DeNA Co., Ltd. ANNUAL REPORT 2012

Year ended March 31, 2012

DeNA

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Disclaimer regarding forward-looking statements

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

We aim to make further strides toward becoming an enterprise that shines on the global stage through raising Mobage to become the world's top social gaming platform.

The DeNA Group was founded in 1999 with the operation of bidders, a PC online auction service. Since then, we have expanded while developing several new businesses that take advantage of consumer and social trends. Currently, we are engaged in Internet services such as Mobage, our social gaming platform, and e-commerce, and we are continuing to grow.

Social games for mobile phones have attained growth in Japan ahead of the rest of the world, and, thanks to the global popularity of smartphones, we welcome this time of expansion throughout the global market. We are working to raise Mobage to become the world's top social gaming platform; have set as our target operating income of ¥200 billion in the fiscal year ending March 31, 2015; and are making every effort to achieve this goal.

Our strengths lie in our ability to quickly respond to changes in the business environment and user needs, as well as to continue to give rise to new services. The goal the DeNA Group aims to achieve is to become an enterprise that continues to provide new value to users worldwide. Going forward, we will continue to progress, never forgetting our founding principle, to forever be a pioneering venture, and make every effort to continually improve our corporate value.

DeNA's Growth

DeNA fully understands the changes in market needs and accordingly has created new growth engines. We are also proceeding with our plan to aggressively expand overseas.

Net Sales

	1999	2000	2001	2002	2003	2004
Highlights of Japan's Mobile Phone Industry	Mobile Internet service begins.	Mobile phones with cameras are launched.	3G mobile services start.		Operators begin offering flat-rate mobile data plans.	

Growth Engines

Online Auctions

1999
- DeNA is founded.
- Bidders auction site is launched.

Online 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.

bidders

Major Subsidiaries

- **South Korea** — Mobage Korea is launched in 2012.
- **China** — Mobage China is launched in 2011.
- **Vietnam**
- **Singapore**

● *Platform operations*

● *Development studios*

2007: Number of mobile phone subscriptions tops 100 million.

2008: iPhone is released.

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.
- DeNA launches international businesses.

** Formerly "Moba-ge-town"*

2007
- DeNA lists on the First Section of the Tokyo Stock Exchange.

Social Games

2009
- First in-house social games are launched.

2010
- Mobage Open Platform is launched for third-party developers.
- E★Everystar is formally launched.
- Yahoo! Mobage is launched for PCs.
- Mobage for smartphones is launched.

2011
- DeNA commences management of the YOKOHAMA DeNA BAYSTARS professional baseball team.

Creating New Growth Engines

2012
- ZEROSTORE, an e-commerce website development service, is launched.

Eight-year Financial Summary

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

	Millions of yen								Thousands of U.S. dollars*5
	2005	2006	2007	2008	2009	2010	2011	**2012**	**2012**
Operating Results									
Net sales	¥2,871	¥ 6,429	¥14,182	¥29,736	¥37,607	¥48,106	¥112,729	**¥145,729**	**$1,777,183**
Operating income	483	1,883	4,506	12,662	15,843	21,266	56,097	**63,415**	**773,354**
Net income	440	1,487	2,539	6,776	7,956	11,371	31,604	**34,485**	**420,549**
Financial Conditions									
Total assets	¥5,517	¥13,295	¥21,120	¥32,847	¥37,335	¥55,273	¥127,216	**¥152,487**	**$1,859,598**
Total net assets*2	4,649	10,888	14,509	21,234	25,654	36,652	82,445	**98,362**	**1,199,537**
Net cash provided by operating activities	810	2,464	4,885	9,207	9,471	13,528	47,916	**33,294**	**406,024**
Net cash used in investing activities	(287)	(296)	(1,656)	(2,682)	(3,752)	(2,540)	(18,949)	**(19,396)**	**(236,537)**
Free cash flow*3	523	2,168	3,229	6,525	5,719	10,988	28,967	**13,898**	**169,488**
Net cash (used in) provided by financing activities	3,280	5,055	479	(390)	(4,020)	(1,004)	(816)	**(18,455)**	**(225,061)**
Capital expenditures	266	356	1,129	1,987	1,648	2,163	2,474	**5,915**	**72,134**
Depreciation and amortization, excluding goodwill	203	238	377	889	1,365	1,516	1,917	**3,017**	**36,793**
Financial Indicators (%)									
Ratio of operating income to net sales	16.8	29.3	31.8	42.6	42.1	44.2	49.8	**43.5**	
Return on equity	15.8	19.1	20.8	40.4	36.1	38.7	56.8	**40.7**	
Shareholders' equity ratio	84.3	81.9	63.9	61.0	64.5	62.6	60.2	**60.9**	
Consolidated payout ratio	—	—	9.8	12.9	10.9	15.0	15.5	**15.3**	
	Yen								U.S. dollars*5
Per Share Data*4									
Net income per share—basic	¥ 3.61	¥ 10.93	¥ 17.72	¥ 46.59	¥ 55.05	¥ 79.84	¥ 218.74	**¥ 235.25**	**$ 2.87**
Net income per share—diluted	3.59	10.51	17.41	46.48	—	—	218.10	**234.01**	**2.85**
Net assets per share	34.37	76.44	93.02	137.40	169.16	242.97	519.45	**648.72**	**7.91**
Cash dividends per share	—	—	1.73	6.00	6.00	12.00	34.00	**36.00**	**0.44**

**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.*

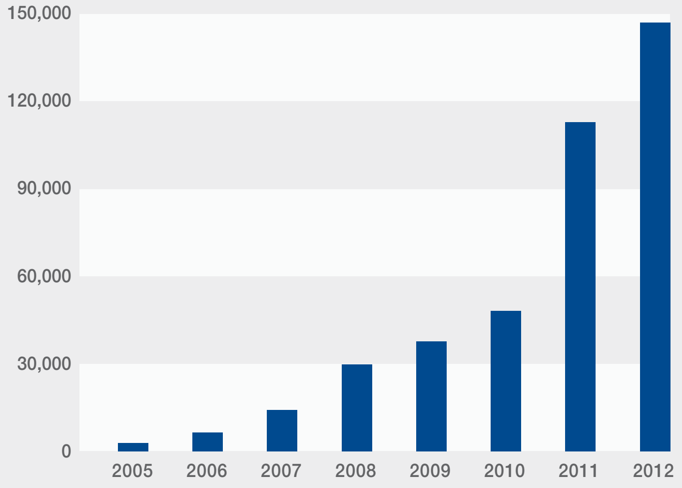
**2 Total net assets as of and before March 31, 2006 are presented in accordance with the previous accounting standard for presentation of net assets under which minority interests are not included in total net assets.*

**3 Free cash flow = Net cash provided by operating activities + Net cash used in investing activities*

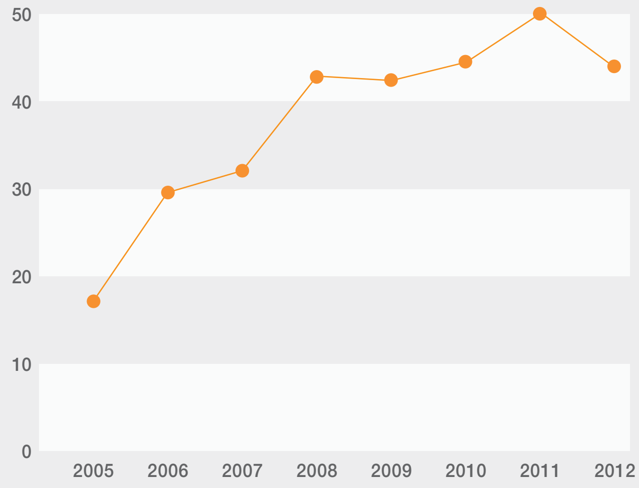
**4 Per share data has been adjusted retroactively to reflect a 3-for-1 stock split on November 18, 2005, and a 300-for-1 stock split on June 1, 2010.*

**5 The U.S. dollar amounts stated above have been translated from yen, for readers' convenience only, at the rate of ¥82=U.S.$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2012.*

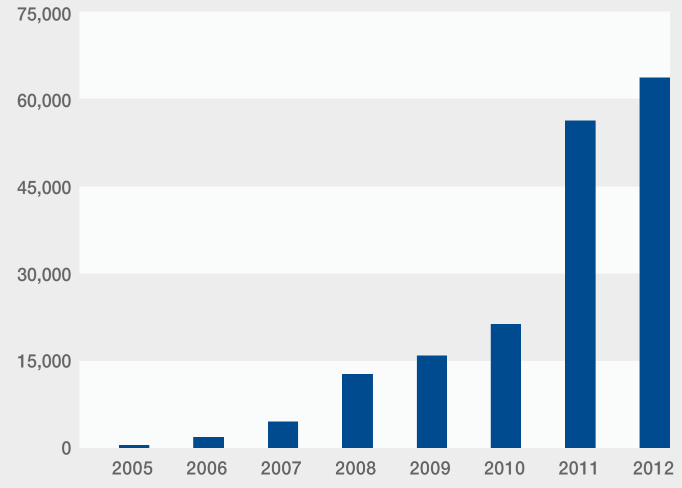
Net Sales (Millions of yen)



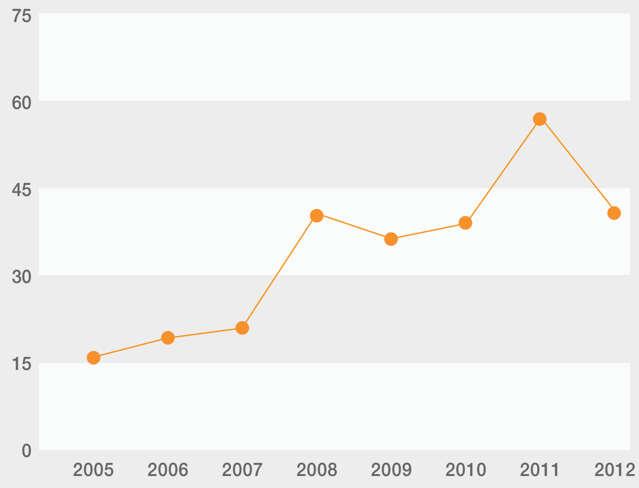
Ratio of Operating Income to Net Sales (%)



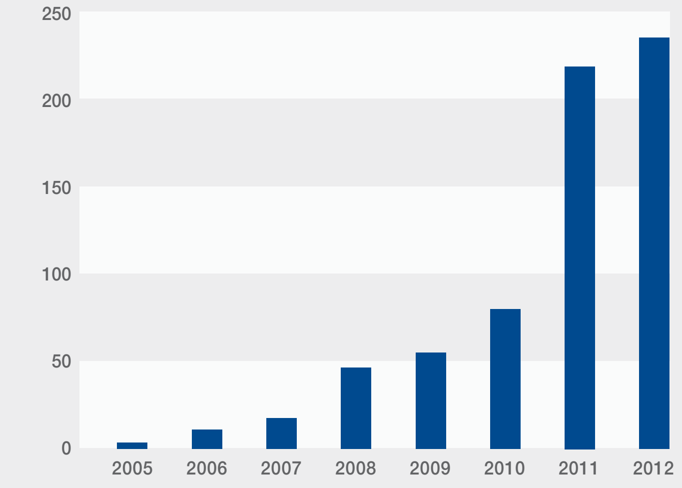
Operating Income (Millions of yen)



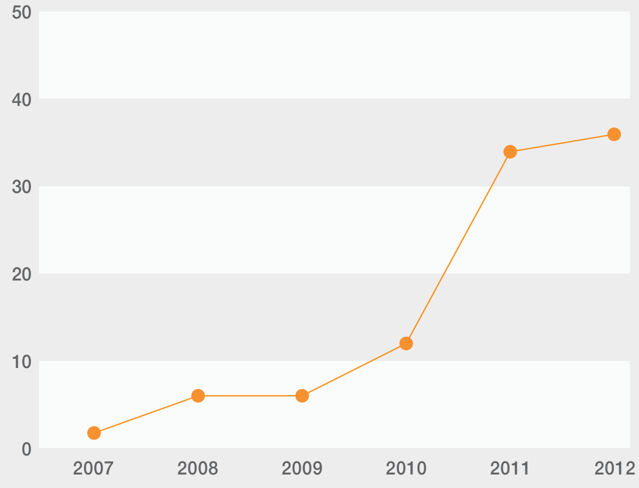
Return on Equity (%)



Net Income per Share—Basic (Yen)



Cash Dividends per Share (Yen)



Establishing the World's Leading Social Gaming Platform

Business Results for Fiscal 2011

In fiscal 2011, the year ended March 31, 2012, net sales rose 29.3% year on year to ¥145.7 billion, with operating income climbing 13.0% year on year to ¥63.4 billion. These figures represent the highest values recorded in the past eight years, since DeNA was first listed in February 2005.

Underpinning this impressive growth is Mobage, our social gaming platform, developed by DeNA's Social Media Business. The consumption of Moba-coin, the virtual currency for our games, rose by a staggering 83.5% year on year to ¥162.5 billion, contributing greatly to our growth in revenue.

Smartphone adoption is on the rise and smartphone users are now responsible for nearly 40% of total Moba-coin consumption. Given this favorable development, we are no longer concerned about Mobage's ability to sustain momentum as smartphone popularity increases.

We have geared up for the global expansion of our platform, having already commenced service in Western markets and China in July 2011, and in South Korea in February 2012.

Net Sales
¥145.7 billion
Up 29.3% year on year

Operating Income
¥63.4 billion
Up 13.0% year on year

Since its first listing, DeNA has posted eight consecutive terms of record growth in net sales and operating income.

Profile
After completing his studies at the University of Tokyo Graduate School (Department of Aeronautics and Astronautics, School of Engineering) in 1998, Isao Moriyasu joined Oracle Corporation Japan in April of that year. In November 1999, Mr. Moriyasu 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. Mr. Moriyasu assumed his current position as President and Representative Director in June 2011.


Isao Moriyasu
President and Representative Director

Our E-commerce Business—mainly comprising Bidders, a shopping site; Mobaoku, a mobile auction service; and PAYGENT Co., Ltd., a company providing payment collection services—continues to expand at a fast pace, and proves to be promising in terms of maintaining stable revenue. In particular, PAYGENT has expanded in scale and is the driving force behind the overall growth of our E-commerce Business.

Prospects for Fiscal 2012

In order to position Mobage as the top social gaming platform in the world, and to achieve our vision of reaching operating income of ¥200 billion in the fiscal year ending March 31, 2015, we made concerted efforts in fiscal 2011 to build a domestic and overseas platform predicated on two main growth strategies: X-device (cross device), providing a platform compatible with a variety of devices, and X-border (cross border), expanding our platform globally.

Overseas Mobage Business

In fiscal 2011, we began our business expansion overseas with the launch of Mobage in Western markets, China, and South Korea. We have charted a course for fiscal 2012, the year ending March 31, 2013, as a pivotal year for growing Mobage into the world's top social gaming platform. We will customize our Japanese social game assets for each global region and work swiftly to establish a worldwide user base and optimize engagement to further expand our revenue.

Mobage Business in Japan

We will build a portfolio of first-party games that is balanced between titles that leverage well-known characters and original titles, as well as continuing to grow our roster of influential third-party games. Through our lineup of strong games, we will strive to acquire new players, expand the paying user base, and improve ARPU.

We have succeeded in pioneering new genres with our first-party social games. We plan to focus on one of these genres—real time team battle, which employs highly synchronous elements—as a major game category. We also intend to fuse card battle games with successful features of other popular genres in an effort to find new avenues for growth.

We are committed to making every effort to improve the social gaming environment to ensure that players can safely enjoy our games. In addition to the specific Mobage initiative we have already employed, we will also support the activities of the Social Game Platform Liaison Council, which commenced in March 2012.

