

## Q1 FY2010 Results Briefing Q&A Summary

DeNA held a meeting on July 30, 2010, to brief participants on the Company's performance during the first quarter ended June 30, 2010. The following is a summary of major questions that were raised, along with their responses.

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- Q1      Your second quarter forecast calls for sales that are ¥2.0 billion higher than in the first quarter, but income is flat. Would it be accurate to assume that you expect most of that ¥2.0 billion to come from social media, and fall in the "game-related" category?
- A1      Yes, we expect game-related sales to account for the majority of these sales. Avatar-related sales are also expected to contribute to some degree.
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- Q2      First quarter sales promotion and advertising expenses came to more than ¥4.0 billion. As you are planning aggressive second-quarter spending on television commercials, would it be accurate to assume these expenses will be ¥1.0 billion to ¥1.5 billion higher in the second quarter?
- A2      We do not disclose sales promotion and advertising expenses by media type, but yes, we do expect second-quarter spending to be approximately ¥1.3 billion higher than in the first quarter. Several hundred million of this will go toward overseas and new investments.
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- Q3      I see that sales are growing for all in-house social game titles. What would you consider an ideal breakdown in terms of percentage of revenues from open-platform games provided by developers and in-house social games?
- A3      We do not think in terms of ideal ratios of open-platform games versus in-house games. Having in-house social games allows us to expand our platform. Our most important criterion is to offer games that users enjoy, and we continue expanding the platform to make these more interesting. We are pleased to see that the open-platform games provided by game developers are high in the popularity rankings.
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- Q4      How is your progress on smart phone compatibility for Moba-ge-town; Yahoo! Moba-ge, which is scheduled to commence service in October; and your international developments?
- A4      We are making smooth progress toward the October service launch on Yahoo! Moba-ge. We are receiving many more applications than we had expected from game developers wanting to participate, so a large number of games should be available. We are moving forward with preparations to offer Moba-ge-town for the iPhone and other smart phones by the end of the year. In overseas developments, we are launching our own platform, MiniNation, and enhancing services. We are encouraging the introduction of games by third-party developers, and in-house games are at the development stage. We expect activity to accelerate from here.
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Q5 I understand that *Bandit Nation* (the English-language PC version of *Kaito Royale*) will be discontinued on Facebook. In the future, will your overseas developments focus on developing your own platform rather than providing games created in-house on other companies' platforms?

A5 When deciding how to allocate management resources, we prioritized the launch of an overseas smart phone platform and developing social games for this platform. As part of this prioritization, we have decided to suspend the provision of in-house games on Facebook.

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Q6 At the moment, overseas the Company has no major communities such as Moba-ge-town. Also, my understanding is that consumer spending behavior differs overseas because mobile phone operators there do not have the billing infrastructure to offer carrier billing the way operators do in Japan. Please share your thoughts on how DeNA will be able to translate its strengths in Japan to overseas markets.

A6 When developing business in overseas markets, I believe it is essential to be humble enough to recognize the differences from Japan in terms of markets, national character and culture. That said, so far we have found more market similarities than we had expected in the services we have provided overseas so far. With MiniNation, we plan to develop services that draw on community-based strengths. This should sharply differentiate our services from those offered by other platform operators. Also, we believe that we can attract users by leveraging the billing expertise we have accumulated in Japan. By commencing services on MiniNation, we are entering a phase in which we can accumulate information on user response directly, which is very meaningful.

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Q7 Looking at the level of activity on Moba-ge-town, the number of unique users rose steadily from April to June, and the message I received was that there was no need to follow page view trends. Would it be accurate to say that sales rise in proportion to the number of unique users?

A7 We have not analyzed this closely, but there does appear to be a correlation between increases in unique users and sales. But there is not a fixed relationship in the sense that a given increase in unique users generates a specific volume of sales, because revenue also depends on yield per user.

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Q8	In your social media business, advertising sales were down compared with the third quarter of fiscal 2009. Why was this?
A8	While we recognize that advertising is an extremely important business for us, we have been putting priority on strengthening social games. Because we have focused our management resources more heavily in this area, advertising is not expanding as fast as it should be. However, we are not neglecting advertising, and we expect to see gradual increases in this area from the second quarter onward. The reason ad revenues were lower compared with Q3 of FY2009 has to do with sales of other companies' media via Pocket Affiliate (affiliate advertising). This is partly a reflection of a decreased emphasis in our sales activities, related to our allocation of resources that I mentioned earlier. Also, we are continuing in our efforts to block inappropriate media. However, as you suggest, advertising is not increasing in proportion to the media strength of Moba-ge-town. We have room to improve in this area.

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Q9	For avatar-related sales, I believe there is a certain expectation that increasing the number of opportunities to use avatars within games will lead to higher revenues. What are your expectations for avatar-related sales from the second quarter onward?
A9	We will continue strengthening the link between avatars and games. At the moment, we are making steady progress in this area.

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Q10	You mention that you are planning to launch a Moba-ge-town platform for smart phones by the end of the year. What sort of services do you expect to offer?
A10	I cannot comment on detailed service offerings at this stage.

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Q11	Moba-ge-town page views were flat in June. Can you explain why?
A11	There was a sharp increase in page views at the end of last fiscal year, and the absolute figures are large. That increase in page views corresponded to the period when we launched new games. Also, the number of page views was influenced by certain game characteristics. There is no change in our uptrend in terms of overall platform robustness.

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Q12	Please explain changes in the breakdown of social game revenues from Q4 of FY2009 to Q1 of FY2010.
A12	We are seeing a sharp rise in open-platform game revenues, which is giving us a better sales composition. Overall sales of games created in-house are healthy. Sales of <i>Kaito Royale</i> are also rising steadily, and we appear to have reached a new record high in July.

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Q13 The iPad is now on sale, and other high-capacity mobile devices are scheduled to arrive in the market at year-end. How are you developing your business to match these changes in mobile devices and the communication infrastructure?

A13 Our cross-device offerings go beyond traditional mobile phones. The concept behind these offerings is that they can be used on many different types of devices. For this reason, we welcome progress in the communications infrastructure and mobile devices because it means that we can develop even more enjoyable games. This progress should help us fulfill our mission to drive the popularity of social games and invigorate this market.

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Q14 Taking into consideration the rise in sales promotion and advertising expenses in the first quarter, will circumstances allow you to reduce these expenditures in the future?

A14 When we decide to cut promotions via television, magazines and websites, these costs will go down immediately.

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Q15 What are your future capital strategies? In the United States, there is a tendency for major companies to back platform operators. Are you considering any tie-ups that will allow you to compete in terms of strength of capital?

A15 Compared with well-known world platforms, we are not particularly strapped for cash, and we are developing our operations so that more accumulates each quarter. First, we must strategically use the cash we have on hand.

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Q16 How much did you spend on new business and overseas investment during the first quarter?

A16 Approximately ¥600 million.

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Q17 Looking at game-related sales during the first quarter, which contributed more to sales: ARPU (average revenue per user) or the number of users billed?

A17 The largest contribution came from an increase in user billed numbers.

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