

# Q2 FY2009 Operating Results



DeNA Co., Ltd.

# Q2 FY2009 Highlights

## 1. Net sales, operating income



- Net sales ¥8,565 million (-1% YoY)
  - Operating income ¥3,083 million (-11% YoY)
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## 2. Moba-ge-town



- Avatars: Sales down because of lack of available items for 3D (motion) avatars and falloff in demand for 2D avatars
  - Advertising: National client ad placements up, but advertising down as result of economic recession
  - Games:
    - Steady game portal growth (item billing)
    - Began preparing an open platform to facilitate the spread of social gaming and boost revenues
    - Trial launch of social games created in-house
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## 3. E-commerce services



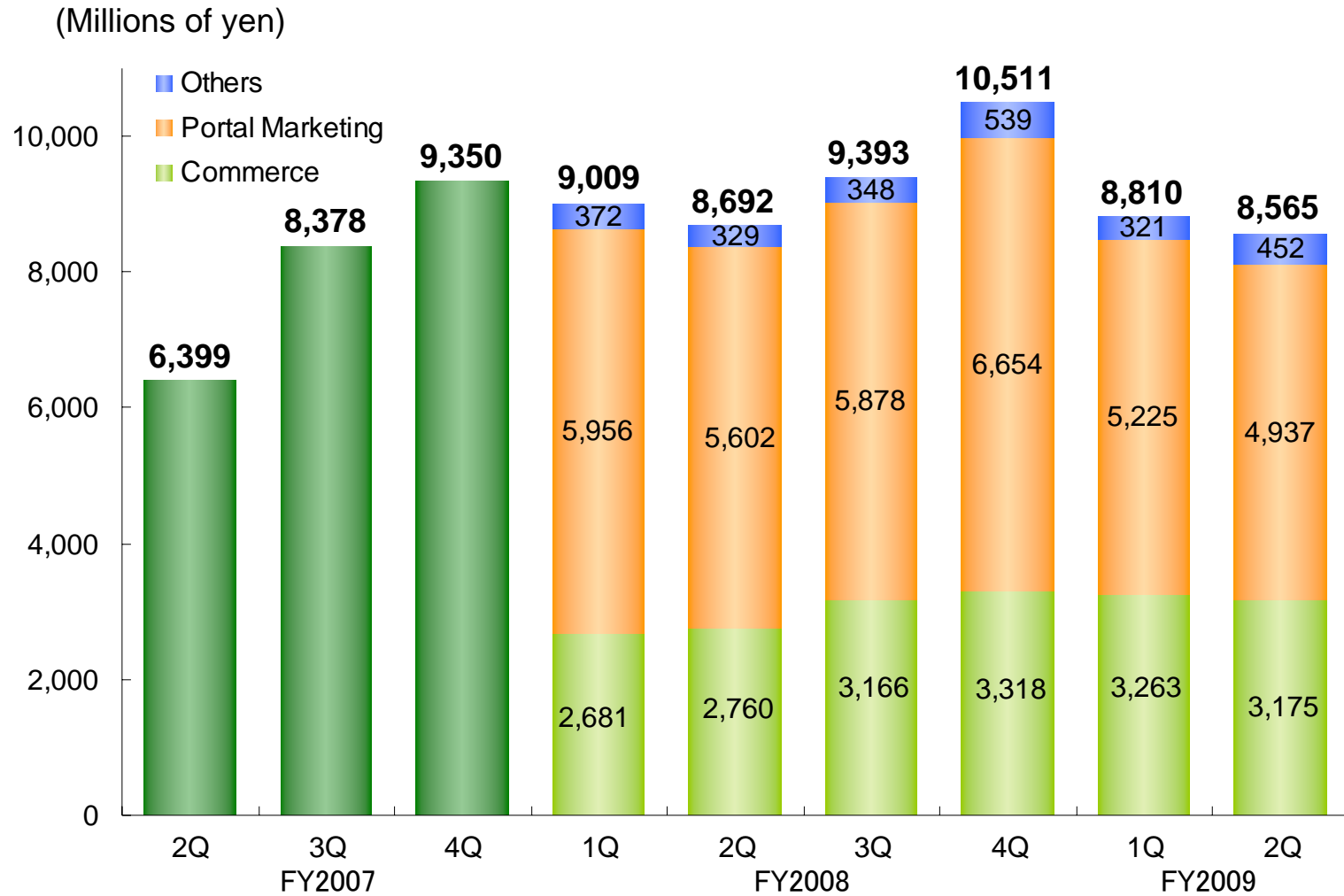
- Increase in gross merchandise sales growth leveled off, owing to lower unit prices and seasonal factors
- Reached agreement with World Co., Ltd., on operational tie-up to form B2B marketplace specializing in apparel

# Overview of Operations for Q2 FY2009

(Millions of yen)

	Q2 FY2009	Q2 FY2008	Change	Q1 FY2009	Change	Contributing Factors
Net sales	8,565	8,692	-1%	8,810	-3%	Moba-ge-town avatar-related sales down
Operating income	3,083	3,450	-11%	3,137	-2%	Sales of highly profitable avatar-related sales down
Ordinary income	3,123	3,507	-11%	3,257	-4%	
Net income	1,717	1,908	-10%	1,783	-4%	

# Net Sales by Segment



Notes: 1. The net sales or amount after cancellation of transfer is indicated in the segment bands.