Policy for Distribution of Profits

The management team at DeNA recognizes that it must continually enhance corporate value and return profits to its shareholders. Our basic policy regarding profit returns via dividends is performance-based and takes into account the results of each fiscal year. We aim to distribute a consolidated payout ratio of 20% in the medium

Change in Amount of Profit Distribution

(Billions of yen)

	Amount of Profit Distribution*1	Net Income in Previous Fiscal Year
Fiscal 2010	1.6	11.4
Fiscal 2011	15.0	31.6
Fiscal 2012*2	**25.1**	**34.5**

**1 Amount of profit distribution = Total dividends paid in the fiscal year + Purchase of treasury stock (on a cash basis)*

**2 The amount of profit distribution for fiscal 2012 was calculated as of July 24, 2012.*

term. In addition, as a flexible response to changes in our stock price and operating conditions, capital measures, and returning profits to shareholders, we evaluate and, when necessary, acquire our own stock.

In light of the increase in net income over the previous fiscal year, we have distributed ordinary dividends of ¥36 per share (previous fiscal year: ¥34 per share) for fiscal 2011.

In addition, DeNA acquired 3,829,500 shares of its own stock (¥10 billion) in February 2012 and 9,113,400 shares of its own stock (¥20 billion) from June to July 2012.

Looking toward the Future

Since its establishment, the DeNA Group has created many pioneering businesses leading the contemporary landscape and is continuing to innovate and evolve. Going forward, we will actively develop new initiatives in order to expand the scale of our business and diversify our sources of revenue.

Following our founding principle “to forever be a pioneering venture,” the DeNA Group will strive to meet the expectations of stakeholders through proactive efforts to produce new and groundbreaking value-added offerings that yield dynamic growth.

We greatly appreciate your continued support of the DeNA Group.

守安功

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

Interview with the Management

Top row (from left):

Makoto Haruta
Director and Chairman

Shuhei Kawasaki
Director and General Manager of Technology

Neil Young
Director, CEO of ngmoco, LLC

Bottom row (from left):

Kenji Kobayashi
Director

Tomoko Namba
Founder and Director

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 that year. Upon resigning from Sumitomo Bank, Mr. Haruta entered DeNA in February 2000 and was appointed Director in September of that year. In July 2008, he became Managing Director and, in April 2009, was also appointed Chief Financial Officer. In June 2011, Mr. Haruta assumed his current position as Director and Chairman.

As our business grows and matures, we feel the calling and the responsibility to use our success and power to make a positive impact on society. Our acquisition of the Yokohama BayStars professional baseball team was an initiative that was a result of this desire.

DeNA entered the world of professional baseball with the Yokohama BayStars. We are now exploring ways we can stimulate interest in the sport and encourage people to go to the ballpark to enjoy the games, in addition to create synergistic effects with existing business. We intend to introduce new and innovative programs that will help develop Japanese professional baseball. As part of our sports initiative we will build efforts aimed at supporting our young people at a community level and promoting sports culture at large.

DeNA's venture into professional baseball has raised its profile, bringing brand recognition to a wider group of people. Our employees are proud and humbled by the brand awareness and we all understand the responsibility that comes with representing our company. Everyone is committed to working hard to deliver strong results and meet societal expectations. As a company we will continue to strive to be a pioneer and grow our business further as a trusted global Japanese company.

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, Mr. Kawasaki became a regular employee of DeNA in April of that year. He was appointed Director in June 2007, and then became Director and Chief Technology Officer in April 2011. Mr. Kawasaki assumed the offices of Director and General Manager of Technology in June 2011.

As General Manager of Technology at DeNA, I am responsible for ensuring that Mobage, our mobile social gaming platform, provides the optimal environment to develop and distribute great games.

I work with our system engineers around the world every day to make sure our technology is in step with the dizzying pace of innovations in browser and smartphone features and technologies. Our goal is to establish Mobage as the world's leading social gaming platform.

As of January 2012 Arctic.js, our HTML5 development support framework, is available as an open source product. Arctic.js makes it possible for developers to deliver high-quality games across various smartphone devices, on both Android and iOS, quickly and through a single process. With open source, any developer can use the technology, which facilitates the critical ability to continually enhance the quality of our games.

We are also very excited about Post ExGame, a new tool that supports social game development for smartphone browsers, as well as our latest efforts to improve ngCore for HTML5 compatibility.

We are confident that Mobage will continue to deliver as it evolves. You can see why we have such enthusiasm for the future of Mobage.

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, Mr. Young entered Origin Systems, Inc., and then Electronic Arts, Inc., in May 1999. He founded ngmoco, Inc., in June 2008 and became CEO. Mr. Young 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.

Over the last year we have continued to expand our business overseas as we look to capitalize on the huge potential that we see for DeNA beyond the Japanese market. We have exciting market momentum, with both our Google Android and Apple iOS Mobage services supporting a range of titles that are being well received by Western audiences.

Importantly, Mobage's third-party title *Rage of Bahamut* reached the number one grossing position on both Google Play and the iOS App Store, and has enjoyed this top position for over 12 consecutive weeks. It is very encouraging that *Rage of Bahamut*, originally a successful Mobage Japan browser title, has enjoyed the same level of success in the West, indicating that Japanese-sourced games can succeed on the right Western platform.

Our first-party studios are now releasing titles that were built with the benefit of our combined Japanese/Western expertise and engine technology. We are building a predictable pipeline of high LTV titles that appeal to Western consumers, both original IP and licensed titles, such as our collaborations with Disney's Marvel properties and Hasbro's Transformers.

Based on proof positive that Western audiences behave similarly to our domestic Japanese audience, we are now exceptionally focused on leveraging our unique insights to build out what we believe will be a massive global business.

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 Human Resources at the Head Office. In April 2010, Mr. Kobayashi 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.

Social games have become hugely popular across all demographics. People of all ages can enjoy social games anytime, anywhere. They can play with their friends on social networks, at their own pace, commuting, traveling or during any short break in the day.

Since launching Mobage, our mobile social games service, in October 2009, we have honed the design and delivery competence for our games to be able to captivate players quickly, in a matter of minutes. Our skills have proven critical for providing entertainment experiences to a busy world of people with little time to spare.

Mobage has expanded with our worldwide platform and increasing numbers of smartphone players. Our core design and game operating capabilities have stood the test of time and

continue to be critical to the success of our games today.

As the person overseeing the division that generates the most revenue for the DeNA Group, I am responsible for promoting distinctive, high-quality titles on the Mobage platform for the global market and contributing to the growth of our business as a whole.

I am confident that the game systems we have developed in Japan will succeed throughout the world. Going forward, we will continue to swiftly ascertain the ever-changing trends in social gaming and provide leading-edge titles that capture the imagination of players globally.

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. Ms. Namba then returned to her position at McKinsey in Japan. In 1999, she founded DeNA and became its first President, Chief Executive Officer, and Representative Director. In June 2011, Ms. Namba assumed the position of Director.

DeNA has been a contender in the global market in the social gaming industry and we are now seeing strong results, especially in North America.

We have identified the main issues to focus on in the coming years, to carry DeNA into the future as a worldwide industry leader. We must win the hearts and minds of consumers across the global market; we must develop an organizational structure to support our global ambitions, and we must bolster our team with the top talent around the world.

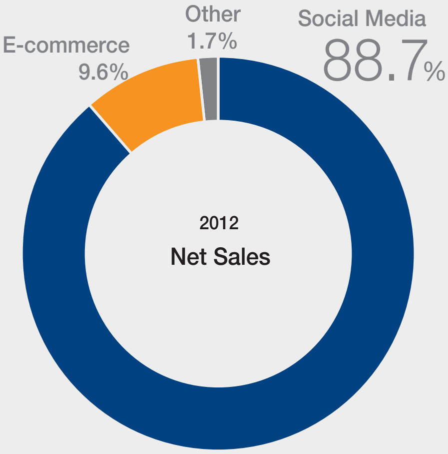
As a leading domestic business in Japan, we have and hold the responsibility of making sure the social games business is flourishing in a healthy manner.

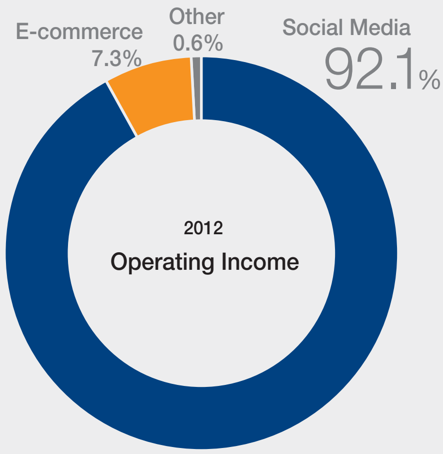
In recent years, examples of successful domestic businesses able to sustain local growth while expanding across foreign markets have become few and far between. At DeNA we are proud of the fact that we are unafraid to challenge convention and bring fresh thinking to hiring practices, strategic planning and organizational structures. We believe in our ability to make ideas actionable and continue to gain traction. We aim to bring a shining example of hope and success to Japan's economic and business environment.

Since I stepped down as CEO of DeNA more than a year ago, and have had more time to reflect on our business, I have had the opportunity to think deeply about growing our business in the long-term. I wholeheartedly support the new executive leaders, and I will contribute by offering my perspective and knowledge as the company continues to grow and mature.

Review of Operations

For the year ended March 31, 2012

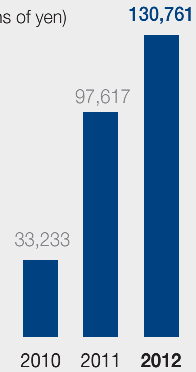




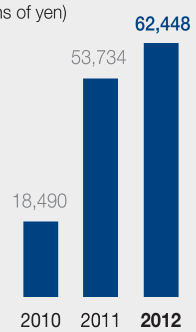
Note: These percentages are based on the simple sum of net sales and operating income of the business segments.

Social Media Business

Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Social Media Business consolidated sales (before eliminations) were ¥130,761 million, up 34.0% year on year, while operating income reached ¥62,448 million, up 16.2% year on year.

Mobage Experiencing Solid Increase in Scale

In the fiscal year under review, led in growth by both titles provided by third parties and those jointly created by DeNA and cooperating companies, the value of Moba-coins used in games provided on the Mobage platform stood at ¥162,515 million, an increase of 83.5% from the previous fiscal year, greatly contributing to the increase in revenue.

Business domain	Social media and Internet marketing-related services
Service locations	Japan and other countries
Major Group companies	EveryStar Co., Ltd. DeNA Global, Inc. ngmoco, LLC Gameview Studios, LLC WAPTX LTD.
Major services	

mobage
Mobage

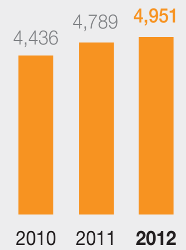
YAHOO! JAPAN mobage
Yahoo! Mobage

User-generated content media — E★エブリスタ
E★Everystar

E-commerce Business

Net Sales
(Millions of yen)

Operating Income
(Millions of yen)



E-commerce Business consolidated sales (before eliminations) were ¥14,173 million, up 1.0% year on year, while operating income was ¥4,951 million, up 3.4% year on year.

The shopping site Bidders (including au Shopping Mall) continued to expand into the mobile field. At the end of the fiscal year under review, the number of stores with memberships in Club Bidders, a fee-based organization offering shopping services, decreased by 297 from the end of the previous fiscal year, to 3,960 stores. However, gross merchandise volume during the fiscal year under review was ¥42,546 million, up 4.9% year on year. The number of paying members of the mobile phone auction site Mobaoku (including au Mobaoku) stood at 1.11 million people at the end of the fiscal year under review, a decline of 160,000 compared with the end of the previous fiscal year. PAYGENT Co., Ltd., a company specializing in processing settlement services, saw continued steady growth in the size of account payments.

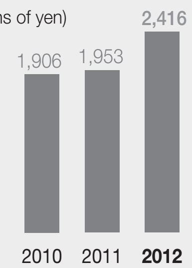
Business domain	E-commerce-related services
Service locations	Japan
Major Group companies	Mobaoku Co., Ltd. PAYGENT Co., Ltd.

Major services

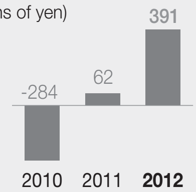
Online shopping website	*Bidders*
Mobile shopping website	*au Shopping Mall*
Mobile auctions	*Mobaoku*
Mobile auctions jointly operated by KDDI and Mobaoku	*au Mobaoku*
Payment collection services	*PAYGENT*
Online B2B marketplace	*NETSEA*

Other

Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Consolidated sales (before eliminations) for other businesses reached ¥2,416 million, a year-on-year increase of 23.7%, while operating income saw a staggering year-on-year improvement of 528.7%, for a total of ¥391 million.

In the travel agency business, the volume of business handled for both overseas business travel and personal travel grew. More efficient purchasing was made possible thanks to the greater volume of business handled.

Business domain	New business development and others
Service locations	Japan
Major Group companies	AIR LINK Co., LTD. YOKOHAMA DeNA BAYSTARS BASEBALL CLUB, INC.

Major services

Online travel arrangement	*Skygate*
Professional baseball team	*YOKOHAMA DeNA BAYSTARS*
SNS site for middle-aged and senior users	*Shumee-to Club*

China

The remarkable success of Mobage Japan has been the major driving force behind the DeNA Group's dramatic growth over the past few years. In a bid to establish ourselves as a global Internet company, we are now ready to expand the Mobage platform worldwide.

mobage goes Global

Japan

South Korea

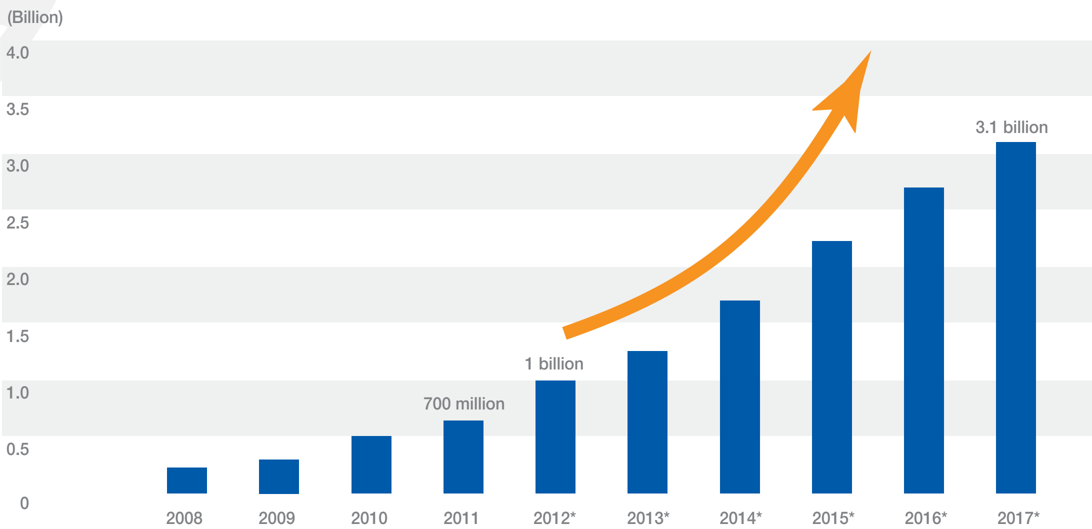
U.S.A.

In Smartphones Lies Global Opportunity

The DeNA Group's social games business has seen rapid growth since it launched Mobage in October 2009, and the Company has been a recognized leader in the mobile social games industry in Japan. Even though an increasing number of Mobage users in Japan have been switching from feature phones to smartphones, they have continued to enjoy our service. We thus believe that we can expand our domestic business.

