporation was then dissolved. The Company issued shares and warrants to complete the merger between Stream Acquisition Corporation and ngmoco, Inc. (reverse-trilateral merger). Subsequently, DeNA Global, Inc., a wholly-owned subsidiary, established a limited liability company, Stream Acquisition LLC. In exchange for shares of DeNA Global, Inc., ngmoco, Inc. was merged with Stream Acquisition LLC, and ngmoco, Inc. was the dissolved entity (trilateral merger). Stream Acquisition LLC then changed its name to ngmoco, LLC.

5) Name of the company subsequent to the combination

ngmoco, LLC

6) Ratio of voting rights acquired

100%

7) Basis of the acquisition

Substantially, the acquisitions involved cash payments in addition to shares and the share subscription rights offered by the Company in undertaking the reverse-trilateral merger and trilateral merger.

2. Period for which the acquired company's financial results are included in the Company's consolidated financial statements

No operating results are included in the consolidated financial statements, since the date of the fiscal year-end was the deemed acquisition date.

3. Acquisition cost and breakdown

	Millions of U.S. dollars
Cash	**$132**
Common shares of the Company	**148**
Subscription rights to shares of the Company	**40**
Related costs	**6**
Acquisition cost	**$326**

4. Exchange ratio for each type of shares; method for calculating the exchange ratio; number of shares distributed

Exchange ratio for each type of shares:

One common share of ngmoco, Inc. for 0.17 common shares of the Company

Method for calculating the exchange ratio:

The acquisition amount was determined through discussions and negotiations between the Company and shareholders of ngmoco, Inc. in considering the valuation results from similar acquisitions of companies in the U.S., specifically the venture companies in Internet-related business. Also, analysis was made of the results from the discounted IPO method on valuation and from benchmarking similar companies.

Number of shares distributed:

5,006,210 shares

5. Amount of goodwill; reason for recognition; amortization method and period

Amount of goodwill: $314 million

Reason for recognition: Goodwill was recognized as the difference between the investment amount reflecting future expected income and the fair value of net assets at the date of the business combination.

Amortization method and period:

Straight-line method over 12 years

6. Assets acquired and liabilities assumed in the business combination

	Millions of U.S. dollars
Current assets	**$11**
Non-current assets	**8**
Total assets	**$19**
Current liabilities	**$ 6**
Non-current liabilities	**0**
Total liabilities	**$ 6**

7. Details of conditional acquisition price stipulated in the agreement and related future accounting treatment

In the event that additional payments are made in accordance with the Acquisition Price Adjustment Covenant, which applies to business performance after the acquisition, the acquisition cost, which is as of the date of acquisition, will be adjusted. Therefore, the amount of goodwill and its amortization may also be adjusted in such circumstances.

8. Estimated effect of corporate combination on consolidated statement of income assuming acquisition had been completed at April 1, 2010 (beginning of fiscal year)

	Millions of U.S. dollars
Net sales	**$23**
Gross profit	**11**

(Calculation method and underlying assumptions)

The above figures reflect the estimated differences in net sales and gross profit in the consolidated statement of income resulting from the corporate combination, assuming that the combination had been completed at the beginning of the fiscal year.

The amounts shown above have not been audited by external auditors.

Transactions under Common Control and Others

1. Outline of the transaction

1) Name of the combined business
   MiniNation Inc.
2) Business description of the combined business
   Operation of a social game platform for smartphone users outside Japan
3) Date of the business combination
   December 31, 2010
4) Legal form of the business combination
   MiniNation Inc. was absorbed by the Company.
5) Name of the Company subsequent to the combination
   DeNA Co., Ltd.
6) Overview of the transaction including objectives
   The Company through, DeNA Global, Inc., a wholly-owned consolidated subsidiary, has acquired ngmoco, Inc. (current company name: ngmoco, LLC). In conjunction with the acquisition, the objectives of the merger of MiniNation Inc. are to strengthen the social game platform for overseas smartphones of "plus+", which is operated by ngmoco, LLC, to support primary business activities and development plans of the overseas businesses of the Group with ngmoco, LLC as the core and to utilize efficiently the knowledge of the smartphone business for the Group that has been gained by MiniNation Inc.