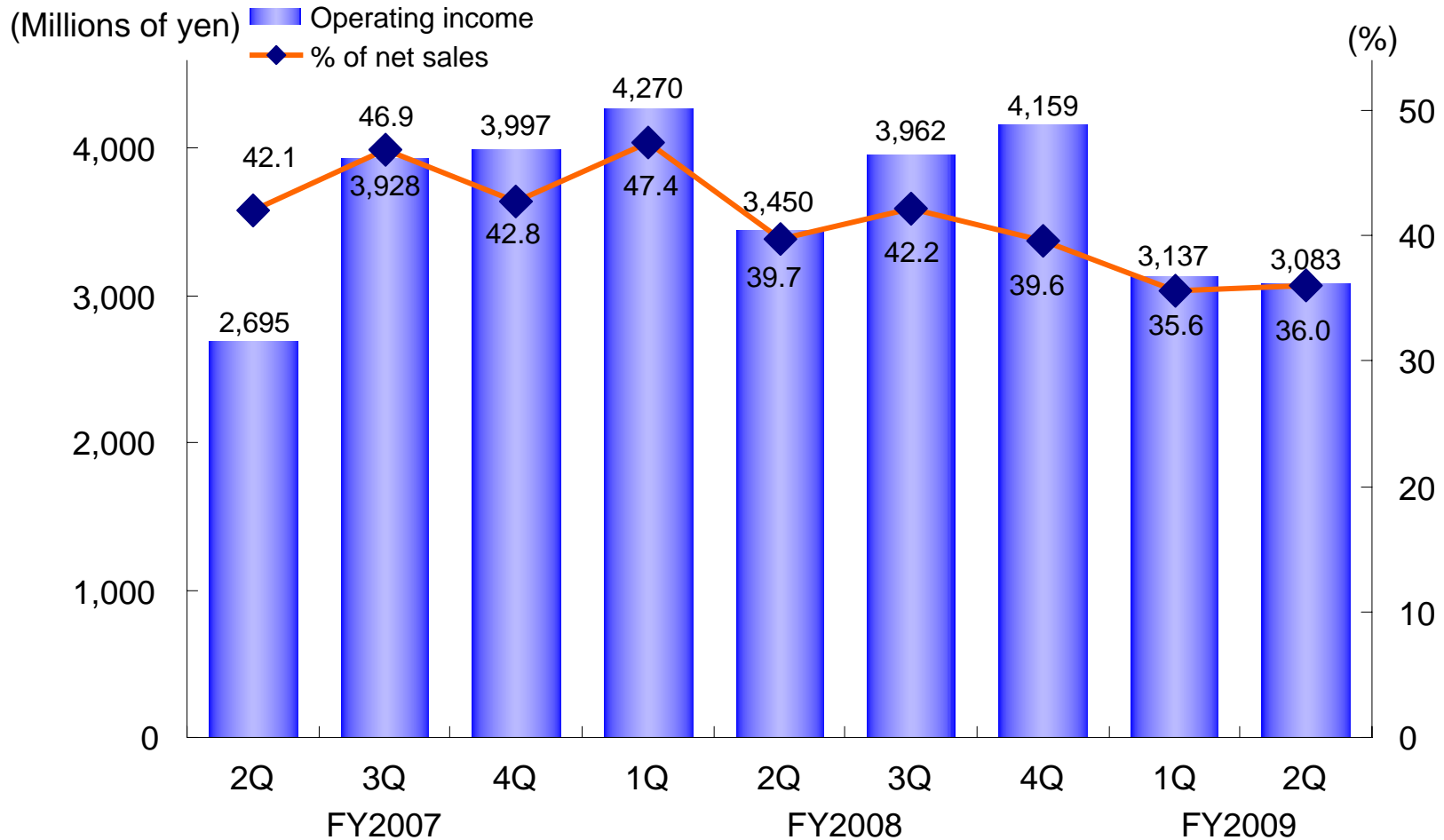
2. Segments were revised to those indicated as of FY2009. (Amounts have been retroactively adjusted to 1Q FY2008.)

# Breakdown of Expenses

(Millions of yen)

	Q2 FY2009	Q2 FY2008	Change	Q1 FY2009	Change	Contributing Factors
<b>Cost of sales</b>	<b>2,410</b>	<b>1,980</b>	<b>+22%</b>	<b>2,554</b>	<b>-6%</b>	
Labor costs	102	72	+41%	79	+29%	
Depreciation and amortization	319	279	+14%	314	+2%	
Advertising media costs	683	712	-4%	878	-22%	Decrease in Pocket Affiliate external media sales
Cost of goods sold	309	296	+4%	360	-14%	QoQ decrease in purchases of Mobakore products
Business consignment expenses	359	253	+42%	329	+9%	Increase in 3D avatar creation expenses
Commission fee	453	200	+126%	410	+10%	Increase in Paygent settlements, higher share of game revenues
Others	182	164	+11%	181	0%	
<b>Selling, general and administrative expenses</b>	<b>3,071</b>	<b>3,261</b>	<b>-6%</b>	<b>3,117</b>	<b>-1%</b>	
Employee salaries	1,276	1,102	+16%	1,294	-1%	637 employees, as of September 30 (down from 644 as of June 30)
Sales promotion and advertising expenses	764	1,068	-28%	736	+4%	No TV commercials during Q2 FY2009
Other	1,030	1,090	-6%	1,086	-5%	

# Operating Income



# Overview of Operations for 1H FY2009

(Millions of yen)

	1H FY2009	1H FY2008	Change	Forecast
<b>Net sales</b>	<b>17,375</b>	<b>17,702</b>	<b>-2%</b>	<b>19,000</b>
<b>Operating income</b>	<b>6,221</b>	<b>7,721</b>	<b>-19%</b>	<b>7,000</b>
<b>Ordinary income</b>	<b>6,380</b>	<b>7,845</b>	<b>-19%</b>	<b>7,100</b>
<b>Net income</b>	<b>3,500</b>	<b>4,303</b>	<b>-19%</b>	<b>3,900</b>

- Fell short of initial forecast as result of sluggish avatar-related sales (avatar sales and affiliate advertising)
- Decline in highly profitable avatar sales affected operating income

# Cash Flows

(Millions of yen)

	Q2 FY2009	Q2 FY2008	Change	Q1 FY2009	Change	Contributing Factors
Cash flows from operating activities	<b>3,333</b>	<b>3,746</b>	<b>-413</b>	<b>414</b>	<b>+2,918</b>	Corporate tax payments in Q1 FY2009
Cash flows from investing activities	<b>(1,306)</b>	<b>(638)</b>	<b>-668</b>	<b>(640)</b>	<b>-666</b>	Payments for acquisition of shares in subsidiary in Q2 FY2009
Cash flows from financing activities	<b>(62)</b>	<b>(68)</b>	<b>+5</b>	<b>(940)</b>	<b>+877</b>	Dividend payments in Q1 FY2009
Cash and cash equivalents at end of quarter	<b>24,232</b>	<b>22,633</b>	<b>+1,598</b>	<b>22,268</b>	<b>+1,963</b>	

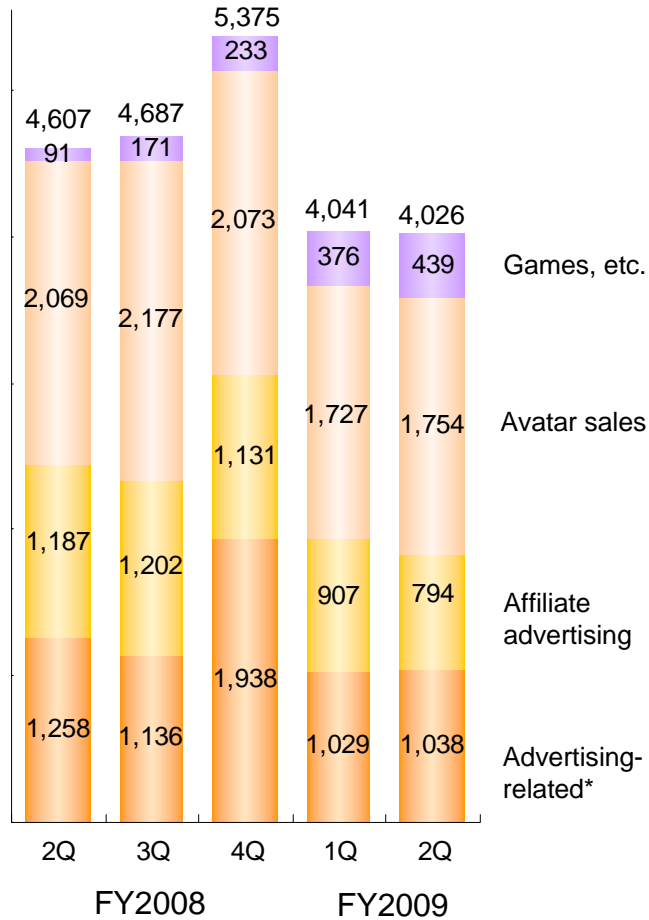
# Breakdown of Q2 Sales by Segment

	(Millions of yen)
<b>■ Portal Marketing</b>	<b>4,937</b>
- Moba-ge-town	4,026
- Pocket Affiliate	1,622
- Others	77
- Consolidation and eliminations	(789)
<b>■ Commerce</b>	<b>3,175</b>
- Mobaoku	981
- Mobakore	476
- Paygent	422
- bidders	1,282
- Others	130
- Consolidation and eliminations	(117)
<b>■ Others</b>	<b>452</b>
<b>■ Total</b>	<b>8,565</b>