It is against this backdrop that we have entered the age of smartphones—devices uniquely suited to enjoying games and other forms of entertainment via the Internet, wherever and whenever possible. According to Ericsson, a leading telecommunications equipment provider, the number of smartphone subscriptions worldwide was 700 million in 2011 but is expected to more than quadruple in 2017, to 3.1 billion. With the growing popularity of smartphones, the global user base for mobile social games has also been on the rise, and that is where the DeNA Group sees a tremendous opportunity.

Number of Smartphone Subscriptions (2008–2017)



** Estimated data for 2012 and beyond*

Note: Data compiled by DeNA from Ericsson Traffic and Market Data Report *(June 2012)*

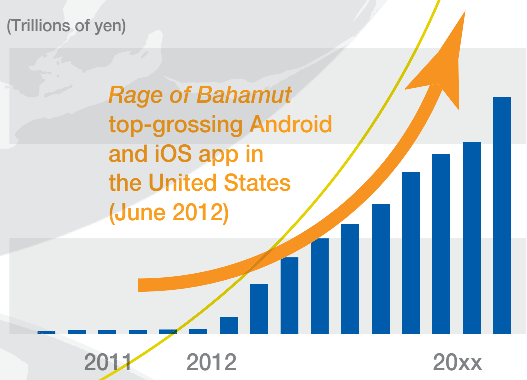
Full-scale Global Expansion

In an effort to duplicate the domestic success of the Mobage social gaming platform to the rest of the world, DeNA launched Mobage West in English-speaking countries and territories and Mobage China in mainland China in fiscal 2011. DeNA also partnered with South Korea's leading Web portal operator Daum Communications to launch Daum Mobage there. Going forward, DeNA will combine its development capabilities in Japan, Europe, the Americas, and the rest of Asia to enhance the game lineup on Mobage, as well as strengthen the user base through marketing initiatives and alliances with leading industry players in each region.

We will adapt our Japan-made assets of browser-based games to each region and swiftly distribute them across the respective regions, thereby expanding the global market.

Mobage Japan (Moba-coin Consumption)

World Market Growth (Projection)



Rage of Bahamut on Mobage West version, operated by Cygames

Mobage Wins the Hearts of Users Around the World

To attract users to a gaming platform, it is critical to have “killer” content. Since April 2012, the Mobage West version of the Mobage hit title *Rage of Bahamut*, operated by Cygames, Inc., has achieved the overall top sales ranking on Google Play*1 in seven countries, including the United States. Moreover, the title maintains a high sales ranking in the United States and other countries in the App Store*2. With its beautiful fantasy-themed graphics and card battle elements, the highly acclaimed game is proof that the creation and operation techniques originating in Japan can be well received by users around the world.

Going forward, we are proceeding with efforts to grow our user base through aggressive marketing activities, and, while maintaining financial discipline through undertaking careful profit estimations and results management by title, we will expand business operations that aim to efficiently contribute to earnings.

We have completed our preparations to fully expand globally in order to achieve our vision of becoming the world’s number one social gaming platform. We will adapt the game assets we have acquired domestically to each region, distribute them to each platform, and create a new market.

**1 Google’s content distribution service*

**2 Apple’s content distribution service*

RAGE OF BAHAMUT

Top Seller in the United States and Other Countries

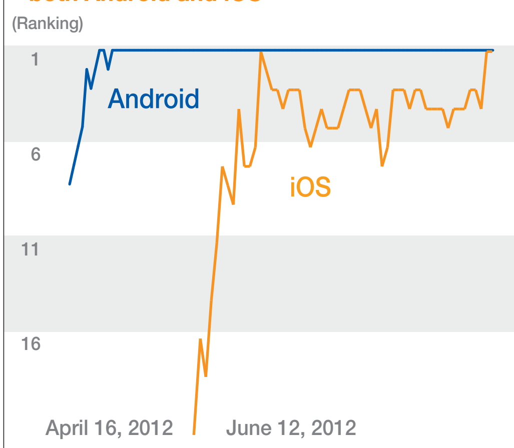
Overall Sales Ranking for Google Play/ App Store

Ranking by country

United States and Canada	No. 1 on both Android and iOS
Australia, Netherlands, Switzerland, Sweden, France, and United Kingdom	No. 1 on Android
Philippines, Singapore, Vietnam, Indonesia, and four other countries	No. 1 on iOS

(As of July 24, 2012)

Ranking (United States): Continues to remain highly ranked on both Android and iOS



Source: App Annie

Corporate Social Responsibility

In addition to developing corporate social responsibility (CSR) activities closely in line with the services we provide, such as education on healthy Internet use on mobile devices, DeNA has employed a total of 25 individuals affected by the Great East Japan Earthquake; is involved in supporting areas affected by the earthquake; and has made efforts in power reduction by moving its headquarters to a building that realizes the latest in environmental standards. In this section of our annual report, we would like to talk about our activities that support youth education, an area in which we are focusing our efforts.

Educational Activities for Junior High and High School Students

We have set up a "Manners and Safety" section on the top page of Mobage's website to educate people about safe Internet use. In this section, we explain how to enjoy the Internet and use it safely in an easy-to-understand format employing four panel comics, games, and other user-friendly content. Also, we are continually dispatching company employees nation-wide to teach classes on how to properly use mobile websites.

High School Work Experience Program

Starting in fiscal 2007, we held class visits and workplace tours for junior high and high school students, and this year we offered internships for high school students. In these internships, students tackle practical issues such as proposing improvements to the "Manners and Safety" section on Mobage's website.

Monthly Spending Limitations for Young Users

In order to promote the appropriate use of our services, we have previously applied monthly spending limitations set by each carrier. Starting in June 2012, we introduced limitations regarding the purchase of our in-game virtual currency (Moba-coins) used for Mobage content; these limitations are set at ¥10,000 for users under 18 years of age and ¥5,000 for users age 15 and under.

Basic Mobage Usage Rules and Efforts Toward Enhancing the Integrity of Mobage

In order to maintain the integrity of Mobage, we have established Basic Mobage Usage Rules to prohibit the enticement of users to meet outside of the site and to prohibit marketing messages as well as messages that go against the public good. To guarantee the effectiveness of these rules, we have put in place a security system and also employ a total of 400 customer support center staff members on hand for site moderation 24 hours a day, 365 days a year.

YOKOHAMA DeNA BAYSTARS

At the YOKOHAMA DeNA BAYSTARS Players Association, we hold class visits called "Wishing Upon A Star," where young students can experience the importance of having a dream through dialogues with players who embodied those dreams. Additionally, at an NPO called the BAYSTARS BASEBALL ACADEMY, former BAYSTARS players hold baseball classes and visit nursery schools, kindergartens, and elementary schools to share the fun that they've experienced in baseball with children and to impress upon the importance of taking advantage of opportunities that allow families to spend time together.

Mobaoku

Mobaoku has put special effort into social contribution activities, including charity auctions (a total of ¥4,835,817 was donated in the fiscal 2011 auction). In July 2012, we launched a new charity project, "Contribute to Society Through Mobaoku." This is a new type of charity project in which users, when placing an item up for auction, can choose to donate the proceeds from their sales to a social contribution project they wish to support.

Social Game Platform Liaison Council

In March 2012, six platform companies established the Social Game Platform Liaison Council, whose duties include improving the social game user environment. The Council is involved in the following activities.

1. **Enhancing real money trading (RMT) countermeasures** The Council exchanges opinions and verifies the effects of various efforts employed by each platform company to stamp out RMT (e.g., limiting item trading functions) and will continue to examine and implement appropriate, effective measures at each company.

2. **Establishing an environment for appropriate use by young users** The Council sets up usage fee limitations for young users (under age 18), and each company will continue to implement policies to promote the appropriate use of its services, such as by displaying notifications when the user is making settlement or purchasing items.

3. **Easy-to-understand presentation of social games** In order for users to understand how to enjoy a game safely without misunderstanding its rules or content, the Council requests easy-to-understand explanations from game developers, including rules and terms of use, in an effective form based on the characteristics of each company's service.

4. **Establishing working groups** The Council will periodically hold information and opinion exchange meetings on a variety of policies through its working groups—including the RMT Countermeasures Working Group, the Youth Charges Working Group, and the "In-game Display" Working Group—and share effective measures among its members. The Council shall accept the deliberations of each working group, draft guidelines as needed, and publicize them.

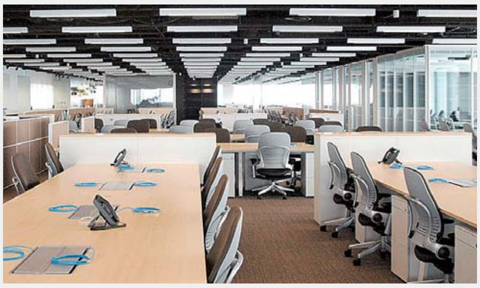
5. **Liaising with related organizations** The Council will engage in necessary communication and information sharing with related organizations and industry groups in order to establish an appropriate usage environment for social games.

The Social Game Platform Liaison Council's Activities

March 21	Social Game Platform Liaison Council established
April 23	First ordinary session held. Decided to make efforts to promote appropriate user usage and to improve and maintain usage environments • Enhancing RMT countermeasures • Establishing spending limits for young users • Announcing that the Council would be involved in efforts for promoting easy-to-understand explanations of social games
May 9	Announced that it would end *complete gacha* mechanics for services that each platform company developed and operated by the end of May
May 25	*Complete gacha* guidelines announced
June 22	Announced Guidelines for Clear Presentation of "In-game Display," RMT, and collection of sample *complete gacha* and other such mechanics
	Announced the commencement of a preparatory committee for the establishment of a Liaison Council for the Improvement of the Environment for Social Game Users (tentative name)
July 25	First general meeting of the Preparatory Committee for the Liaison Council for the Improvement of the Environment for Social Game Users (tentative name) held

Headquarters Moves to Shibuya Hikarie

In April 2012, due to the need for accommodating the increasing number of employees resulting from the expansion of our businesses, and to actively promote employment activities, we moved our headquarters to Shibuya Hikarie, a high-rise multipurpose facility connected to Shibuya Station. In addition to efforts to reduce our environmental footprint through energy-efficient air conditioning and lighting with restrained power consumption, we are striving to improve our workplace environment.



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 places emphasis on implementing timely and appropriate disclosure of information and 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 thorough compliance with laws and regulations underpinned by a sound sense of ethics with the objective of securing the trust of shareholders, customers, and all other stakeholders. Looking to the future, along with its growth, DeNA will continue to review its corporate governance system with the objective of maximizing its corporate value.

Corporate Governance System

DeNA adopts the corporate auditor system of corporate governance. 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 comprising directors with in-depth knowledge of DeNA's businesses is appropriate for making important management decisions in a timely and proper manner to aggressively implement 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 maintain a high degree of independence in order to improve the soundness and transparency of management as well as ensure objective and independent auditing functions.

Through the operation of this system, it is management's judgment that the conduct of business by the directors and the corporate auditing functions are being performed sufficiently, and as such 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 such a role.

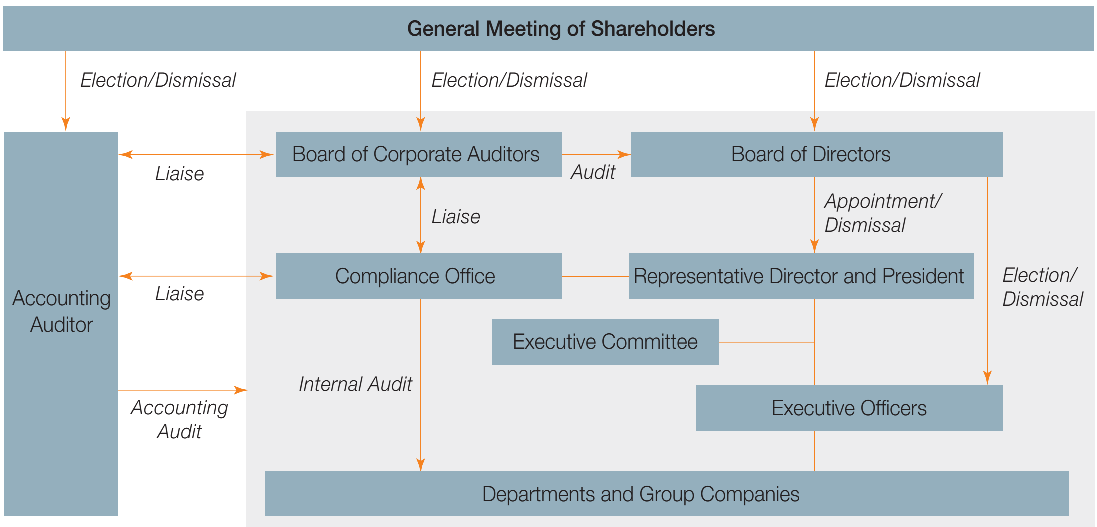
The Board of Directors

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 regular monthly meeting, special meetings of the Board of Directors are convened when necessary. The Board of Directors makes important management decisions, taking into account discussions held in the meetings of the Executive Committee (explained below), and performs an oversight function for the conduct of business by individual directors.

Executive Committee

The Executive Committee meets once a week and is attended, in principle, by the full-time directors, the full-time corporate auditor, and the executive

Corporate Governance Structure (As of June 23, 2012)



officers. The Executive Committee assesses the progress made by each of DeNA's businesses, analyzes risk, formulates countermeasures for such risk, and makes decisions on important matters related to business operations. Members of this committee share information based on reports from the departments and reflect this in their business activities.

Executive Officer System

DeNA has introduced the executive officer system to accelerate the decision-making process and to increase management efficiency through the delegation of authority. There are 10 executive officers (including four 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 comprises three outside corporate auditors, of whom one outside corporate auditor has worked for a financial institution for many years and has considerable expertise on finance and accounting. Under the guidelines issued by the Japan Corporate Auditors Association regarding standards for auditing by corporate auditors *(Code of Corporate Auditors Auditing Standards)*, the corporate auditors attend meetings of the Board of Directors and the Executive Committee, examine documents related to important decisions and authorizations, and monitor broadly other matters regarding management of DeNA in general. Each auditor conducts all necessary 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.

Although DeNA has no clear-cut standards or policies regarding independence from the Company in the selection of outside corporate auditors, it complies with the standards for determining the independence of independent auditors set forth by the Tokyo Stock Exchange. DeNA also notifies the Tokyo Stock Exchange of its three independent outside corporate auditors for whom there is no risk of having a conflict of interest with regular shareholders.

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

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

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

As described above, the Company has determined that each outside auditor appropriately performs audits on the decision-making function of the Board of Directors and business execution by directors, among others, from an independent viewpoint, in his or her efforts to contribute to the enhancement of the Company's corporate governance.

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

The corporate auditors monitor and verify the status of the internal control systems and provide advice and guidance to the internal control units, 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 within 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 consists of basic remuneration, and compensation in the form of stock options. The compensation of corporate auditors comprises basic remuneration. Basic remuneration for directors includes a fixed portion and a variable portion based on DeNA's performance in the previous fiscal year. Basic remuneration of corporate auditors comprises a fixed amount only. The stock option incentive system ensures that full-time directors, like shareholders, share the benefits of rising stock prices as well as the risks of falling stock prices, thus giving them an incentive to improve performance and increase corporate value. This system also places an emphasis on the interests of the shareholders.

The upper limit on annual basic remuneration 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 for directors, which is separate from the annual basic remuneration, 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 based on DeNA's performance on a consolidated basis and on the individual's contribution. The compensation of corporate auditors is based on discussion among the corporate auditors.