2. Outline of accounting treatment

This transaction was accounted for as a transaction under common control based on the "Accounting Standard for Business Combinations" (ASBJ Standard No. 21, revised by the ASBJ on December 26, 2008) and "Guidance on Accounting Standard for Business Combination and the Accounting Standard for Business Divestitures" (Implementation Guidance, ASBJ Guidance No. 10 revised on December 26, 2008).

Business Divestitures

1. Outline of the transaction

1) Name of the transferee
   Senshukai Co., Ltd.
2) Separated business
   Mobakore Co., Ltd., the operating company of "Mobakore," a fashion shopping site accessible from mobile phones.
3) Principal reasons for divestiture
   The Company sold all its outstanding shares of Mobakore Co., Ltd., which operates the "Mobakore" fashion shopping site for the mobile phone platform, to Senshukai Co., Ltd. at the end of November 2010.
   The objectives of the divestiture of Mobakore Co., Ltd. are to better utilize business resources for areas expected to have greater business synergies with the Company.
4) Date of divestiture
   November 30, 2010
5) Outline of divestiture
   The Company sold all its outstanding shares of Mobakore Co., Ltd. to Senshukai Co., Ltd.

2. Summary of accounting treatment

1) Loss from the transfer
   ¥5 million ($60 thousand)
2) Book value of assets and liabilities of the transferred business

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥671**	**$8,084**
Non-current assets	**28**	**338**
Total assets	**¥699**	**$8,422**
Current liabilities	**¥246**	**$2,964**
Total liabilities	**¥246**	**$2,964**

3) Accounting treatment
   The Company recognizes loss on sales of investment securities as the difference between carrying value on consolidated balance sheets and cash received from the transaction.
4) Related business segment
   E-commerce
5) Overview of sales, operating loss of the separated business included in consolidated results for the year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
Net sales	**¥1,386**	**$16,699**
Operating loss	**2**	**24**

For the year ended March 31, 2010

No significant business combinations or divestitures.

Report of Independent Auditors

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
DeNA Co., Ltd.

We have audited the accompanying consolidated balance sheets of DeNA Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2011, and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of DeNA Co., Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 27, 2011

Corporate Information (As of March 31, 2011)

Company Name
DeNA Co., Ltd.

Date of Establishment
March 4, 1999

Headquarters
Shinjuku Midwest Bldg.,
30-3, Yoyogi 4-chome,
Shibuya-ku, Tokyo 151-0053, Japan

Capital
¥10,392 million

Number of Employees (Consolidated)
1,080

Business Outline
Social Media Business
E-commerce Business
Other

Fiscal Year-end
March 31

Accounting Auditor
Ernst & Young ShinNihon LLC

Principal Consolidated Subsidiaries

Company name	Country	Paid-in capital	Ownership percentages	Principal lines of business
Mobaoku Co., Ltd.	Japan	¥200 million	70.0%	Operation of a mobile phone auction platform
PAYGENT Co., Ltd.	Japan	¥400 million	50.0%	Settlement services for e-commerce transactions
Air Link Co., Ltd.	Japan	¥100 million	100.0% (14.4%)	Travel agency business, insurance agency business
EVERYSTAR Co., Ltd.	Japan	¥800 million	70.0%	Operation of user-generated content service on mobile terminals
DeNA Global, Inc.	U.S.A.	US$329,895,000	100.0%	Operation of social media business outside Japan
ngmoco, LLC	U.S.A.	US$45,114,000	100.0% (100.0)	Same as company above
Gameview Studios, LLC	U.S.A.	US$1,110,000	100.0% (100.0)	Same as company above
WAPTX LTD.	British West Indies	US$17,000	55.0%	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, 2011)