# Moba-ge-town

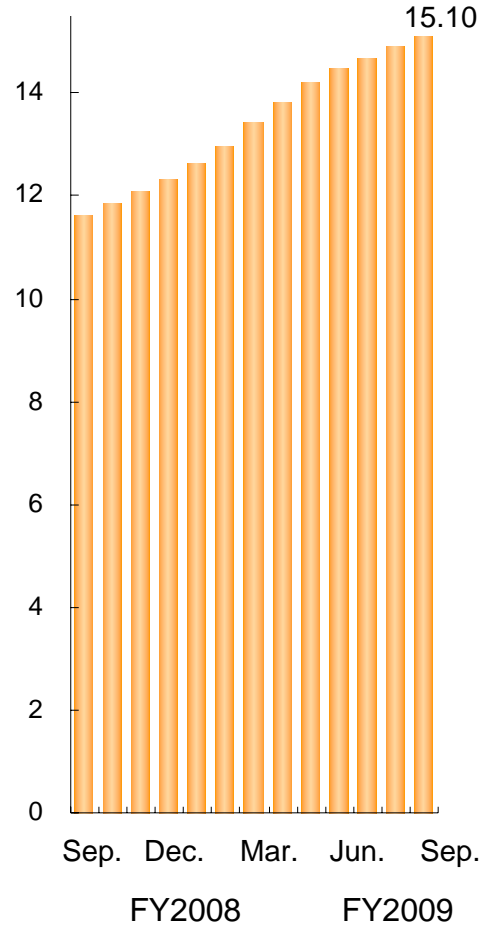
## Sales

(Millions of yen)



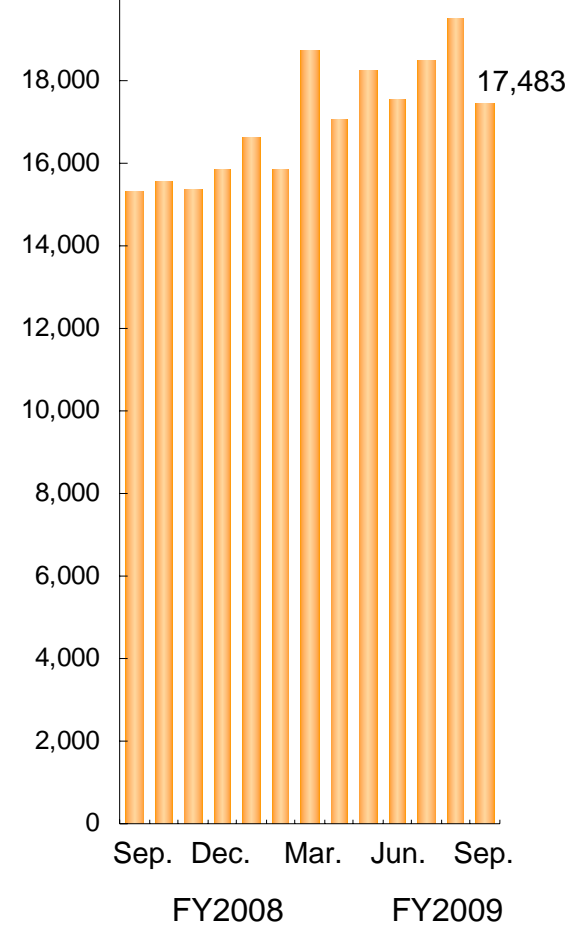
## Members

(Millions of members)



## Page Views per Month





(Millions of page views)



\* Advertising-related: banner ads, tie-up ads, ads matched to contents/search

# Social Games\* Created in-House

## Releases to date of social games created in-house

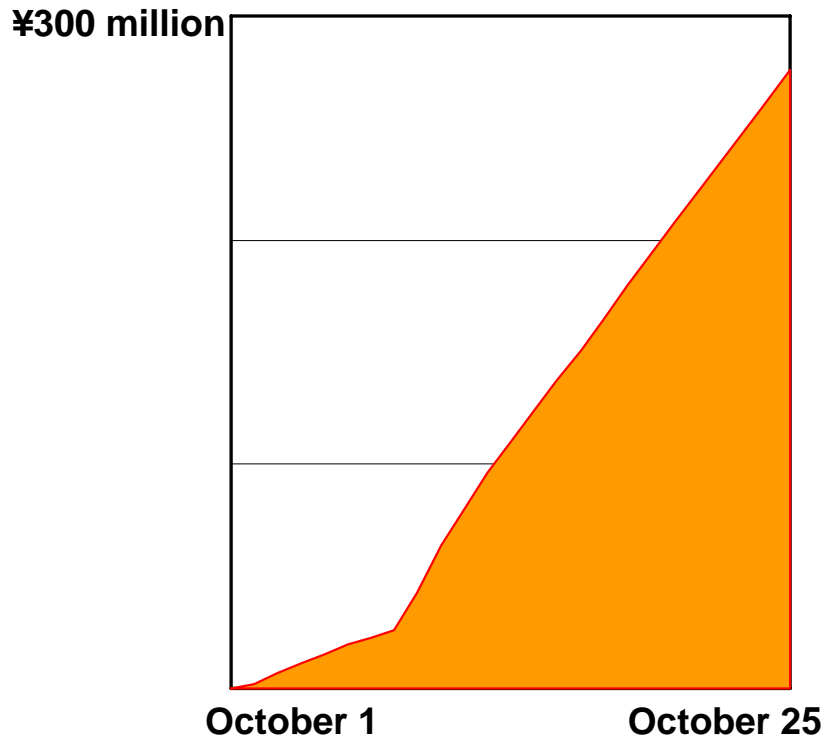
	Game Content	Release	Model
<b>Pirate Treasure</b> 	Players set out on a voyage, battling enemies while searching for treasure	Official release in early October	Item billing**
<b>Hoshi-tsuku</b> 	Players develop civilizations over time as they establish relations with other stars	Official release in mid-October	Item billing**
<b>Outlaw Royale</b> 	While conducting missions, players team up with friends to gather treasures from the world	Official release in early October	Item billing**
<b>Settlerin</b> 	The character changes as Moba-ge-town players move and interact with each other	Distribution increasing steadily from early September	Linked with 3D avatars

\* Social games are developed with the aim of creating connections between people. Users can enjoy playing with friends and acquaintances in the Moba-ge-town community.