Internal Audits

Internal audits are conducted by personnel responsible for internal audits in the Compliance Office (six persons as of June 28, 2012). Such personnel in charge of internal audits perform audits on all DeNA departments and applicable departments of 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 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

Compensation Paid to Directors and Corporate Auditors (for the Year Ended March 31, 2012)

Position	Number of Entitled Directors and Corporate Auditors	Amount of Compensation (Millions of yen)
Directors	7	425
Corporate Auditors	5	18
Total	12	443

Notes: 1. The amounts paid include the value of stock options granted for the purchase of new shares, which contributed to expenses for the fiscal year under review (¥96 million for directors).

2. The number of entitled directors and corporate auditors includes one director and one corporate auditor who retired at the closing of the 13th Ordinary General Meeting of Shareholders held on June 25, 2011.

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 shall have an in-depth understanding of corporate social responsibility and, in their daily work, comply with relevant laws and regulations and maintain behavior that follows social ethical standards.

The Corporate Planning Office is the organizational unit in charge of the 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 personal information, matters related to this law are the responsibility of the Personal Information Management Committee, which is chaired by the president.

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

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

Risk management

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

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

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

Investor Relations (IR) Activities

The IR Department is in charge of DeNA's IR activities. In the IR & Investor Information section of the Company's website (in Japanese), DeNA posts IR-related information such as financial statements, video archives and slide materials of financial results briefings, notices of convocation, notices of resolution, other timely disclosure materials, annual securities reports, and annual reports. The Company's English IR website offers English translations of disclosure materials for overseas investors. The very latest information is distributed 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 via the Internet, which can be accessed by PC, cell phone, or smartphone. Also for institutional investors, DeNA participates in an electronic proxy voting platform.

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, the Company holds a presentation meeting for individual investors. DeNA also has regular briefing sessions for overseas investors via conference call on a quarterly basis. DeNA visits overseas institutional investors a few times a year to explain the overall business conditions of the Company, and actively participates in conferences for overseas institutional investors hosted by securities companies to explain the financial status of the Company.

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

Message from Outside Corporate Auditor

Earlier in my career, in the 1980s, I served in the roles of international sales manager and president of the overseas subsidiaries of an electrical machinery manufacturer. This was at a time when personal computers had started to proliferate and I gained deep experience in how to run global businesses in growth sectors. In 1998, I assumed the position of president and representative director of a pioneering Internet services company, and since then I have focused on this flourishing industry.

Based on my unique experience in leading companies expanding in new industries as well as managing overseas businesses, I have been appointed as full-time corporate auditor for DeNA.

The Company also has two outside corporate auditors, and the three of us perform audits by leveraging our past experience and expertise in our respective fields of specialization.

In addition to performing audits, I share my ideas with Company management about how to drive growth. My previous experiences allow me to offer different perspectives so the management team can evaluate a variety of viewpoints and make more informed decisions. Together we are able to help establish a system that is conducive to transparency and one that facilitates effective corporate governance.

In order to help meet these goals, I attend Executive Committee meetings and regular briefings on the Company's main businesses and perform such duties as reviewing financial data and personnel activities.

DeNA's management team comprises young executives who actively engage in debate over a number of issues. I believe that this exchange of ideas leads to sound management decisions and is one of the strengths of the Company. Moreover, the management team deliberates on issues with a sense of fairness and urgency at all times, which is critical for a company with the objective to transform a young, burgeoning industry.

I am dedicated to carrying out my duties as corporate auditor to help lead the Company to become a household name and an enterprise that delivers great products and services to people around the world.

渡辺 武経

Taketsune Watanabe
Standing Corporate
Auditor (Outside)

Profile

April 1962	*Entered Fuji Tsushinki Manufacturing Corporation (currently Fujitsu Limited)*
June 1994	*Executive Vice President of Fujitsu, Deputy General Manager of Overseas Marketing Headquarters, and General Manager with overall responsibility for Systems Marketing*
December 1996	*Executive Vice President of Fujitsu and Deputy General Manager of International Marketing Headquarters*
June 1998	*Representative Director and President of NIFTY Corporation*
June 2004	*Auditor of DeNA*
June 2006	*Standing Auditor of DeNA (current position)*

Financial Section

CONTENTS

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

The following section, Management's Discussion and Analysis of Financial Condition and Results of Operations, provides an overview of the consolidated financial statements of DeNA Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "DeNA Group" or the "Group") for the year ended March 31, 2012 (fiscal 2011).

Overview

The DeNA Group is a leading provider of mobile social gaming platforms operating in Japan and overseas. The Group also offers e-commerce and other Web services for mobile devices and PCs. Based on a long-term vision to be the world's top social gaming platform and to achieve ¥200 billion in operating income by the fiscal year ending March 31, 2015, the Group is building and reinforcing its gaming platform in Japan and overseas with a growth strategy focused on two main strategies: "X-device" ("cross-device") and "X-border" ("cross-border"). X-device allows the configuration of a multi-device platform fully accessible on a variety of information terminals including feature phones, smartphones, and PCs, and X-border is designed to expand the multi-device platform globally.

Game-related sales in the fiscal year ended March 31, 2012 significantly increased year on year due to higher consumption of the dedicated in-game virtual currency "Moba-coin" in social games provided on the Mobage Open Platform. As a result, consolidated net sales of the DeNA Group were ¥145,729 million, up 29.3% year on year; operating income was ¥63,415 million, up 13.0%; and net income was ¥34,485 million, up 9.1%, marking eight consecutive years of record-high net sales and income since the Company's stock was listed.

Results of Operations

Net Sales

Consolidated net sales were ¥145,729 million, a gain of 29.3% over the previous fiscal year. 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 ¥28,189 million, an 82.4% rise year on year. Of this total, labor costs were ¥2,849 million, up 245.7%, due to an increase in the cost of developing social game-related items, mainly at overseas subsidiaries included in the scope of consolidation from the end of the previous fiscal year. Commission fees were ¥15,792 million, a 168.9% increase, as sales of social games increased, while revenue sharing payments for game developers also rose. The subcontracting fee was ¥3,649 million, up 50.4%, due to factors including an increase in the amount of the subcontracting of digital items and other content used in social games. On the other hand, advertising media costs were ¥1,127 million, down 53.3%, because of a decline in sales of affiliate advertising, Pocket Affiliate, to media of other companies.

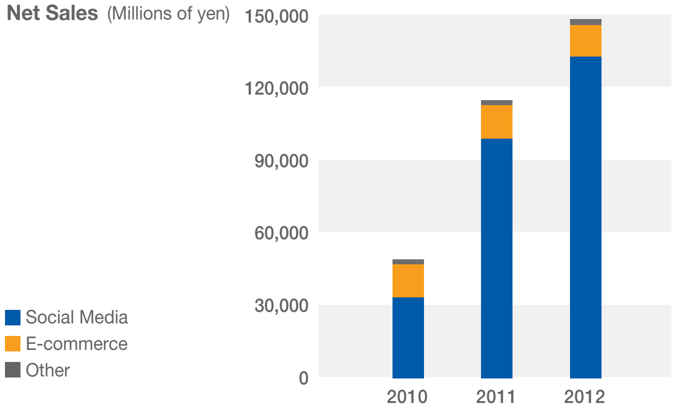
As a consequence of these and other factors, gross profit rose 20.8% year on year, to ¥117,540 million.

Selling, general and administrative (SG&A) expenses were ¥54,125 million, up 31.4% over the previous fiscal year. Of this total, commission fees were ¥15,027 million, an increase of 45.0%. This increase was due to a marked rise in the usage of Moba-coin, resulting in a substantial increase in payments of fees to mobile phone carriers for the collection of accounts receivable. Meanwhile, advertising expenses declined 25.1%, to ¥8,754 million, and promotional expenses rose 31.5%, to ¥10,447 million, as a result of reviewing advertising and sales promotion activities.

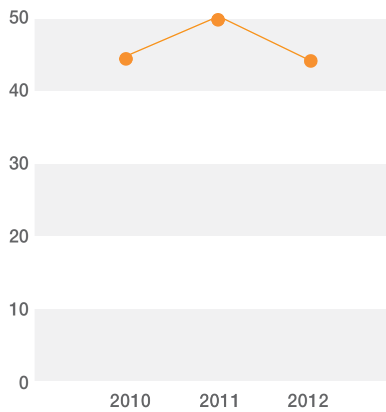
Consequently, the ratio of operating income to net sales* in the Social Media Business—for which sales composition is high at 89.5%, an increase of 3.3 percentage points year on year—declined by 7.2 percentage points year on year, to 47.8%. Operating income amounted to ¥63,415 million, an increase of 13.0%, and the operating income ratio dropped 6.3 percentage points, to 43.5%.

* Calculated from sales and operating income before eliminations for consolidation

Net Sales (Millions of yen)



Ratio of Operating Income to Net Sales (%)



Income before Income Taxes and Minority Interests

Among other income items, gain on sales of investment securities amounted to ¥996 million, compared with a loss on sales of investment securities of ¥5 million in the previous fiscal year, and gain on reversal of share subscription rights increased 352.8% year on year, to ¥744 million. Also, among other expenses, the Group recognized foreign exchange losses of ¥1,059 million, versus foreign exchange gains of ¥71 million in the previous fiscal year.

As a result of these factors, income before income taxes and minority interests climbed to ¥64,166 million, a year-on-year increase of 16.0%.

Net Income

Net income rose 9.1% year on year, to ¥34,485 million, reflecting the increase in operating income. Income taxes also rose in line with the increases in operating income.

Comprehensive income amounted to ¥34,277 million, a year-on-year increase of 7.7%, owing to the increase in income before minority interests despite the negative increase in the foreign currency translation adjustment account in the consolidated statement of comprehensive income.

Segment Analysis

Social Media Business

Consolidated sales in the Social Media Business for the fiscal year under review rose to ¥130,499 million, an increase of 34.3% year on year, and operating income climbed to ¥62,448 million, a 16.2% increase from the previous fiscal year.

Of total net sales, game-related sales[1, 2] were robust, rising to ¥118,273 million, an increase of 48.3% year on year, due to a substantial increase in sales of virtual goods for social games offered on Mobage. Factors contributing to this growth included an increase in the number of registered users to 39.98 million, 47.3% more than in the previous fiscal year, and an expansion in 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 average usage amount per user. Avatar-related sales were ¥5,693 million, a decrease of 42.4%; advertising sales totaled ¥5,027 million, a decline of 28.6%; and other sales in this segment[2] amounted to ¥2,234 million, an increase of 107.8%.

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

2 Overseas sales, which were included in other sales until the previous fiscal year, are included in game-related sales from the fiscal year under review. As a result, segment figures for the previous fiscal year have been adjusted here to reflect this change in presentation.

E-commerce Business

Consolidated sales and operating income of the E-commerce Business were relatively firm, with sales of ¥12,831 million, a decrease of 5.6% year on year, and operating income of ¥4,951 million, an increase of 3.4%.

The shopping site bidders continued to expand into the mobile field. At the end of fiscal 2011, the number of retail stores subscribing to a fee-based corporate membership organization fell 7.0%, to 3,960 stores, compared with the end of fiscal 2010. However, gross merchandise volume during the fiscal year was ¥42,546 million, up 4.9% year on year, and net sales[3] rose to ¥5,191 million, or 1.8%, year on year.

At the end of fiscal 2011, the number of paid members of the mobile phone auction site Mobaoku stood at 1.11 million people, a decline of 13.1% compared with the end of fiscal 2010, and net sales were ¥4,028 million, down 4.3% year on year. PAYGENT Co., Ltd., a company specializing in processing settlement services for e-commerce transactions, saw continued steady growth in the size of account payments. As a result, net sales were ¥4,612 million, an increase of 49.1% year on year.

3 Figures on the breakdown of sales in the E-commerce Business are before elimination of intersegment sales and transfers.

Other

Consolidated sales in other businesses for fiscal 2011 were ¥2,399 million, up 23.1% from fiscal 2010. Operating income also showed a marked improvement, reaching ¥391 million, a year-on-year increase of 528.7%. In the travel agency business, demand for both overseas business travel and personal travel grew. Owing to the greater volume of business handled, more efficient purchasing was made possible and both sales and operating income in this business increased.

Financial Position

Total assets at March 31, 2012 stood at ¥152,487 million, representing an increase of ¥25,271 million compared with the end of the previous fiscal year.

Current assets were ¥101,958 million, an increase of ¥11,357 million. With the growth of business, accounts receivable, trade increased ¥12,078 million and accounts receivable, other rose ¥4,186 million. Meanwhile, the Company purchased treasury stock worth ¥10,000 million in February 2012, resulting in a decline of ¥5,032 million in cash and deposits.

Property and equipment stood at ¥1,753 million, an increase of ¥618 million year on year, owing primarily to an increase in servers and other equipment.

Among investments and other asset items, goodwill rose ¥4,450 million year on year, due to factors including the conversion of YOKOHAMA DeNA BAYSTARS BASEBALL CLUB, INC. into a subsidiary; and long-term guarantee deposits paid, included in “other assets” in investments and other assets, rose ¥3,773 million due to payments for guarantee deposits to the Nippon Professional Baseball Organization. Investments in unconsolidated subsidiaries and affiliates increased ¥1,864 million resulting from investments in limited partnerships.

Current liabilities were ¥53,870 million, an increase of ¥9,120 million year on year. Owing to the growth in business, accounts payable, other increased ¥13,056 million and deposits received rose ¥2,057 million, while the year-end balance of income taxes payable decreased ¥6,032 million as a result of an interim payment of income taxes.

Long-term liabilities stood at ¥255 million, representing an increase of ¥234 million year on year.

Total net assets were ¥98,362 million, representing an increase of ¥15,917 million year on year. Retained earnings grew ¥29,425 million in step with the steady expansion of business. Meanwhile, treasury stock rose ¥12,654 million from the purchase of treasury stock as well as from the purchase of Company stock through the Stock Grant Employee Stock Ownership Plan (ESOP) Trust. The foreign currency translation adjustment account declined ¥1,062 million, owing to the impact of yen appreciation.

In terms of liquidity, the liquidity ratio and equity ratio stood at 189.3% and 60.9%, respectively, as of the end of the fiscal year under review.

Liquidity and Capital Resources

Cash Requirements and Sources

For the DeNA Group to sustain growth, it must not only maintain but also strengthen its competitiveness, and continuing the Group’s capital investments will be necessary. Moreover, to expand the scale of business activities and diversify sources of earnings, management believes that 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, for the fiscal year under review totaled ¥5,915 million, on a consolidated basis.

In the Social Media Business, the Group made investments amounting to ¥4,731 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 ¥705 million in servers and software for the mobile field, including Mobaoku and the processing settlement services of PAYGENT. In other businesses, the Group made investments of ¥307 million, mainly in servers and software for new services. The Group also invested ¥172 million, mainly in servers and software, for its Head Office administrative departments.

Total depreciation and amortization on tangible noncurrent assets and intangible noncurrent assets came to ¥3,017 million, on a consolidated basis.

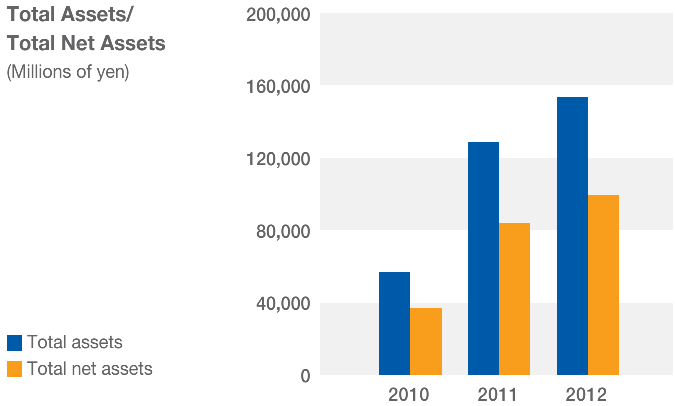
Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of fiscal 2011 were ¥57,479 million, a decline of ¥5,141 million, or 8.2%, from the end of fiscal 2010. Cash flows in each area of activity and their respective contributing factors are as follows.