Securities Code
2432

Stock Listing
Tokyo Stock Exchange, First Section

Date of Listing
February 16, 2005

Number of Share per Trading Unit
100

Annual General Meeting of Shareholders
June

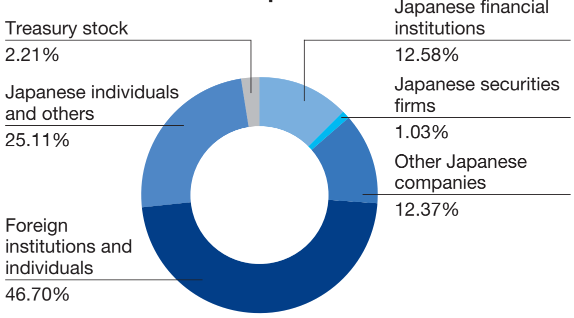
Record Date for Dividends
March 31

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: 150,806,064 shares

Number of Shareholders
14,496

Distribution of Ownership

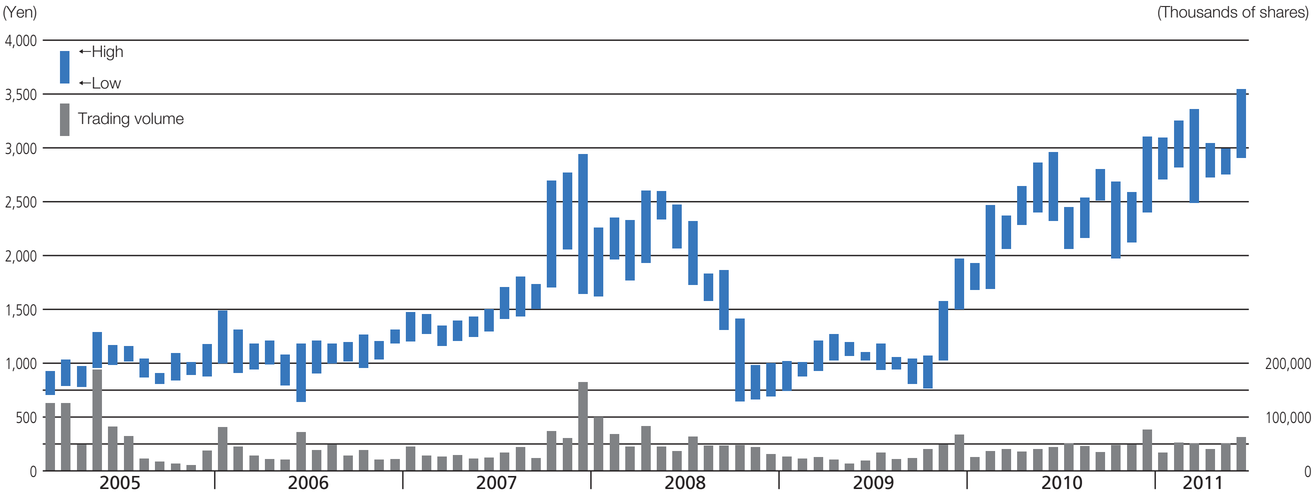


Principal Shareholders

Name	Number of shares held (Thousands)	Percentage of total outstanding shares (%)
Tomoko Namba	21,633	14.67
So-net Entertainment Corporation	17,722	12.02
Goldman, Sachs & Co. Regular Account	5,423	3.68
Japan Trustee Services Bank, Ltd. (Trust Account)	5,152	3.49
Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation	4,569	3.10
Shogo Kawada	4,329	2.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,789	2.57
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,940	1.99
Morgan Stanley & Co. Inc.	2,811	1.91
State Street Bank and Trust Company	2,804	1.90

Notes: 1. Ownership percentages have been calculated after the deduction of treasury stock.
2. The Company holds some treasury stock, but it has been excluded from the list of principal shareholders shown above.

Stock Price and Trading Volume



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 in the historical stock prices and trading volume.

DeNA Co., Ltd.

Shinjuku Midwest Bldg.,
30-3, Yoyogi 4-chome,
Shibuya-ku, Tokyo 151-0053, Japan
URL: http://www.dena.jp