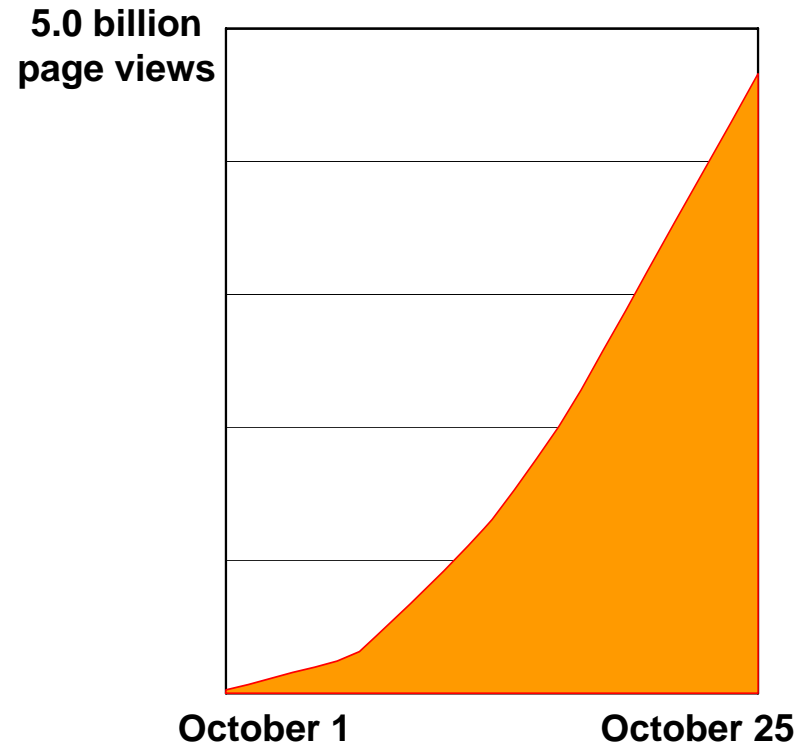
\*\* Structure in which use is free of charge, but players gain game advantages by purchasing items.

# Social Games Created in-House

**Cumulative Sales as of October 25 of Three Social Games Created in-House**



**Cumulative PVs as of October 25 of the Four Social Game Titles Created in-House**



Note: Of the four social game titles created in-house, three offer item billing.

# Driving Demand for 3D (Motion) Avatars

New features have been introduced to make Settlerin even more enjoyable with a 3D avatar

## Settlerin, the Little Pixie Who Lives by Your Side

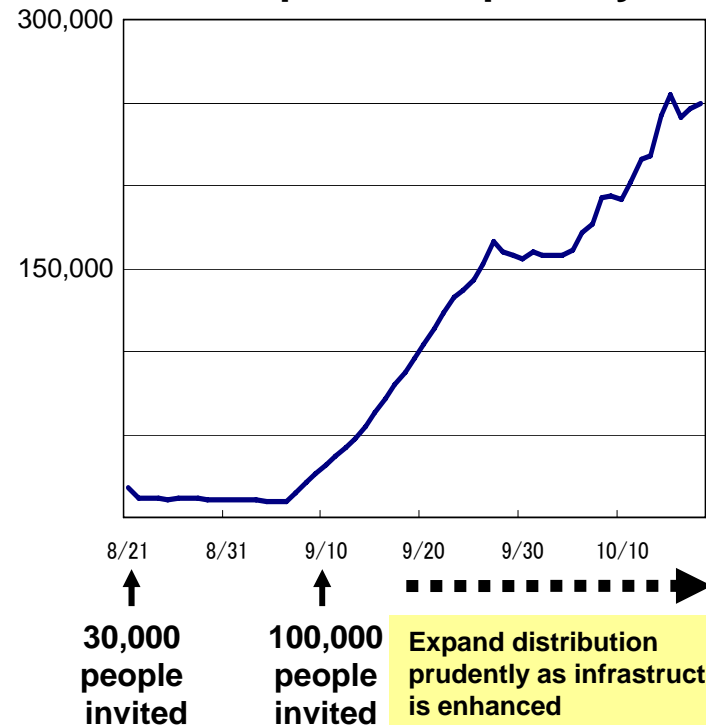


Individual  
Settlerin page



Communicating  
with other players

## Unique Users per Day



Continue to introduce social games linked with 3D avatars to increase the number of occasions for their use

# Moba-ge Open Platform

## ◆ Background for the open platform

The rapid global expansion of the social gaming market is certain to spread to the mobile sector. We aim to be the leading platform for mobile social gaming.

## ◆ Aims of the open platform

Make a wide variety of games available to Moba-ge-town users. At the same time, create a new pillar for revenue generation.

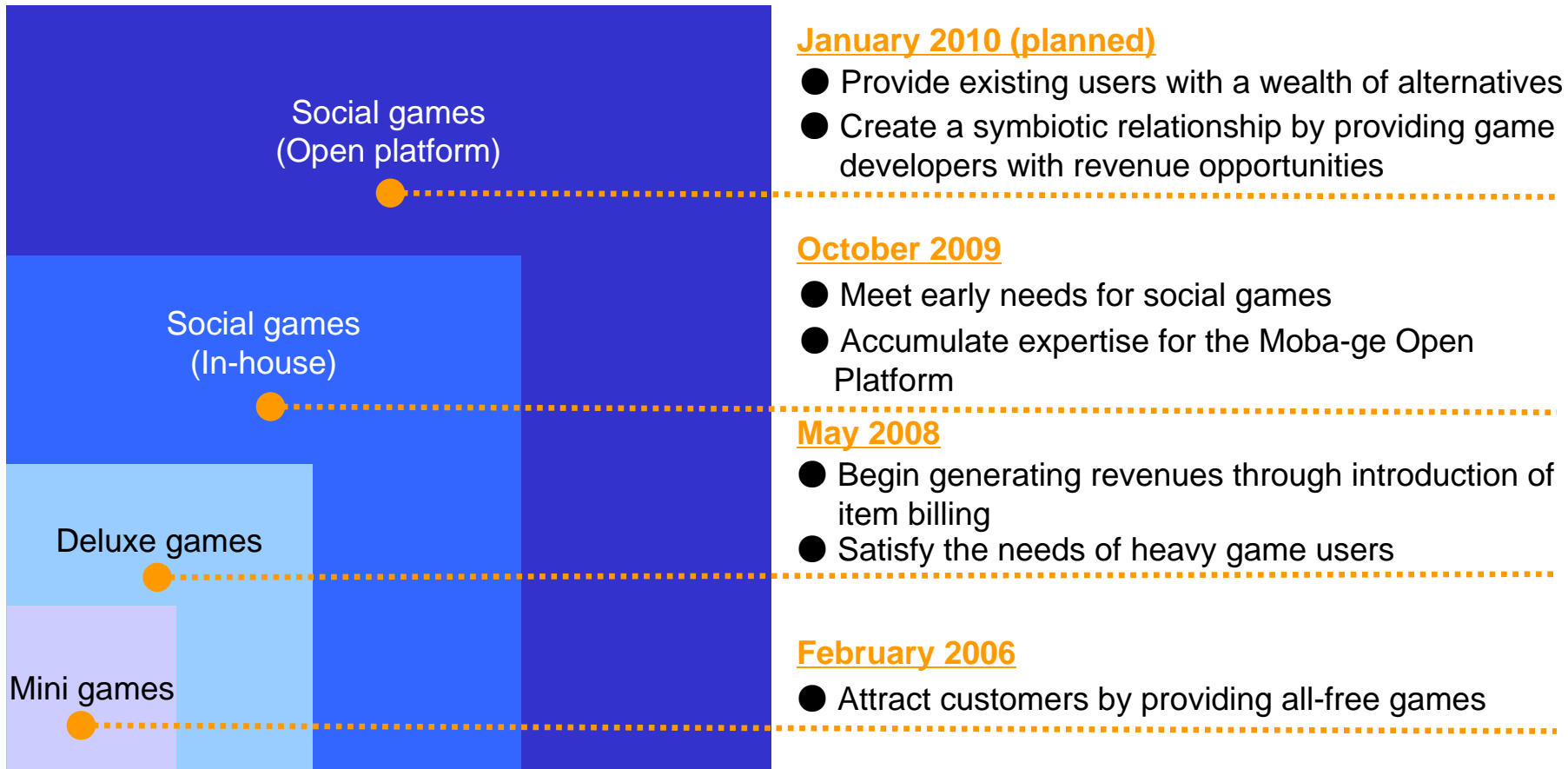
## ◆ Strengths and characteristics of the Moba-ge Open Platform