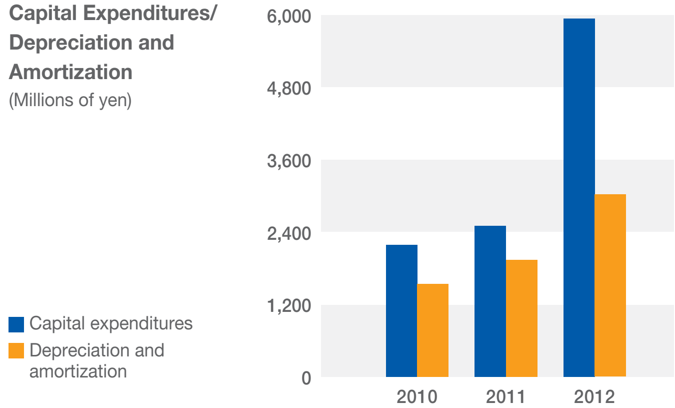
Cash Flows from Operating Activities

Net cash provided by operating activities was ¥33,294 million, a decrease of ¥14,622 million, or 30.5%, year on year. Significant factors included income before income taxes and minority interests amounting to ¥64,166 million, an increase of ¥8,858 million, or 16.0%, due to steady growth in earnings; and income taxes paid totaling ¥33,622 million, an increase of ¥22,981 million, or 216.0%, reflecting strong earnings in the previous fiscal year.

Total Assets/ Total Net Assets
(Millions of yen)



Capital Expenditures/ Depreciation and Amortization
(Millions of yen)



Cash Flows from Investing Activities

Net cash used in investing activities was ¥19,396 million, an increase of ¥447 million, or 2.4%, year on year. Principal factors included purchases of investments in subsidiaries of ¥7,229 million, resulting in a change in the scope of consolidation. This was a significant decline of ¥5,888 million, or 44.9%, from the previous fiscal year, when the Group carried out the large-scale acquisition of ngmoco, LLC. Other factors included purchases of intangible assets of ¥3,853 million, an increase of ¥2,179 million, or 130.2%, from the increasing development of first- and second-party game titles, and payments for guarantee deposits, mainly to the Nippon Professional Baseball Organization, of ¥3,755 million, an increase of ¥2,906 million, or 342.1%.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥18,455 million, an increase of ¥17,639 million year on year. Primary factors included purchases of treasury stock (including treasury stock purchased through Stock Grant ESOP Trust) of ¥13,000 million, up from ¥0 million in the previous fiscal year, and cash dividends paid totaling ¥5,011 million, an increase of ¥3,375 million, or 206.4%.

Forecast for Fiscal 2012

With regard to the consolidated financial results forecast for the fiscal year ending March 31, 2013 (fiscal 2012), it is difficult to project the speed of market growth in the social game-related market, which is the Group's principal business. In addition, earnings are substantially affected by various uncertainties, such as user preferences and the existence of popular titles. For similar reasons, it is difficult to project the earnings of the overseas Mobage business. Owing to these and other factors, the Group announces the financial results forecast for the following quarter at the time of each quarterly results announcement, as it is not feasible to prepare highly reliable financial forecasts for the full-year and half-year periods.

Policy for Distribution of Profit and Dividends for Fiscal 2011 and Fiscal 2012

The Company regards continuing its expansion in 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, and based on this policy, the Company aims to achieve a consolidated payout ratio of 20% over the medium to long term in consideration of each fiscal year's performance. One approach to capital management policy is to respond flexibly to changes in the Company's stock price and conditions in the operating environment and return a portion of net income to shareholders. Under this approach, after careful consideration the Company purchases its own shares from the market. As for fiscal 2011, the Company acquired 3,829,500 shares of treasury stock in February 2012—2.6% of the total number of shares issued before the acquisition, excluding treasury stock.

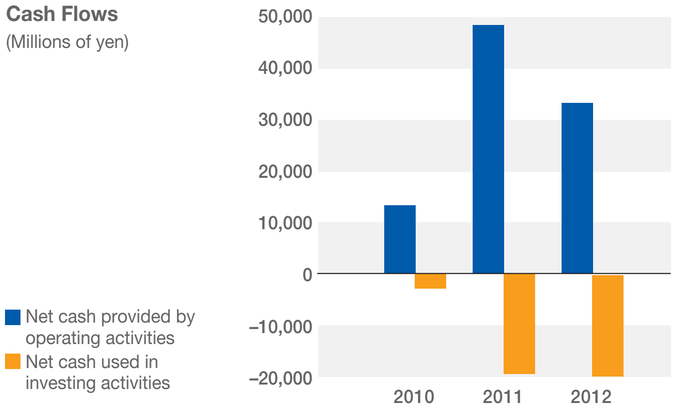
Based on this policy, after taking into consideration the fact that net income for fiscal 2011 exceeded that of the previous fiscal year, due to the continuing increase in net sales from strong sales of game items used in the social games provided by the Company's core service, Mobage, the Company paid a regular cash dividend of ¥36 per share—versus a cash dividend of ¥34 per share for the previous fiscal year—to enhance shareholder return.

Concerning retained earnings, the Company's objective is to invest effectively in order to create a solid earnings base.

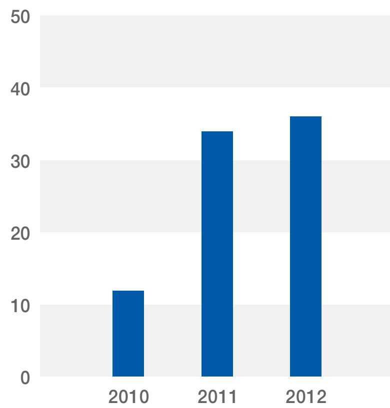
Although the Company has not disclosed a forecast for its cash dividend in fiscal 2012 because a full-year financial results forecast has not yet been disclosed, as stated in the previous section, an announcement regarding the expected dividend amount will be promptly made when the full-year financial results forecast is made. Currently, the Company expects to provide a dividend forecast in its financial results announcement for the third quarter of the fiscal year ending March 31, 2013.

The basic policy regarding the payment of dividends from surplus earnings is to pay an annual year-end dividend.

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

Unless otherwise indicated, matters related to future developments that are mentioned in this section are judgments of the Group that were made as of the date of the issuance of this 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 ¥810 billion by fiscal 2016. Within this market, the entertainment segment, including games, is forecast to expand. In addition, the mobile advertising market will grow to about ¥260 billion by 2016 and account for about 32% of the Internet advertising market. Also, the Japanese mobile-based e-commerce (EC) market will grow from about ¥1.8 trillion in fiscal 2011 to about ¥3.8 trillion in fiscal 2016 (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 23.40 million in fiscal 2011 (estimated outlook) to approximately 35.55 million in fiscal 2016 (based on research by MM Research Institute, Ltd.). 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 not only improve existing content but also increase its lineup by introducing new titles on a continuing basis, but in the event that these do not proceed according to plan, an adverse impact on the Group's business and performance may result.

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

(b) E-commerce Business

In the EC sites 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 in agreements include phrases that clearly absolve the Group of any responsibility regarding the items shown and any matter or transactions following the closing of the bidding and completion of the shopping transaction. Moreover, based on the Act on Specified Commercial Transactions, which restricts advertising by mail-order retailers, the Group sets its own standards for advertisements it will carry related to such sales and exercises selfrestraint 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 EC sites run by the Group, regardless of the content 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 an adverse impact on the Group's business and performance may result.

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

When other advertisers and the media use the advertising services offered by the Group and serious problems arise because of legal violations, regardless of the content 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 an adverse impact on the Group's business and performance may result.

PAYGENT has the responsibility for supervising the participating businesses that make use of this service and works to obtain credit information from such businesses in advance. However, when problems for which the business using the service is responsible arise, which were difficult to predict in advance, an adverse impact on the Group's business and performance may result.

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

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

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

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

(f) 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. An adverse impact on the Group's business and performance may result.

(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 expanding and further developing 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 an adverse impact on the Group's business and performance may result.

(h) Overseas Business

The Group is aiming to establish its position as the world's top social gaming platform provider, 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 subsidiaries in China in July 2006, in the United States in January 2008, and in South Korea in June 2011. The Group is conducting business through these local subsidiaries and companies which it has newly established or acquired. 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. In addition, acquisitions of game development companies in countries including Vietnam and Chile were made during the fiscal year under review.

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 an adverse impact on the Group's business and performance may result.

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 an adverse impact on the Group's business and performance may result.

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

(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. An adverse impact on the Group's business and performance may result.

In businesses where the social networking service functions are offered and 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 that arise from violations of the rights of others, laws and regulations.

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 content 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, an adverse impact on the Group's business and performance may result.

(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, PCs, and computer systems. In the event that these networks are disconnected as a result of natural disasters and accidents (including those caused by human factors either inside or outside the Group), a very serious effect on the Group's business and performance may result. Also, in the event that computer systems break down because of unpredictable developments, such as a sudden increase in the number of customers accessing the Group's sites, an electric power outage, or other problems, an adverse impact on the Group's business and performance may result.

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

5) Management Systems Risk

(a) Human Resources

In recent years, the Group has rapidly expanded its business domain, focusing on social media. Nevertheless, to further expand and diversify its business activities going forward, the Group believes it will be necessary to 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 externally recruited as planned, it will be difficult to assign proper personnel. If this results in a decline in competitiveness and constraints the expansion of the business, an adverse impact on the Group's business and performance may result.

(b) Internal Control Systems

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

The Company is working to enhance its internal control systems, and its initiatives have included the establishment of 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 an adverse impact on the Group's business and performance may result.

(c) Measures for Recovery from Disasters

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

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, the continuation of business operations may become 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 (EMA).

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 content 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 an adverse impact on the Group's business and performance may result.

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

(b) Improvements in the Social Game User Environment

In collaboration with other leading gaming platform companies, the Group recently established the Social Game Platform Association ("Association"), a self-regulated consumer protection association, to promote reasonable game play and create a safe social gaming environment for all users.

The Group intends to take appropriate measures to implement the Association's goals. The Group's business and performance may be adversely affected by unforeseen costs or delays in enacting system and structural changes associated with such goals, and/or new regulatory schemes that place significant restrictions on existing services.

(c) Legal Restrictions

The personal information provided by customers to services offered by the Group is subject to the 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 the Internet. In addition, under the Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use, mobile phone carriers are legally required to offer a filtering service. As indicated 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 content 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 light of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-Monopoly Act).

The Group is responding in good faith to legal regulations including those previously mentioned, 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 or amended going forward or new regulations are put into effect and the Group is subject to some kinds of constraints in the development of its business activities, this may have an adverse impact on the Group's business and performance.

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

(d) Protection of Personal Information

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

* TRUSTe is a certification recognizing the qualifications for the protection of personal information that is verified and 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.

(e) Litigation Involving Third Parties

By promoting compliance with laws and regulations, the Group works to restrain legal violations by management and employees. However, regardless of whether there are violations by the Group, or 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, an adverse impact on the Group's business and performance may result. In addition, incurring substantial legal expenses and damage to the Group's brand image may have an adverse impact on the Group's business and performance.

7) Intellectual Property Risk

The Group has registered the trademarks for the sites 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 an adverse impact on the Group's business and performance may result.

Consolidated Balance Sheet

DeNA Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars *(Note 1)*
	2012	2011	**2012**
Assets			
Current assets:			
Cash and deposits *(Notes 12, 14 and 15)*	**¥ 57,608**	¥ 62,640	**$ 702,537**
Accounts receivable *(Note 12)*:			
Trade	**29,850**	17,772	**364,024**
Other	**9,378**	5,192	**114,366**
Deferred tax assets *(Note 8)*	**1,883**	3,274	**22,963**
Other current assets	**3,436**	1,875	**41,902**
Allowance for doubtful accounts	**(197)**	(152)	**(2,402)**
Total current assets	**101,958**	90,601	**1,243,390**
Property and equipment *(Note 10)*:			
Land	**62**	—	**756**
Buildings and structures	**880**	512	**10,732**
Equipment	**5,308**	3,383	**64,732**
Machinery and vehicles	**68**	—	**829**
Total	**6,318**	3,895	**77,049**
Accumulated depreciation	**(4,565)**	(2,760)	**(55,671)**
Property and equipment, net	**1,753**	1,135	**21,378**
Investments and other assets:			
Investment securities *(Notes 12 and 13)*	**2,358**	2,046	**28,756**
Investments in unconsolidated subsidiaries and affiliates *(Notes 12 and 13)*	**3,040**	1,176	**37,073**
Goodwill *(Notes 7 and 17)*	**32,513**	28,063	**396,500**
Software	**3,322**	1,871	**40,512**
Deferred tax assets *(Note 8)*	**932**	685	**11,366**
Other assets	**6,753**	1,773	**82,355**
Allowance for doubtful accounts	**(142)**	(134)	**(1,732)**
Total investments and other assets	**48,776**	35,480	**594,830**
Total assets	**¥152,487**	¥127,216	**$1,859,598**

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

	Millions of yen		Thousands of U.S. dollars *(Note 1)*
	2012	2011	**2012**
Liabilities and net assets			
Current liabilities:			
Accounts payable *(Notes 12 and 14):*			
Trade	**¥ 664**	¥ 489	**$ 8,098**
Other	**25,370**	12,314	**309,390**
Income taxes payable *(Note 12)*	**15,200**	21,232	**185,366**
Advances received	**3,457**	3,000	**42,159**
Deposits received *(Note 12)*	**6,744**	4,687	**82,244**
Provision for bonuses	**299**	156	**3,646**
Other current liabilities	**2,136**	2,872	**26,048**
Total current liabilities	**53,870**	44,750	**656,951**
Long-term liabilities	**255**	21	**3,110**
Commitments and contingencies *(Note 10)*			
Net assets *(Note 4)***:**			
Shareholders' equity:			
Common stock:			
Authorized—540,900,000 shares in 2012 and 2011			
Issued —150,810,033 shares in 2012 and 150,806,064 shares in 2011	**10,397**	10,392	**126,793**
Capital surplus	**10,897**	10,419	**132,890**
Retained earnings	**88,321**	58,896	**1,077,085**
Treasury stock, at cost—7,757,526 shares in 2012 and 3,339,646 shares in 2011	**(15,626)**	(2,972)	**(190,561)**
Total shareholders' equity	**93,989**	76,735	**1,146,207**
Accumulated other comprehensive loss:			
Unrealized holding loss on available-for-sale securities	**(19)**	(28)	**(232)**
Foreign currency translation adjustments	**(1,168)**	(106)	**(14,243)**
Total accumulated other comprehensive loss	**(1,187)**	(134)	**(14,475)**
Share subscription rights	**1,813**	3,042	**22,110**
Minority interests	**3,747**	2,802	**45,695**
Total net assets	**98,362**	82,445	**1,199,537**
Total liabilities and net assets	**¥152,487**	¥127,216	**$1,859,598**