- Solid base of 15 million users, majority of whom are game fans.
- Provide abundant revenue opportunities with game developers, including item billing, advertising and avatar sales.
- Leverage expertise generated through in-house game development to provide effective and easy-to-use platform.

## ◆ Schedule

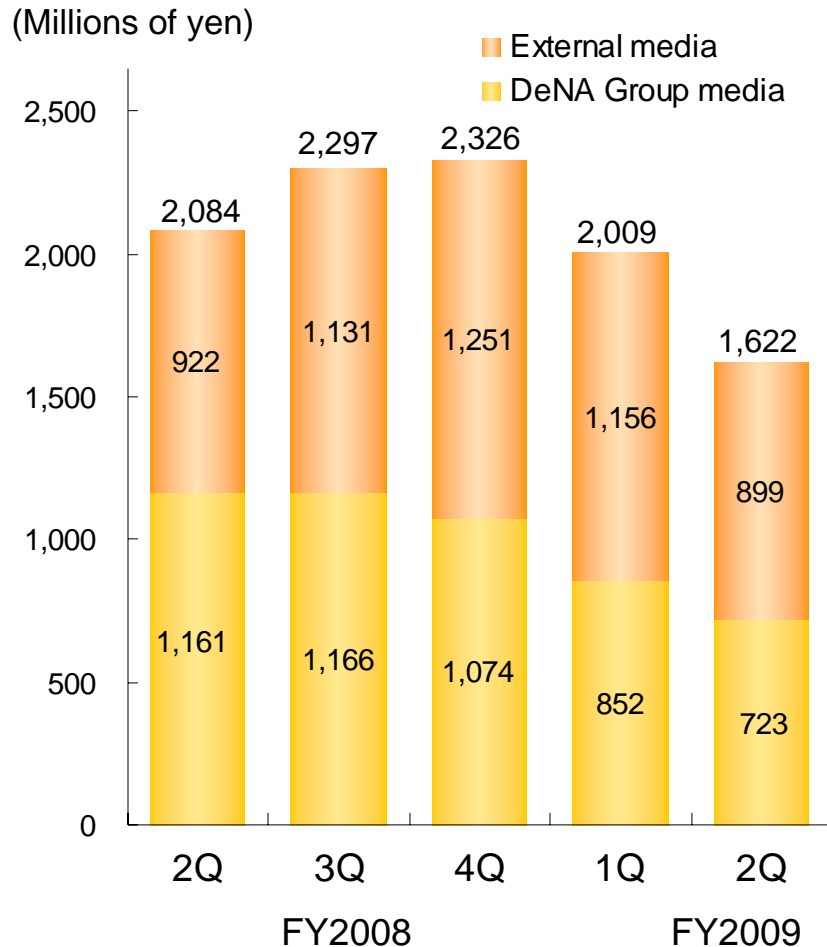
- |                  |  |
|------------------|--|
| Oct. 5           | Hold Moba-ge Open Platform Forum 2009<br>Commence partner registration                         |
| Early Nov.       | Open the Sandbox (development environment) to early development partners (around 30 companies) |
| Dec.             | Increase number of early development partners (to around 80 companies)                         |
| <b>Late Jan.</b> | <b><u>Start early development partners' game releases</u></b>                                  |
| Feb.             | Further increase number of early development partners (to around 200 companies)                |
| Mar.             | Completely open the Sandbox (development environment)  |

# Moba-ge-town Game Expansion



# Pocket Affiliate

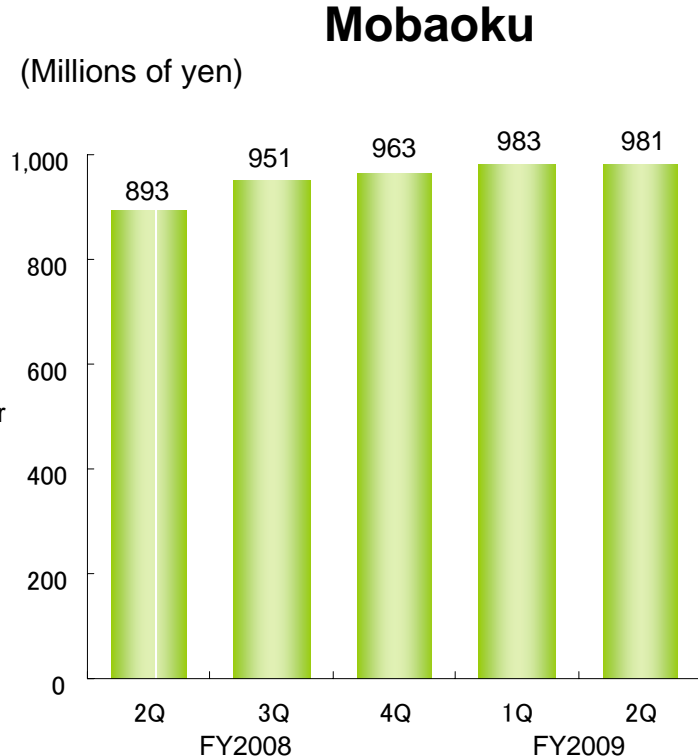
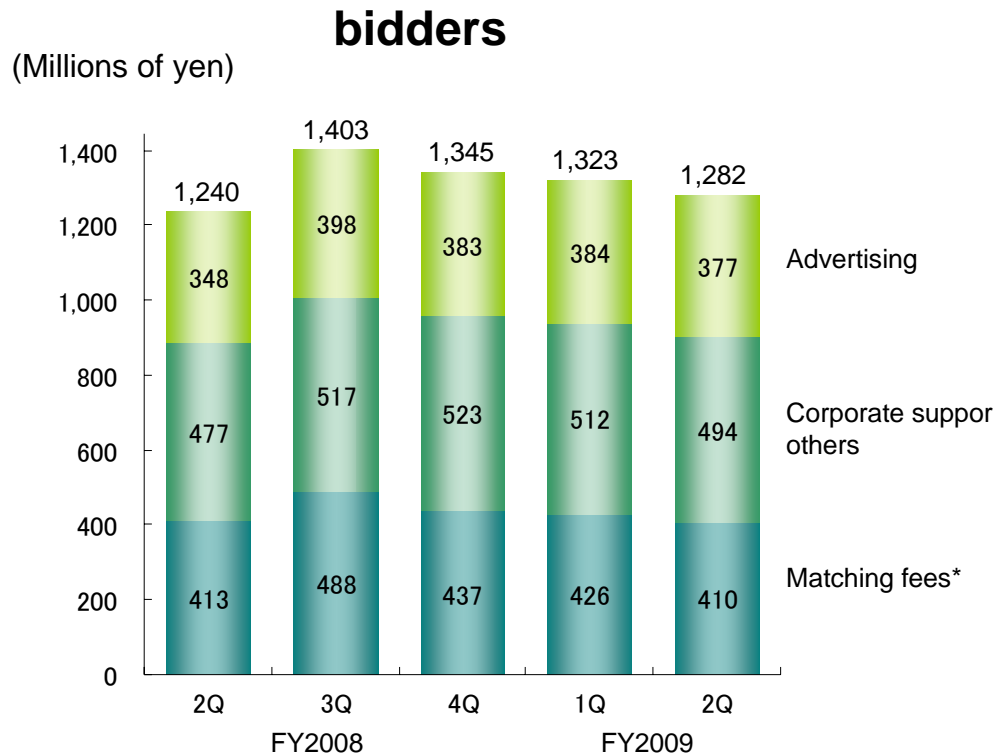
## Sales



## Q2 Highlights

- External media
  - Sales down due to such factors as enhanced measures to exclude improper media
- DeNA Group media
  - Sales down due to lower Moba-ge-town avatar demand

# E-Commerce Sales (1)



- Key quarterly indexes
  - Gross merchandise sales: ¥9,228 million(+2% YoY)
  - Stores: 4,964 (as of September 30)
- Gross merchandise sales growth sluggish owing to seasonal factors and lower unit purchase prices

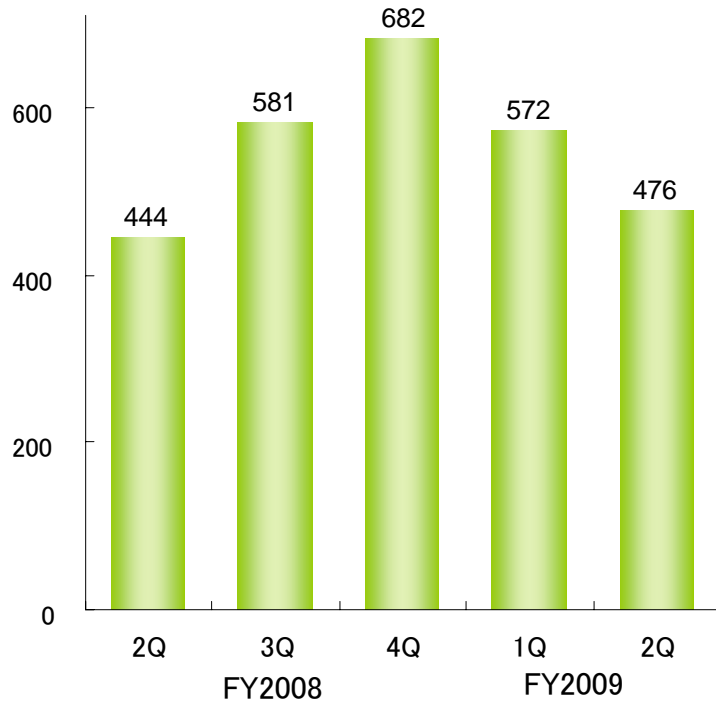
\* Matching fees (shopping mall plan)  
 Percentage of purchase/hammer price:  
 2.5%–4% for PC bids, 5%–6% for mobile phone bids

- Key quarterly indexes
  - Paid registered users: 1.22 million (as of September 30)
  - Gross merchandise sales: ¥17,775 million
  - Auction items: 3.75 million (September average)
- Member numbers flat, owing to seasonal factors

# E-Commerce Sales (2)

## Mobakore

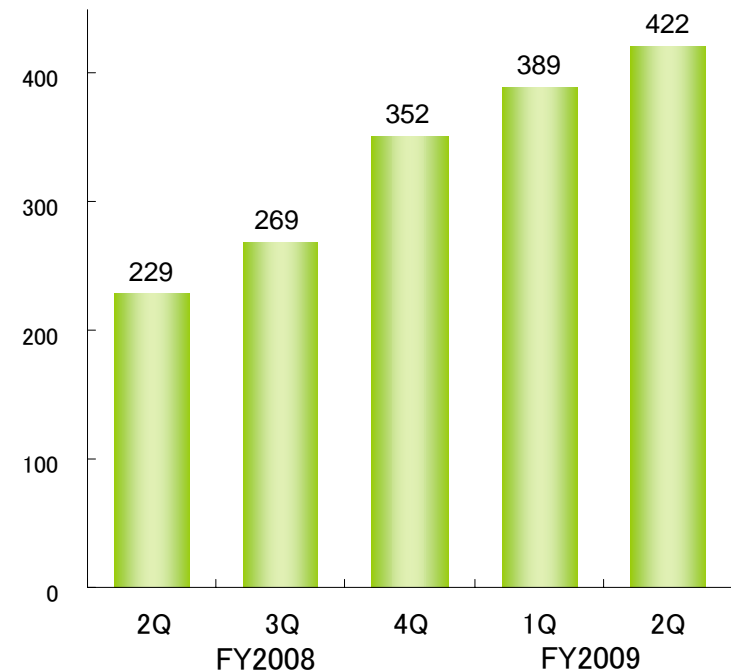
(Millions of yen)



- Sales down due to seasonal fluctuations and decrease in unit purchase prices
- Ongoing cost-cutting efforts, including inventory relocations