Consolidated Statement of Income

DeNA Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars *(Note 1)*
	2012	2011	2010	**2012**
Net sales	**¥145,729**	¥112,729	¥48,106	**$1,777,183**
Cost of sales	**28,189**	15,452	10,684	**343,768**
Gross profit	**117,540**	97,277	37,422	**1,433,415**
Selling, general and administrative expenses *(Note 6)*	**54,125**	41,180	16,156	**660,061**
Operating income	**63,415**	56,097	21,266	**773,354**
Other income (expenses):				
Interest and dividend income	**65**	26	86	**793**
Foreign exchange gains (losses)	**(1,059)**	71	(2)	**(12,915)**
Gain on transfer of business	**—**	—	175	**—**
Impairment loss *(Note 7)*	**—**	(309)	—	**—**
Gain (loss) on sales of investment securities *(Note 13)*	**996**	(5)	6	**12,146**
Loss on valuation of stocks of subsidiaries and affiliates	**—**	—	(844)	**—**
Gain on reversal of share subscription rights	**744**	164	—	**9,073**
Other, net *(Note 7)*	**5**	(736)	37	**61**
Income before income taxes and minority interests	**64,166**	55,308	20,724	**782,512**
Income taxes *(Note 8)***:**				
Current	**27,661**	25,650	9,420	**337,329**
Deferred	**1,161**	(2,297)	(703)	**14,159**
Total income taxes	**28,822**	23,353	8,717	**351,488**
Income before minority interests	**35,344**	31,955	12,007	**431,024**
Minority interests	**859**	351	636	**10,475**
Net income	**¥ 34,485**	¥ 31,604	¥11,371	**$ 420,549**

	Yen			U.S. dollars
	2012	2011	2010	**2012**
Per share of common stock *(Notes 2(l) and 11)***:**				
Basic net income	**¥235.25**	¥218.74	¥79.84	**$2.87**
Diluted net income	**234.01**	218.10	—	**2.85**
Cash dividends applicable to the year	**36.00**	34.00	12.00	**0.44**

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 years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars *(Note 1)*
	2012	2011	**2012**
Income before minority interests	**¥35,344**	¥31,955	**$431,024**
Other comprehensive income (loss) *(Note 9)***:**			
Unrealized holding gain (loss) on available-for-sale securities	**9**	(25)	**110**
Foreign currency translation adjustments	**(1,076)**	(110)	**(13,122)**
Total other comprehensive loss	**(1,067)**	(135)	**(13,012)**
Comprehensive income	**¥34,277**	¥31,820	**$418,012**
Comprehensive income attributable to *(Note 9)***:**			
Shareholders of DeNA Co., Ltd.	**¥33,426**	¥31,474	**$407,634**
Minority interests	**851**	346	**10,378**

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

Consolidated Statement of Changes in Net Assets

DeNA Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2012, 2011 and 2010

	Millions of yen									
	Shareholders' equity					Accumulated other comprehensive income (loss)				
	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, 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
Issuance of new shares—exercise of share subscription rights	5	4			9					9
Cash dividends paid			(5,014)		(5,014)					(5,014)
Net income			34,485		34,485					34,485
Disposal of treasury stock		474		346	820					820
Purchases of treasury stock				(13,000)	(13,000)					(13,000)
Changes in scope of consolidation			(46)		(46)					(46)
Net changes in items other than those in shareholders' equity						9	(1,062)	(1,229)	945	(1,337)
Net changes for the year	5	478	29,425	(12,654)	17,254	9	(1,062)	(1,229)	945	15,917
Balance at March 31, 2012	¥10,397	¥10,897	¥88,321	¥(15,626)	¥93,989	¥(19)	¥(1,168)	¥1,813	¥3,747	¥98,362

	Thousands of U.S. dollars *(Note 1)*									
	Shareholders' equity					Accumulated other comprehensive income (loss)				
	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, 2011	$126,732	$127,061	$ 718,243	$ (36,244)	$ 935,792	$(342)	$ (1,292)	$37,098	$34,171	$1,005,427
Issuance of new shares—exercise of share subscription rights	61	49			110					110
Cash dividends paid			(61,146)		(61,146)					(61,146)
Net income			420,549		420,549					420,549
Disposal of treasury stock		5,780		4,220	10,000					10,000
Purchases of treasury stock				(158,537)	(158,537)					(158,537)
Changes in scope of consolidation			(561)		(561)					(561)
Net changes in items other than those in shareholders' equity						110	(12,951)	(14,988)	11,524	(16,305)
Net changes for the year	61	5,829	358,842	(154,317)	210,415	110	(12,951)	(14,988)	11,524	194,110
Balance at March 31, 2012	$126,793	$132,890	$1,077,085	$(190,561)	$1,146,207	$(232)	$(14,243)	$22,110	$45,695	$1,199,537

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

Consolidated Statement of Cash Flows

DeNA Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars *(Note 1)*
	2012	2011	2010	**2012**
Operating activities				
Income before income taxes and minority interests	**¥ 64,166**	¥ 55,308	¥20,724	**$ 782,512**
Adjustments for:				
Income taxes paid	**(33,622)**	(10,641)	(7,338)	**(410,024)**
Depreciation and amortization, excluding goodwill	**3,017**	1,917	1,516	**36,793**
Amortization of goodwill	**2,573**	154	—	**31,378**
Impairment loss	**—**	309	—	**—**
(Gain) loss on sales of investment securities	**(996)**	5	(6)	**(12,146)**
Gain on reversal of share subscription rights	**(744)**	(164)	—	**(9,073)**
Foreign exchange losses (gains)	**600**	(79)	—	**7,317**
Loss on liquidation of subsidiaries	**—**	197	—	**—**
Gain on transfer of business	**—**	—	(175)	**—**
Increase (decrease) in allowance for doubtful accounts	**43**	(87)	16	**524**
Increase in provision for bonuses	**139**	156	—	**1,695**
Loss on valuation of stocks of subsidiaries and affiliates	**—**	—	844	**—**
Loss on disposal of fixed assets	**141**	218	93	**1,719**
Changes in operating assets and liabilities:				
Accounts receivable, trade	**(11,728)**	(7,245)	(4,874)	**(143,024)**
Accounts receivable, other	**(3,849)**	(1,727)	(1,705)	**(46,939)**
Accounts payable, trade	**65**	293	(17)	**793**
Accounts payable, other	**12,625**	6,797	2,121	**153,963**
Accrued consumption taxes	**(621)**	1,620	134	**(7,573)**
Advances received	**464**	500	387	**5,658**
Deposits received	**1,997**	665	2,116	**24,354**
Other, net	**(976)**	(280)	(308)	**(11,903)**
Net cash provided by operating activities	**33,294**	47,916	13,528	**406,024**
Investing activities				
Purchases of short-term and long-term investment securities	**(3,734)**	(2,302)	(1,997)	**(45,537)**
Proceeds from sales and redemption of short-term and long-term investment securities	**1,407**	—	1,544	**17,159**
Purchases of fixed assets	**(1,726)**	(944)	(568)	**(21,049)**
Purchases of intangible assets	**(3,853)**	(1,674)	(1,453)	**(46,988)**
Payments for guarantee deposits	**(3,755)**	(849)	(87)	**(45,793)**
Proceeds from collection of guarantee deposits	**25**	82	188	**305**
Proceeds from transfer of business	**—**	—	186	**—**
Purchases of investments in subsidiaries resulting in changes in scope of consolidation	**(7,229)**	(13,117)	—	**(88,159)**
Other, net	**(531)**	(145)	(353)	**(6,475)**
Net cash used in investing activities	**(19,396)**	(18,949)	(2,540)	**(236,537)**
Financing activities				
(Decrease) increase in short-term loans payable	**(480)**	480	—	**(5,854)**
Proceeds from stock issuance to minority shareholders	**—**	480	—	**—**
Purchases of treasury stock	**(13,000)**	(0)	—	**(158,537)**
Cash dividends paid	**(5,011)**	(1,636)	(854)	**(61,110)**
Cash dividends paid to minority shareholders	**(150)**	(150)	(150)	**(1,829)**
Other, net	**186**	10	—	**2,269**
Net cash used in financing activities	**(18,455)**	(816)	(1,004)	**(225,061)**
Effect of exchange rate changes on cash and cash equivalents	**(494)**	1	—	**(6,024)**
Net (decrease) increase in cash and cash equivalents	**(5,051)**	28,152	9,984	**(61,598)**
Cash and cash equivalents at beginning of the year	**62,620**	33,420	23,436	**763,659**
Increase in cash and cash equivalents from newly consolidated subsidiary	**—**	1,048	—	**—**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**(90)**	—	—	**(1,098)**
Cash and cash equivalents at end of the year *(Note 15)*	**¥ 57,479**	¥ 62,620	¥33,420	**$ 700,963**

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, 2012, 2011 and 2010

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 ¥82 = U.S.$1, the approximate rate of exchange prevailing at March 31, 2012. 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. Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. As of March 31, 2012, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 26 and 3 (18 and 0 in 2011), respectively. Twenty-one of foreign and domestic 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 and affiliates accounted for by the equity method (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 statement 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 2012 and 2011, and three months or less in 2010, 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 sheet and statement 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 three to 40 years for buildings and structures, from two to 20 years for equipment, and from three to 15 years for machinery and vehicles. 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, 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. 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.

k. Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

l. 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.

m. Stock Grant ESOP Trust

The Company resolved at its Board of Directors' meeting held on September 20, 2011 to introduce the "Stock Grant Employee Stock Ownership Plan (ESOP) Trust" as an incentive plan for employees for the purpose of enhancing the medium- to long-term corporate value of the Company. Accordingly, The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account No. 75481) (hereinafter "Trust Account") acquired 900,900 shares of the Company's stock in October 2011. In light of the economic substance of the plan, the Company accounts for the transactions involving the Trust Account as its own. Therefore, the Company's shares owned by the Trust Account, the assets, liabilities, expenses and income of the Trust Account are included in the accompanying consolidated balance sheet, the consolidated statement of income and the consolidated statement of cash flows. In terms of treasury stock, the Company's stock held in the Trust Account has been included in the number of shares of treasury stock. As of March 31, 2012, the number of shares of treasury stock held by the Trust Account is 893,457 shares.

3. Accounting Changes

a. Effective the year ended March 31, 2012, the Company has adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009) for accounting changes and corrections of prior period errors.

b. Effective the year ended March 31, 2012, the Group has adopted "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2 issued on June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4 issued on June 30, 2010). Therefore, the formerly applied method of calculating diluted net income per share has been changed to a new method, in which the amount of money assumed to be received as a result of the exercise of stock option rights, which is determined after a certain period of service, includes the portion of fairly assessed stock option value corresponding to future service to be provided to the Company. The adoption of the above accounting standard and guidance has no impact on the diluted net income per share for the previous fiscal years.

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 years ended March 31, 2012 and 2011 are presented herein. Accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in net assets. Comparative information for the year ended March 31, 2010 is disclosed in Note 9, "Comprehensive Income."

4. Net Assets

Information regarding changes in net assets for the years ended March 31, 2012, 2011 and 2010 is as follows:

a. Shares issued/Treasury stock

For the year ended March 31, 2012

	Number of shares			
	March 31, 2011	Increase	Decrease	March 31, 2012
Shares issued: Common stock *(Note 1)*	**150,806,064**	**3,969**	**—**	**150,810,033**
Treasury stock: Common stock *(Note 2)*	**3,339,646**	**4,769,254**	**351,374**	**7,757,526**

Notes: 1. Details of the changes are as follows:
Increase due to exercising share subscription rights 3,969 shares
2. Details of the changes are mainly as follows:
Increase due to purchase of shares by the Company 3,829,500 shares
Increase due to purchase of shares by the Stock Grant ESOP Trust 900,900 shares
Decrease due to exercising share subscription rights 343,931 shares
Decrease due to grant of shares by the Stock Grant ESOP Trust 7,443 shares

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

b. Share subscription rights

For the year ended March 31, 2012

			Number of shares				Millions of yen	Thousands of U.S. dollars
Company	Description	Class of shares	March 31, 2011	Increase	Decrease	March 31, 2012	Balance at March 31, 2012	Balance at March 31, 2012
The Company	Share subscription rights as stock options		**—**	**—**	**—**	**—**	**¥ 256**	**$ 3,122**
	Other *(Note)*	Common stock	**1,652,972**	**—**	**779,915**	**873,057**	**1,557**	**18,988**
Total			**1,652,972**	**—**	**779,915**	**873,057**	**¥1,813**	**$22,110**

Note: Details of the changes are as follows:
Decrease due to exercising share subscription rights 347,900 shares
Decrease due to forfeiture or expiration 432,015 shares

For the year ended March 31, 2011

			Number of shares				Millions of yen
Company	Description	Class of shares	March 31, 2010	Increase	Decrease	March 31, 2011	Balance at March 31, 2011
The Company	Share subscription rights as stock options		—	—	—	—	¥ 80
	Other *(Note)*	Common stock	—	1,817,535	164,563	1,652,972	2,944
Consolidated subsidiaries	Share subscription rights as stock options		—	—	—	—	18
Total			—	1,817,535	164,563	1,652,972	¥3,042

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, 2012

Resolution	Class of shares	Millions of yen Total dividends	Thousands of U.S. dollars Total dividends	Yen Dividends per share	U.S. dollars Dividends per share	Cut-off date	Effective date
Annual general meeting of shareholders on June 25, 2011	Common stock	**¥5,014**	**$61,146**	**¥34**	**$0.41**	**March 31, 2011**	**June 27, 2011**

For the year ended March 31, 2011

Resolution	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Cut-off date	Effective date
Annual general meeting of shareholders on June 26, 2010	Common stock	¥1,709	¥12	March 31, 2010	June 28, 2010

For the year ended March 31, 2010

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

Information on dividends for the year ended March 31, 2010 has been readjusted to reflect the 300-for-1 stock split effected on June 1, 2010.

(2) Dividends with the cut-off date in the year ended March 31, 2012 and the effective date in the year ending March 31, 2013

Resolution	Class of shares	Millions of yen Total dividends	Thousands of U.S. dollars Total dividends	Source of dividends	Yen Dividends per share	U.S. dollars Dividends per share	Cut-off date	Effective date
Annual general meeting of shareholders on June 23, 2012	Common stock	¥5,150	$62,805	Retained earnings	¥36	$0.44	March 31, 2012	June 25, 2012

5. Stock Option Plans

Stock options of the Company outstanding as of March 31, 2012 are as follows:

Stock options	Grantees	Class and number of shares granted	Grant date	Exercise period
3rd Stock Option Plan *(Note 1)*	4 directors	40,000 shares of common stock	July 20, 2010	From July 21, 2010 to July 20, 2040
9th Stock Option Plan *(Note 2)*	34 employees of a consolidated subsidiary	168,925 shares of common stock	May 18, 2011	From May 18, 2011 to May 18, 2021
10th Stock Option Plan *(Note 1)*	4 directors	34,560 shares of common stock	June 20, 2011	From June 21, 2011 to June 20, 2041

Notes: 1. Conditions for the exercise of the 3rd and 10th Stock Option Plans 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 event of the holder's death, the share subscription rights can be transferred to an inheritor.
(3) Exercise conditions are defined in the "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 and the resolution of the Board of Directors' meeting.
2. Conditions for the exercise of the 9th Stock Option Plan are as follows:
The options will vest in equal monthly installments over a period of 37 to 48 months, following the first vesting date effective from June 18, 2011 to March 15, 2012. Any remaining unvested options will be forfeited upon termination of services.