## Paygent

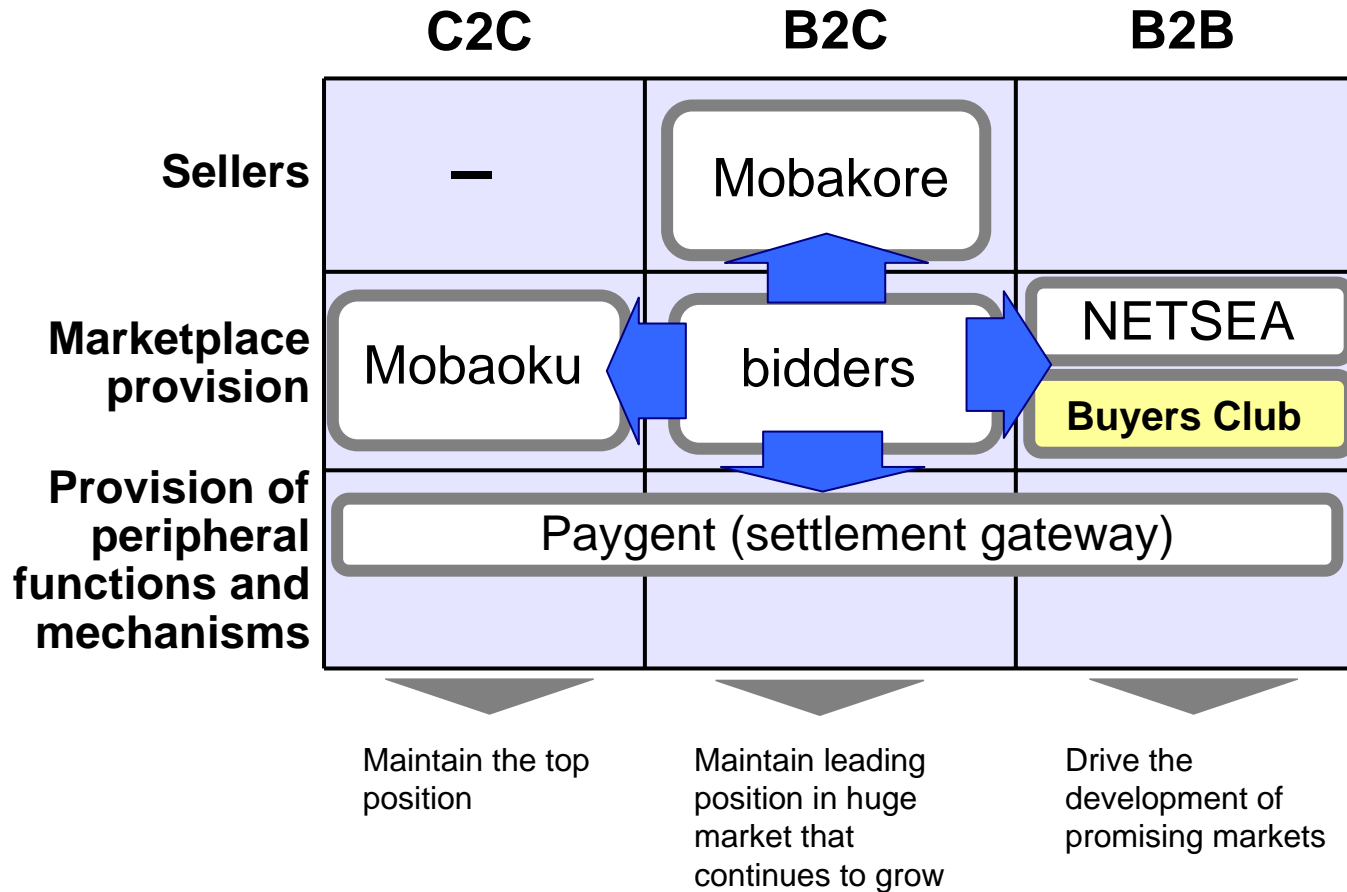
(Millions of yen)



- Steady expansion in settlement volume via Mobapay\* and at general-member shops (such as e-commerce shops)

\* Mobapay: A settlement escrow service for Mobaoku

# E-Commerce Business Expansion



Through operational tie-up with World Co., Ltd., open B2B marketplace specializing in apparel (Scheduled to commence operations in January 2010)

# International Expansion

## Aurora Feint, Inc.

Established: August 2008  
CEO: Jason Citron

- Provides OpenFeint, a software development kit (SDK) service that lets iPhone game developers offer community functionality
- OpenFeint has 2,500 registered developers, more than 200 games live in the app store and approx. 3 million registered users

- Currently have a 20% investment, which we may increase if warranted
- Leverage for global development of social gaming platform for iPhone and other smart phones

## IceBreaker, Inc.

Established: April 2006  
CEO: Michael Robinson

- Operates a mobile community, mainly targeting the U.S. market
- Has a development structure in China

- To be converted to subsidiary
- Leverage for development of mobile SNS business in the English-speaking community (planned reorganization to include MobaMingle)
- Also conducting trial on WAP (mobile phone) to iPhone extension

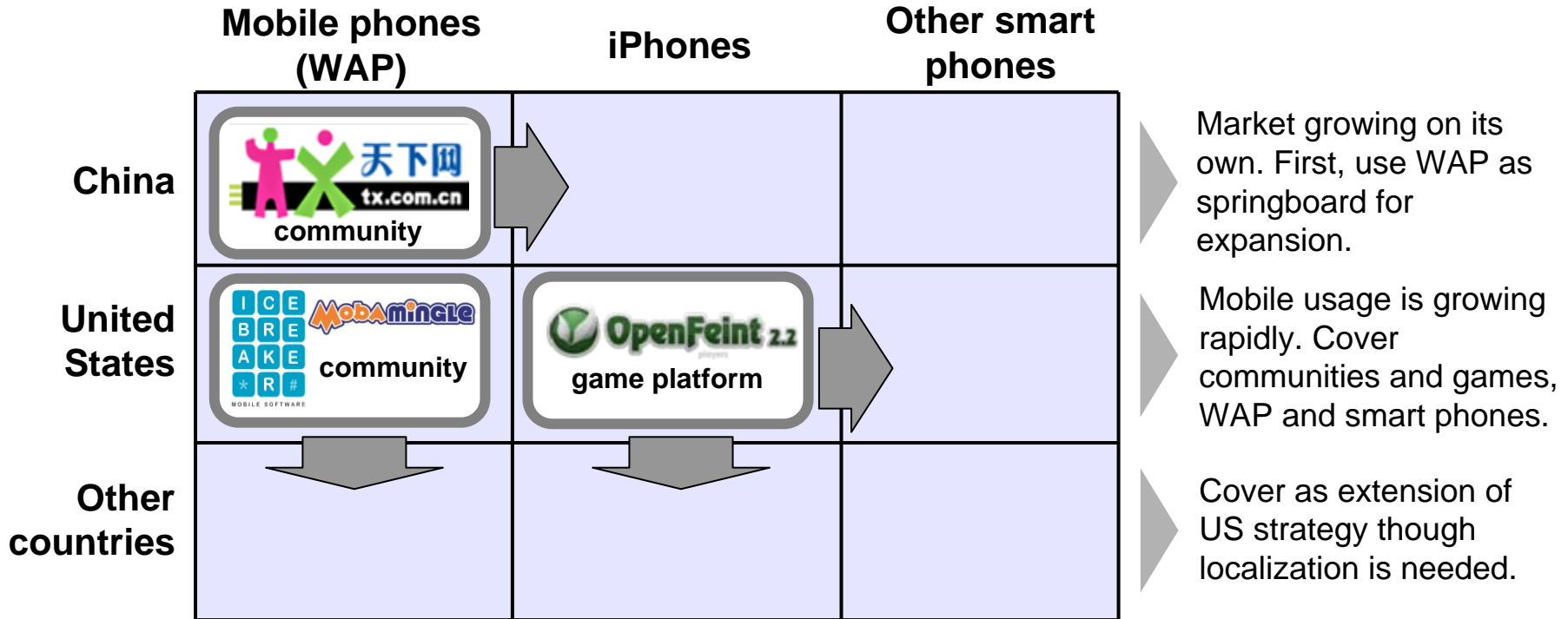
## WAPTX LTD.