Stock option activity for the year ended March 31, 2012 is as follows:

	Number of shares		
	3rd Stock Option Plan	9th Stock Option Plan	10th Stock Option Plan
Non-vested:			
Outstanding as of March 31, 2011	—	—	—
Granted	—	168,925	34,560
Forfeited/expired	—	60,128	—
Vested	—	32,436	34,560
Outstanding as of March 31, 2012	—	76,361	—
Vested:			
Outstanding as of March 31, 2011	40,000	—	—
Vested	—	32,436	34,560
Exercised	—	—	—
Forfeited/expired	—	—	—
Outstanding as of March 31, 2012	40,000	32,436	34,560
Exercise price (yen)	¥ 1	¥2,894	¥ 1
Average stock price at exercise (yen)	—	—	—
Fair value price at the grant date (yen)	2,006	1,223	2,777
Exercise price (U.S. dollars)	$ 0.01	$35.29	$ 0.01
Average stock price at exercise (U.S. dollars)	—	—	—
Fair value price at the grant date (U.S. dollars)	24.46	14.91	33.87

Stock option expenses included in "Selling, general and administrative expenses" for the years ended March 31, 2012 and 2011 amounted to ¥382 million ($14,280 thousand) and ¥80 million, respectively. For the year ended March 31, 2010, there were no options granted.

The fair value of options granted during the year ended March 31, 2012 is estimated by using the Black-Scholes model with the following assumptions.

	9th Stock Option Plan	10th Stock Option Plan
Volatility of stock price *(Note 1)*	56.41%	56.11%
Expected remaining term *(Note 2)*	5 years	15 years
Expected dividend per share *(Note 3)*	¥34	¥34
Risk-free interest rate *(Note 4)*	0.49%	1.80%

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.

6. Selling, General and Administrative Expenses

The components of "Selling, general and administrative expenses" for the years ended March 31, 2012, 2011 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	**2012**
Advertising expenses	**¥ 8,754**	¥11,693	¥ 1,825	**$106,756**
Promotional expenses	**10,447**	7,942	3,273	**127,402**
Commission fee	**15,027**	10,363	482	**183,256**
Allowance for doubtful accounts	**87**	45	125	**1,061**
Provision for bonuses	**211**	105	—	**2,573**
Amortization of goodwill	**2,573**	154	—	**31,378**
Other	**17,026**	10,878	10,451	**207,635**
Total	**¥54,125**	¥41,180	¥16,156	**$660,061**

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
DeNA (Tokyo)	Social Media business	Goodwill	¥276
DeNA Global, Inc. (U.S.)		Goodwill	104
IceBreaker U.S., Inc. (U.S.)		Software	2
IceBreaker China Co., Ltd. (China)		Equipment	1
		Software	23
		Other	1
Shanghai Zongyou Network Technology Co., Ltd. (China)		Equipment	14
		Software	14
		Other	1
Shanghai Wapu Network Technology Co., Ltd. (China)		Equipment	5

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 United States 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.

8. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitant taxes and enterprise tax.

Due to the promulgation on December 2, 2011 of the Act on the Partial Revision of the Income Tax Act for the Establishment of a Taxation System Responding to Structural Transformation of Economy and Society and the Act on Special Measures for Securing Financial Resources Needed to Implement Measures to Recover from the Great East Japan Earthquake, the corporation tax rate has been reduced and a special reconstruction corporation tax has been instituted for the fiscal years beginning on or after April 1, 2012. As a result, the statutory tax rate used to calculate deferred tax assets and liabilities as of March 31, 2012 was changed from 40.69%, which was used as of March 31, 2011 and 2010. The new statutory tax rate will be 38.01% from April 1, 2012 to March 31, 2015 and 35.64% on and after April 1, 2015, depending when the temporary differences will reverse.

By this change, deferred income taxes increased by ¥211 million ($2,573 thousand), deferred tax assets, net of deferred tax liabilities, decreased by ¥212 million ($2,585 thousand) and unrealized holding loss on available-for-sale securities increased by ¥2 million ($24 thousand) as of and for the fiscal year ended March 31, 2012.

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 rate reflected in the accompanying consolidated statement of income and the statutory tax rate for the year ended March 31, 2012 is as follows:

	2012
Statutory tax rate	40.69%
Effect of:	
Expenses not deductible for income tax purposes	0.20
Change in valuation allowance	2.34
Per capita inhabitant tax	0.02
Tax rate change	0.33
Goodwill amortization	1.63
Other	(0.29)
Effective tax rate	44.92%

A reconciliation between the effective tax rates reflected in the accompanying consolidated statement 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, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets (current):			
Allowance for doubtful accounts	¥ 70	¥ 45	$ 854
Provision for bonuses	117	57	1,427
Accrued enterprise taxes	1,104	1,643	13,463
Accrued payroll	85	43	1,037
Accounts payable, other	175	1,247	2,134
Accrued expenses	69	17	841
Accounts receivable, trade	219	187	2,671
Asset retirement obligations	36	77	439
Head office transfer cost	63	68	768
Other	347	68	4,232
Account offset by deferred tax liabilities (current)	(5)	(27)	(61)
Total	2,280	3,425	27,805
Valuation allowance	(397)	(151)	(4,842)
Deferred tax assets (current), net	¥ 1,883	¥ 3,274	$ 22,963
Deferred tax assets (non-current):			
Depreciation of property and equipment	¥ 105	¥ 95	$ 1,280
Amortization of intangible fixed assets	634	497	7,732
Depreciation of lump-sum depreciable assets	47	32	573
Allowance for doubtful accounts	68	75	829
Impairment loss on fixed assets	69	69	841
Loss on valuation of stocks of subsidiaries and affiliates	1,199	1,367	14,622
Tax loss carryforwards	3,697	1,298	45,085
Unrealized holding loss on available-for-sale securities	11	20	134
Other	402	181	4,903
Account offset by deferred tax liabilities (non-current)	(33)	—	(401)
Total	6,199	3,634	75,598
Valuation allowance	(5,267)	(2,949)	(64,232)
Deferred tax assets (non-current), net	¥ 932	¥ 685	$ 11,366
Deferred tax liabilities (current):			
Consumption tax payable	¥ 5	¥ 27	$ 61
Account offset by deferred tax assets (current)	(5)	(27)	(61)
Deferred tax liabilities (current), net	¥ —	¥ —	$ —
Deferred tax liabilities (non-current):			
Other	¥ 37	¥ 4	$ 451
Account offset by deferred tax assets (non-current)	(33)	—	(401)
Deferred tax liabilities (non-current), net	¥ 4	¥ 4	$ 50

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

Reclassification adjustments and income tax effect on components of other comprehensive income for the year ended March 31, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Unrealized holding gain (loss) on available-for-sale securities:		
Amount recognized during the year	¥ (124)	$ (1,512)
Reclassification adjustments for gains included in the income statement	142	1,732
Before income tax effect	18	220
Income tax effect	9	110
Unrealized holding gain (loss) on available-for-sale securities	9	110
Foreign currency translation adjustments:		
Amount recognized during the year	(1,076)	(13,122)
Reclassification adjustments for gains included in the income statement	—	—
Before income tax effect	(1,076)	(13,122)
Income tax effect	—	—
Foreign currency translation adjustments	(1,076)	(13,122)
Total other comprehensive income (loss)	¥(1,067)	$ (13,012)

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, 2012 and 2011 is 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, 2012 and 2011 is as follows:

For the year ended March 31, 2012

	Millions of yen			
	Acquisition cost	Accumulated depreciation/ amortization	Accumulated impairment loss	Net book value
Equipment	¥54	¥46	¥—	¥ 8
Software	26	26	—	—
Total	¥80	¥72	¥—	¥ 8

	Thousands of U.S. dollars			
	Acquisition cost	Accumulated depreciation/ amortization	Accumulated impairment loss	Net book value
Equipment	$659	$561	$—	$98
Software	317	317	—	—
Total	$976	$878	$—	$98

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

Obligations under finance leases at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥ 8	¥33	$98
Due after one year	—	8	—
Total	¥ 8	¥41	$98

Allowance for impairment loss on leased assets of ¥24 million as of March 31, 2011 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, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Depreciation and amortization expense	¥ 9	¥ 9	$110
Interest expense	1	2	12
Total	¥10	¥11	$122
Lease payments	¥33	¥64	$402
Reversal of allowance for impairment loss on leased assets	24	55	293

No impairment loss was recorded for the years ended March 31, 2012 and 2011.

Depreciation and amortization expense and interest expense, which are not reflected in the accompanying statement 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, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥176	¥2	$2,146
Due after one year	585	2	7,134
Total	¥761	¥4	$9,280

11. Amounts per Share

Information on amounts per share is as follows:

a. Basic and diluted net income per share

	Thousands of shares		
	2012	2011	2010
Weighted average number of shares of common stock used for the calculation of basic net income per share	146,587	144,479	142,419
Effect of dilutive securities — share subscription rights	777	427	—
Number of shares used for the calculation of diluted net income per share	147,364	144,906	142,419

The bases for calculation for the years ended March 31, 2011 and 2010 were retroactively adjusted to reflect the 300-for-1 stock split effected on June 1, 2010.

The Company had no dilutive shares during the year ended March 31, 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 calculation of diluted net income per share for the years ended March 31, 2012 and 2011 as they have no dilutive effect: The portion of subscription rights to shares among the 4th to 7th Share Subscription Rights that are exercisable if a certain consolidated subsidiary achieves certain performance indicators.

b. Net assets per share

	Yen		U.S. dollars
	2012	2011	2012
Net assets per share	¥648.72	¥519.45	$7.91

	Thousands of shares	
	2012	2011
Number of shares of common stock used for the calculation of net assets per share	143,053	147,466

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total net assets	¥98,362	¥82,445	$1,199,537
Amounts deducted from total net assets:			
Share subscription rights	1,813	3,042	22,110
Minority interests	3,747	2,802	45,695
Net assets attributable to shareholders of common stock	¥92,802	¥76,601	$1,131,732

12. Financial Instruments

a. 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, 2012, 33.0% of the total of trade accounts receivable is from certain major customers of the Group (32.7% in 2011).

b. Estimated fair value of financial instruments

Carrying value of financial instruments on the accompanying consolidated balance sheet as of March 31, 2012 and 2011 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, 2012

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥ 57,608	¥ 57,608	¥—
Accounts receivable, trade	29,850	29,850	—
Accounts receivable, other	9,378	9,378	—
Investment securities:			
Held-to-maturity debt securities	300	301	1
Available-for-sale securities	65	65	—
Total assets	¥ 97,201	¥ 97,202	¥ 1
Liabilities:			
Accounts payable, trade	¥ 664	¥ 664	¥—
Accounts payable, other	25,370	25,370	—
Income taxes payable	15,200	15,200	—
Deposits received	6,744	6,744	—
Total liabilities	¥ 47,978	¥ 47,978	¥—

	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	$ 702,537	$ 702,537	$—
Accounts receivable, trade	364,024	364,024	—
Accounts receivable, other	114,366	114,366	—
Investment securities:			
Held-to-maturity debt securities	3,659	3,671	12
Available-for-sale securities	792	792	—
Total assets	$1,185,378	$1,185,390	$12
Liabilities:			
Accounts payable, trade	$ 8,098	$ 8,098	$—
Accounts payable, other	309,390	309,390	—
Income taxes payable	185,366	185,366	—
Deposits received	82,244	82,244	—
Total liabilities	$ 585,098	$ 585,098	$—

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	¥—

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

(1) Cash, deposits and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

(2) 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."

(3) 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
	2012	2011	**2012**
Unlisted stocks	**¥2,420**	¥ 1,077	**$29,512**
Convertible bonds issued by an unlisted company	**—**	65	**—**
Investments in limited partnerships	**2,612**	1,597	**31,854**

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, 2012

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and deposits	**¥57,601**	**¥—**	**¥ —**	**¥—**
Accounts receivable, trade	**29,850**	**—**	**—**	**—**
Accounts receivable, other	**9,378**	**—**	**—**	**—**
Investment securities:				
Held-to-maturity debt securities	**—**	**—**	**300**	**—**
Total	**¥96,829**	**¥—**	**¥300**	**¥—**

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and deposits	**$ 702,451**	**$—**	**$ —**	**$—**
Accounts receivable, trade	**364,024**	**—**	**—**	**—**
Accounts receivable, other	**114,366**	**—**	**—**	**—**
Investment securities:				
Held-to-maturity debt securities	**—**	**—**	**3,659**	**—**
Total	**$1,180,841**	**$—**	**$3,659**	**$—**

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 10 years	Due after 10 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	¥—

13. Investment Securities

a. Information regarding securities classified as held-to-maturity debt securities and available-for-sale securities

(1) Held-to-maturity debt securities

As of March 31, 2012

	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Corporate bonds	**¥300**	**¥301**	**¥1**
Total	**¥300**	**¥301**	**¥1**

	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Corporate bonds	**$3,659**	**$3,671**	**$12**
Total	**$3,659**	**$3,671**	**$12**

As of March 31, 2011

	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

(2) Available-for-sale securities

As of March 31, 2012

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain
Securities whose carrying value exceeds their acquisition cost:			
Stock	**¥65**	**¥65**	**¥—**
Total	**¥65**	**¥65**	**¥—**

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain
Securities whose carrying value exceeds their acquisition cost:			
Stock	**$792**	**$792**	**$—**
Total	**$792**	**$792**	**$—**

As of March 31, 2011

	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

Acquisition cost is the book value after the recording of impairment loss. Impairment loss was recognized in the fiscal year ended March 31, 2012, and was recorded as a loss on valuation of investment securities in the amount of ¥98 million ($1,195 thousand).

b. Available-for-sale securities sold during the fiscal year

For the year ended March 31, 2012

	Millions of yen		
	Amount of sales	Gain on sales	Loss on sales
Stock	¥1,383	¥996	¥—
Total	¥1,383	¥996	¥—

	Thousands of U.S. dollars		
	Amount of sales	Gain on sales	Loss on sales
Stock	$16,866	$12,146	$—
Total	$16,866	$12,146	$—

c. Reclassification of securities

During the year ended March 31, 2011, equity securities issued by an affiliate (¥387 million 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.