Established: January 2006  
CEO: Wang Yong

- Operates a mobile community site targeting the Chinese market

- Converted to subsidiary in August 2009
- Key to mobile SNS business in China
- Apply avatar and other Moba-ge-town expertise

# International Business Development



- Remain mainstream in China
- Given the concentration of attention onto iPhone in the US enjoy benefits of remaining player in less crowded WAP
- Target entire world market from base in Silicon Valley
- Extension of iPhone strategy

# Key Topics for Future Business Expansion (Summary)

## 1. Social games

- Introduce and expand social games developed in-house
- Continue working on open platform for Moba-ge-town
- Utilize 3D (motion) avatars in games

## 2. International expansion

- Capital tie-up with Aurora Feint of the United States
  - Provide community engine on the iPhone platform to game developers
- Convert IceBreaker of the United States to a subsidiary
  - Strengthen community business on the WAP platform
- In China, move forward with WAPTX service expansion strategy

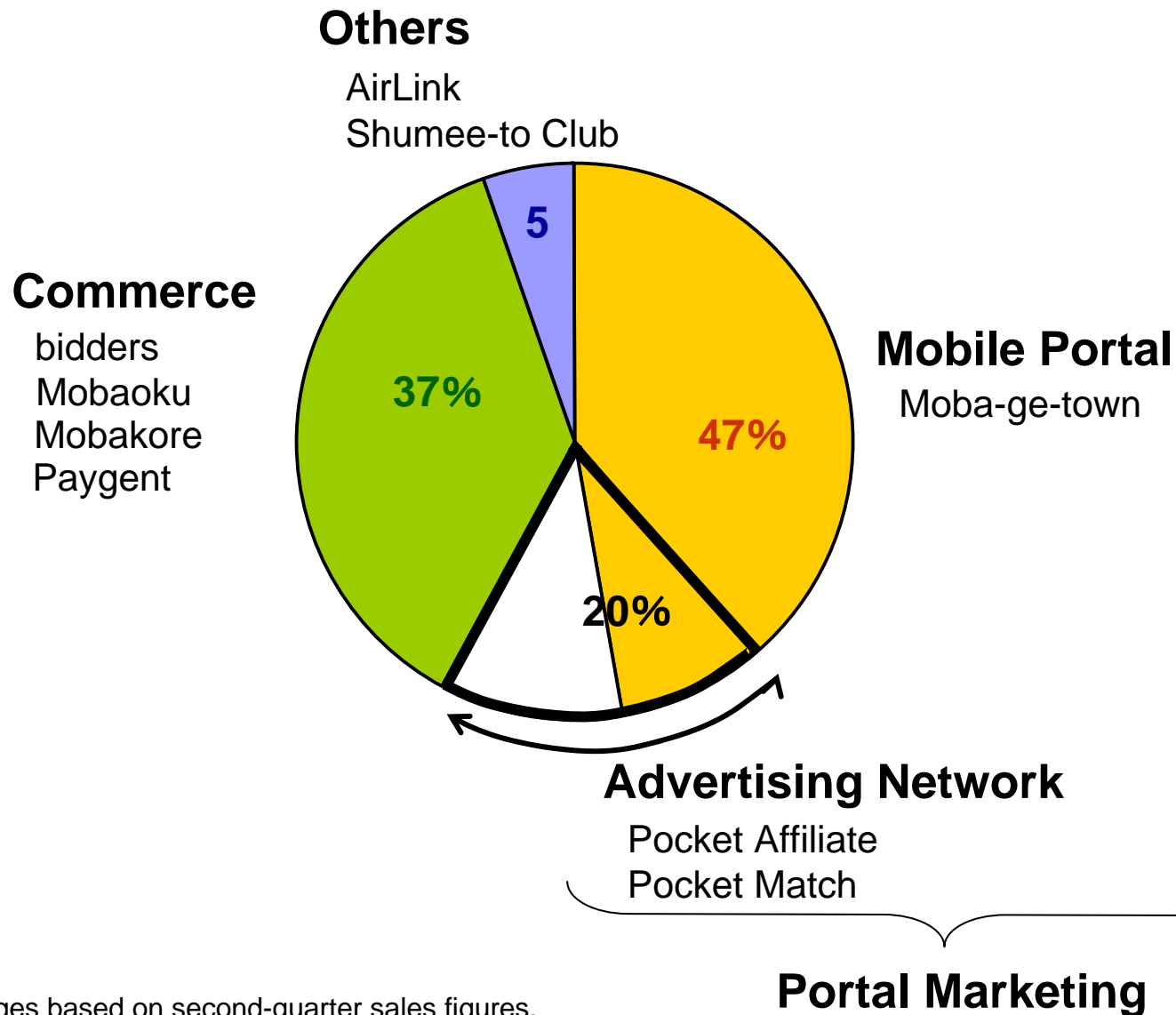
## 3. E-commerce

- Through operational tie-up with World, launch B2B marketplace specializing in apparel

## 4. Advertising

- Create high-value-added advertising market
- Enhance soundness of network

# Business Breakdown



Notes: Percentages based on second-quarter sales figures.

Mobile portal and advertising network business figures overlap to some degree.

**Portal Marketing**

# Consolidated Performance Forecast for FY2009

(Millions of yen)

	Q2 FY2009 Cumulative	Full Year	Progress
<b>Net sales</b>	<b>17,375</b>	<b>43,000</b>	<b>40%</b>
<b>Operating income</b>	<b>6,221</b>	<b>16,000</b>	<b>39%</b>
<b>Ordinary income</b>	<b>6,380</b>	<b>16,200</b>	<b>39%</b>
<b>Net income</b>	<b>3,500</b>	<b>8,500</b>	<b>41%</b>

- We maintain our previous forecasts, as our new business (social gaming) launch status and other factors render a revision difficult at present. We will continue to monitor the situation and revise forecasts if necessary.

The forecasts in these presentation materials represent management's assumptions and beliefs based on the information currently available. Readers are cautioned that these forecasts are subject to a number of risks and uncertainties and may differ materially from actual results.



DeNA Co., Ltd.