14. Pledged Assets

Pledged assets and liabilities secured by the pledged assets at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Pledged assets:			
Cash and deposits	¥129	¥20	$1,574
Liabilities secured by the pledged assets:			
Accounts payable, trade	9	19	110

15. Supplementary Cash Flow Information

A reconciliation of cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2012 and 2011 to the corresponding amounts disclosed in the consolidated balance sheet as of March 31, 2012 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and deposits	¥57,608	¥62,640	$702,537
Pledged time deposits	(129)	(20)	(1,574)
Cash and cash equivalents	¥57,479	¥62,620	$700,963

The following is a summary of assets acquired and liabilities assumed through the acquisition of shares of YOKOHAMA DeNA BAY-STARS BASEBALL CLUB, INC. in the year ended March 31, 2012, related to acquisition costs and net disbursement:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Current assets	¥ 778	$ 9,488
Fixed assets	1,417	17,280
Goodwill	5,936	72,390
Current liabilities	(1,107)	(13,500)
Long-term liabilities	(236)	(2,878)
Minority interests	(282)	(3,439)
Acquisition value of shares	6,506	79,341
Cash and cash equivalents of acquired company	(321)	(3,914)
Net disbursement due to the share acquisition	¥ 6,185	$ 75,427

The following is a 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
	2011
Current assets	¥ 1,145
Fixed assets	639
Goodwill	27,856
Current liabilities	(679)
Long-term liabilities	(4)
Acquisition value of shares	28,957
Shares issued due to the share acquisition	(12,062)
Subscription rights to shares issued due to the share acquisition	(3,189)
Cash and cash equivalents of acquired companies	(589)
Net disbursement due to the share acquisition	¥ 13,117

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 year ended March 31, 2010 has been restated in accordance with such accounting standards for comparative purposes.

a. 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 the type of service that is determined by the business divisions. The reportable segments of the Company 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 Business	Social media and Internet marketing-related services (provided in Japan and overseas)
	Principal services: Mobage, Pocket Affiliate, etc.
E-Commerce Business	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 of its holdings in former consolidated subsidiary Mobakore Co., Ltd., the operating company of the Mobakore mobile phone-based fashion goods shopping site, and excluded it 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 statement of income.

b. Methods of calculating net sales, income or loss, assets and other items by reportable segment

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

c. Information on the amounts of net sales, income or loss, assets and other items by reportable segment

The reportable segment information for the Group for the years ended March 31, 2012, 2011 and 2010 is as follows:

	Millions of yen						
	2012						
	Reportable segment						
	Social Media Business	E-Commerce Business	Subtotal	Other *(Note 1)*	Total	Adjustments *(Note 2)*	Consolidated *(Note 3)*
Net sales:							
Net sales to external customers	¥130,499	¥12,831	¥143,330	¥ 2,399	¥145,729	¥ —	¥145,729
Intersegment sales or transfers	262	1,342	1,604	17	1,621	(1,621)	—
Total	130,761	14,173	144,934	2,416	147,350	(1,621)	145,729
Segment income	¥ 62,448	¥ 4,951	¥ 67,399	¥ 391	¥ 67,790	¥ (4,375)	¥ 63,415
Segment assets	¥ 67,061	¥23,114	¥ 90,175	¥13,736	¥103,911	¥48,576	¥152,487
Other items:							
Depreciation and amortization, excluding goodwill	2,256	467	2,723	165	2,888	129	3,017
Capital expenditures	4,731	705	5,436	307	5,743	172	5,915

	Thousands of U.S. dollars						
	2012						
	Reportable segment						
	Social Media Business	E-Commerce Business	Subtotal	Other *(Note 1)*	Total	Adjustments *(Note 2)*	Consolidated *(Note 3)*
Net sales:							
Net sales to external customers	$1,591,451	$156,476	$1,747,927	$ 29,256	$1,777,183	$ —	$1,777,183
Intersegment sales or transfers	3,195	16,365	19,560	207	19,767	(19,767)	—
Total	1,594,646	172,841	1,767,487	29,463	1,796,950	(19,767)	1,777,183
Segment income	$761,561	$ 60,378	$ 821,939	$ 4,768	$ 826,707	$ (53,353)	$ 773,354
Segment assets	$817,817	$281,878	$1,099,695	$167,512	$1,267,207	$592,391	$1,859,598
Other items:							
Depreciation and amortization, excluding goodwill	27,512	5,695	33,207	2,012	35,219	1,574	36,793
Capital expenditures	57,695	8,598	66,293	3,744	70,037	2,097	72,134

	Millions of yen						
	2011						
	Reportable segment						
	Social Media Business	E-Commerce Business	Subtotal	Other *(Note 1)*	Total	Adjustments *(Note 2)*	Consolidated *(Note 3)*
Net sales:							
Net sales to external customers	¥97,193	¥13,587	¥110,780	¥1,949	¥112,729	¥ —	¥112,729
Intersegment sales or transfers	424	449	873	4	877	(877)	—
Total	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

	Millions of yen						
	2010						
	Reportable segment						
	Social Media Business	E-Commerce Business	Subtotal	Other *(Note 1)*	Total	Adjustments *(Note 2)*	Consolidated *(Note 3)*
Net sales:							
Net sales to external customers	¥32,759	¥13,464	¥46,223	¥1,883	¥48,106	¥ —	¥48,106
Intersegment sales or transfers	474	132	606	23	629	(629)	—
Total	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

Notes: 1. "Other" refers to business operations that do not fall into any of the reportable segments, including the travel agency business, insurance agency business and businesses associated with YOKOHAMA DeNA BAYSTARS BASEBALL CLUB, INC.
2. Adjustments are as follows:
(1) Adjustments in segment income (loss) amounting to ¥4,375 million ($53,353 thousand), ¥2,488 million and ¥1,376 million for the years ended March 31, 2012, 2011 and 2010, respectively, represent Companywide expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.
(2) Adjustments in segment assets amounting to ¥48,576 million ($592,391 thousand), ¥42,962 million and ¥30,962 million as of March 31, 2012, 2011 and 2010, respectively, are mainly surplus funds (cash and deposits) provided to the Company and assets related to administrative divisions.
(3) Adjustments in increases in property and equipment and intangible assets amounting to ¥172 million ($2,097 thousand), ¥106 million and ¥93 million for the years ended March 31, 2012, 2011 and 2010, respectively, are mainly capital investments in the assets related to administrative divisions of the headquarters.
3. Segment income is adjusted with operating income in the consolidated statement of income.

d. Information by countries or regions

Information on net sales by countries or regions for the years ended March 31, 2012, 2011 and 2010 is not shown because net sales to external customers domiciled in Japan accounted for over 90% of net sales in the consolidated statement of income.

Information on property and equipment by countries or regions at March 31, 2012 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Japan	**¥1,300**	¥ 930	**$15,854**
United States	**373**	203	**4,549**
Other	**80**	2	**975**
Total	**¥1,753**	¥1,135	**$21,378**

Information on property and equipment by countries or regions at March 31, 2010 is not shown because over 90% of total assets were located in Japan.

e. Information by major client

Information by major client for the years ended March 31, 2012, 2011 and 2010 is not shown because there were no net sales to an external customer accounting for 10% or more of net sales in the consolidated statement of income.

f. Information on impairment loss on fixed assets by reportable segment

Information on impairment loss on fixed assets by reportable segment for the year ended March 31, 2011 is as follows:

	Millions of yen
	2011
Social Media Business	¥441
E-Commerce Business	—
Reportable segment total	441
Other	—
Total	441
Adjustments	—
Consolidated	¥441

There is no corresponding information on impairment loss to be reported for the years ended March 31, 2012 and 2010.

g. Information on amortization and balance of goodwill by reportable segment

Information on the amortization and balance of goodwill as of and for the years ended March 31, 2012 and 2011 by reportable segment is as follows:

	Millions of yen						
	2012						
	Reportable segments						
	Social Media Business	E-Commerce Business	Subtotal	Other	Total	Eliminations/ Corporate	Consolidated
Amortization of goodwill	¥ 2,573	¥—	¥ 2,573	¥ —	¥ 2,573	¥—	¥ 2,573
Balance at end of year	¥26,577	¥—	¥26,577	¥5,936	¥32,513	¥—	¥32,513

	Thousands of U.S. dollars						
	2012						
	Reportable segments						
	Social Media Business	E-Commerce Business	Subtotal	Other	Total	Eliminations/ Corporate	Consolidated
Amortization of goodwill	$ 31,378	$—	$ 31,378	$ —	$ 31,378	$—	$ 31,378
Balance at end of year	$324,110	$—	$324,110	$72,390	$396,500	$—	$396,500

	Millions of yen						
	2011						
	Reportable segments						
	Social Media Business	E-Commerce Business	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

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

17. Business Combinations

For the year ended March 31, 2012

Acquisitions

a. Outline of the transaction

(1) Name and business of the acquired company
Name: YOKOHAMA BAYSTARS BASEBALL CLUB, INC.
Business: Professional baseball club

(2) Principal reasons for the business combination
The objectives of the acquisition are to expand business by raising awareness and brand value of the Group through contributions to the development of professional baseball in Japan and the Yokohama area.

(3) Date of the business combination
December 2, 2012 (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
YOKOHAMA DeNA BAYSTARS BASEBALL CLUB, INC.

(6) Ratio of voting rights acquired
66.92%

(7) Basis of the acquisition
The Company acquired the shares of YOKOHAMA BAYSTARS BASEBALL CLUB, INC. through an all-cash transaction.

b. 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.

c. Acquisition cost and breakdown

	Millions of yen	Thousands of U.S. dollars
Acquisition cost of shares: Cash	¥6,500	$79,268
Related costs: Advisory fees, etc.	6	73
Total acquisition cost	¥6,506	$79,341

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

Amount of goodwill: ¥5,936 million ($72,390 thousand)

Reason for recognition: Goodwill arises from the excess of future expected income through business expansion by raising awareness and brand value of the Group over the fair value of the net assets acquired.

Amortization method and period:
Straight-line method over 20 years

e. Assets acquired and liabilities assumed in the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 778	$ 9,488
Fixed assets	1,417	17,280
Total assets	¥2,195	$26,768
Current liabilities	1,107	$13,500
Long-term liabilities	236	2,878
Total liabilities	¥1,343	$16,378

f. Estimated effect of corporate combination on consolidated statement of income assuming acquisition had been completed at April 1, 2011 (beginning of fiscal year)

	Millions of yen	Thousands of U.S. dollars
Net sales	¥7,605	$ 92,744
Net loss	106	1,293

The above figures reflect the estimated differences in net sales and net loss 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.

18. Subsequent Events

a. Repurchase of own shares

At a Board of Directors' meeting held on June 14, 2012, the Company resolved to repurchase its own shares under Article 156 of the Companies Act as applied pursuant to Article 165 (3) of the same law.

(1) Reasons for the repurchase:
Increase capital efficiency, implement a flexible capital policy that responds to changes in the business environment, and improve shareholder returns by increasing the share value.
(2) Class of shares subject to repurchase: Common stock
(3) Total number of shares to be repurchased: Up to 14,000,000 shares
(4) Total cost of repurchase: Up to ¥20,000 million ($243,092 thousand)
(5) Period for repurchase: From June 15, 2012 to July 31, 2012
(6) Method of repurchase: Purchase on the Tokyo Stock Exchange

b. Borrowing of funds

Based on the resolution approved at a Board of Directors' meeting held on June 14, 2012, the Company entered into the following loan agreements:
(1) Application of funds: Working capital
(2) Name of lenders:
The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation
(3) Total amount of borrowings: ¥10,000 million ($121,951 thousand)
(4) Interest rate: Base interest rate + spread
(5) Execution date of borrowings: June 18, 2012
(6) Borrowing period: Six months
(7) Assets pledged as collateral: Not applicable

Report of Independent Auditors

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
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Tel : +81 3 3503 1100
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Independent Auditor's Report

The Board of Directors
DeNA Co., Ltd.

We have audited the accompanying consolidated financial statements of DeNA Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DeNA Co., Ltd. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 28, 2012

Corporate Information

(As of March 31, 2012)

Company Name	DeNA Co., Ltd.
Date of Establishment	March 4, 1999
Headquarters	Shibuya Hikarie, 21-1, Shibuya 2-chome, Shibuya-ku, Tokyo 150-8510, Japan (Moved April 16, 2012)
Capital	¥10,397 million
Number of Employees	1,810 (Consolidated)
Business Outline	Social Media Business, E-commerce Business, Other
Fiscal Year-end	March 31
Accounting Auditor	Ernst & Young ShinNihon LLC

Board of Directors and Corporate Auditors *(As of June 23, 2012)*

Directors	Director and Chairman	Makoto Haruta	
	Representative Director and President	Isao Moriyasu	
	Director and General Manager of Technology	Shuhei Kawasaki	
	Director, CEO of ngmoco, LLC	Neil Young	
	Director and General Manager of Social Games	Kenji Kobayashi	
	Founder and Director	Tomoko Namba	
Corporate Auditors	Standing Corporate Auditor (Outside)	Taketsune Watanabe	
	Corporate Auditor (Outside)	Masaru Iida	Lawyer
	Corporate Auditor (Outside)	Hisaaki Fujikawa	Lawyer Professor, Faculty of Law, Aoyama Gakuin University

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
YOKOHAMA DeNA BAYSTARS BASEBALL CLUB, INC.	Japan	¥100 million	66.9%	Operation of a professional baseball team
DeNA Global, Inc.	U.S.A.	US$473 million	100.0%	Operation of social media business outside Japan
ngmoco, LLC	U.S.A.	US$45 million	100.0% (100.0%)	Same as company above
Gameview Studios, LLC	U.S.A.	US$1 million	100.0% (100.0%)	Same as company above
WAPTX LTD.	British West Indies	US$12 million	97.4%	Same as company above

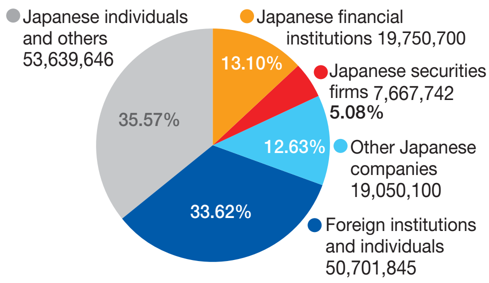
Note: Ownership percentages in parentheses indicate the portion within the total percentage ownership that is held indirectly.

Stock Information

(As of March 31, 2012)

Securities Code	2432
Stock Listing	Tokyo Stock Exchange, First Section
Date of Listing	February 16, 2005
Number of Shares per Trading Unit	100
Annual General Meeting of Shareholders	June
Record Date for Dividends	March 31
Shareholder Registrar	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Number of Shares	Authorized: 540,900,000 shares
	Issued: 150,810,033 shares
Number of Shareholders	37,190

Distribution of Ownership (Shares)



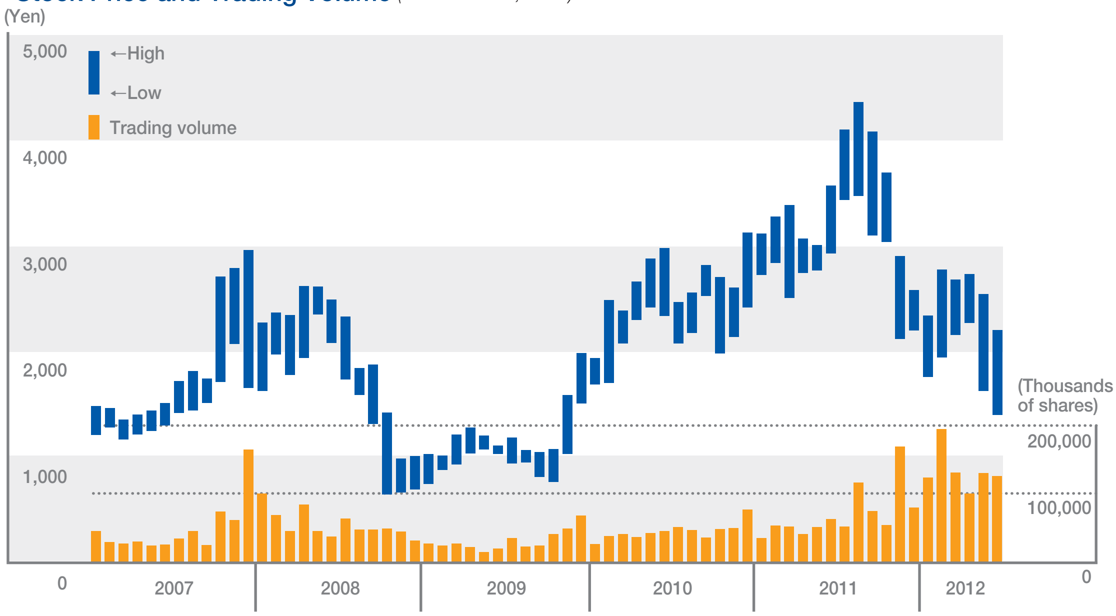
Note: Japanese individuals and others hold 7,757,526 shares of treasury stock (including 893,457 Company shares held in ESOP).

Principal Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Total Outstanding Shares (%)
Tomoko Namba	19,733	13.79
So-net Entertainment Corporation	17,722	12.39
Shogo Kawada	4,029	2.82
Japan Trustee Services Bank, Ltd. (Trust Account)	3,973	2.78
JPMorgan Chase Bank 380055	3,268	2.28
Goldman, Sachs & Co. Regular Account	3,125	2.18
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,940	2.06
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,849	1.99
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,049	1.43
UBS SECURITIES LLC–HFS CUSTOMER SEGREGATED ACCOUNT	1,568	1.10

Notes: 1. Ownership percentages have been calculated after the deduction of 7,757,526 shares of treasury stock (including 893,457 Company shares held in ESOP).
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 *(As of June 30, 2012)*



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

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