Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [IFRS]

May 10, 2023

Company name: DeNA Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 2432
URL: https://dena.com/intl/
Representative: Shingo Okamura, President & CEO
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Scheduled date of Ordinary General Meeting of Shareholders: June 25, 2023
Scheduled date of commencing dividend payments: June 26, 2023
Scheduled date of filing securities report: June 26, 2023
Availability of supplementary briefing material on financial results: Yes
Schedule of financial results briefing session: Yes (for institutional investors, analysts and the press)

(Amounts are rounded to the nearest million yen.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results (% changes from the previous corresponding period)

	Revenue		Operating profit		Profit before tax		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	134,914	3.1	4,202	(63.3)	13,595	(53.8)	8,661	(71.7)
Fiscal year ended March 31, 2022	130,868	(4.5)	11,462	(49.0)	29,419	(5.9)	30,651	16.3

	Profit for the period attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal year ended March 31, 2023	8,857	(71.0)	(754)	—	76.78	76.70
Fiscal year ended March 31, 2022	30,532	19.1	29,055	(43.6)	256.45	256.20

	Ratio of profit to equity attributable to owners of the parent	Profit before tax to total assets	Operating profit to revenue
	%	%	%
Fiscal year ended March 31, 2023	3.8	3.9	3.1
Fiscal year ended March 31, 2022	13.2	8.8	8.8

(For reference) Equity in earnings (losses) of affiliates:
Fiscal year ended March 31, 2023: ¥1,770 million
Fiscal year ended March 31, 2022: ¥14,226 million

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	348,942	233,993	221,626	63.5	1,983.78
As of March 31, 2022	340,570	244,907	240,626	70.7	2,024.39

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	10,808	12,451	(4,930)	97,732
Fiscal year ended March 31, 2022	18,375	(19,924)	(18,549)	78,296

2. Dividends

	Dividends per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends on equity attributable to owners of the parent (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	—	0.00	—	39.00	39.00	4,623	15.2	2.0
Fiscal year ended March 31, 2023	—	0.00	—	20.00	20.00	2,227	26.0	1.0
Fiscal year ending March 31, 2024 (Forecast)	—	—	—	—	—		—	

(Notes) 1. The total dividends paid do not include dividends for stocks provided for the Stock Grant ESOP (Employee Stock Ownership Plan) Trust account.
2. The dividend forecast for the fiscal year ending March 31, 2024 has not been determined at this time.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

The consolidated financial results forecast for the fiscal year ending March 31, 2024 cannot be provided due to the difficulty of reasonably and accurately estimating the figures. However, the Company aims to achieve a year-on-year increase in revenue and operating profit with the exception of one-off gains and losses. For the major factors related to performance that are expected to impact the trends of each business, please refer to “1. Overview of Operating Results and Financial Position (1) Overview of Operating Results for Fiscal 2022 (Outlook for Fiscal 2023)” of the Appendix.

*** Notes**

(1) Changes in Significant Subsidiaries during the Period under Review (changes in specified subsidiaries accompanying changes in scope of consolidation): Yes
Added: 2 (DATA HORIZON CO., LTD.) Excluded: None
(Delight Ventures Builder II Investment Limited Partnership)

(2) Changes in Accounting Policies and Changes in Accounting Estimates
1) Changes in accounting policies required by IFRS: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)
1) Total number of shares issued at the end of the period (including treasury stock):

As of March 31, 2023	122,145,545 shares
As of March 31, 2022	130,210,945 shares

2) Total number of shares of treasury stock at the end of the period:

As of March 31, 2023	10,805,997 shares
As of March 31, 2022	11,674,919 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2023	115,364,837 shares
Fiscal year ended March 31, 2022	119,054,854 shares

(Note) The 178,871 shares of the Company's stock owned by the Stock Grant ESOP Trust account are included in the "Total number of shares of treasury stock at the end of the period" as of March 31, 2023, and the 191,158 shares of the Company's stock owned by the same trust account are included in the "Total number of shares of treasury stock at the end of the period" as of March 31, 2022.

(For Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	88,530	(4.8)	3,529	(30.6)	7,509	(26.1)	33,988	156.5
Fiscal year ended March 31, 2022	93,005	2.0	5,083	21.6	10,161	23.1	13,253	127.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2023	294.61	294.34
Fiscal year ended March 31, 2022	111.32	111.21

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	231,794	158,113	67.9	1,413.33
As of March 31, 2022	239,021	177,857	74.1	1,494.84

(For reference) Equity: As of March 31, 2023: ¥157,360 million
As of March 31, 2022: ¥177,193 million

* This report of consolidated financial results is outside the scope of audit by a certified public accountant or accounting auditor.

* Explanation of the Proper Use of Financial Results Forecast and Other Notes

(1) Consolidated Financial Results Forecast

The forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as of the date of publication of this document. They are not intended as the Company's commitment to achieve such forecasts, and actual results may differ significantly from these forecasts due to a wide range of factors.

(2) Method of Obtaining Supplementary Briefing Material on Financial Results

The Company is planning to hold a briefing session for institutional investors, analysts and the press on May 10, 2023. The briefing materials for this session are scheduled to be posted on the Company's website after the timely disclosure of the Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 on the same date. In addition, videos and primary Q&A of the briefing session are scheduled to be posted on the Company's website at a later date shortly thereafter.

Appendix

1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for Fiscal 2022

The Group has made efforts to enhance corporate value over the mid to long term by working to form an earnings base on the two approaches of working to entertain and to serve and by evolving into a new kind of tech company, including encouraging synergy between the two approaches. The Group has also been working to establish an even stronger business portfolio.

During the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023), revenue was ¥134,914 million, up 3.1% year-on-year. While revenue decreased year-on-year in the Game Business, the Live Streaming Business grew and the Sports Business recovered. The Healthcare & Medical Business also contributed to revenue as DATA HORIZON CO., LTD. and Allm Inc. became consolidated subsidiaries.

Cost of sales was ¥70,825 million, up 9.1% year-on-year. In addition to an increase in commission fees, which fluctuate in line with the performance of the Live Streaming Business and the Game Business, etc., personnel expenses increased due to the release of new game titles since the six months ended September 30, 2021 and new consolidation in the Healthcare & Medical Business during the fiscal year ended March 31, 2023.

Selling, general and administrative expenses were ¥59,957 million, up 4.8% year-on-year. There was an increase in personnel expenses due to new consolidation in the Healthcare & Medical Business, and sales promotion expenses and advertising expenses increased primarily for the Live Streaming Business, while commission fees declined, reflecting the performance of the Game Business.

Other income, net was ¥70 million, down 97.4% year-on-year. In the previous fiscal year, other income included a gain on step acquisitions due to the acquisition of all the shares of IRIAM Inc., as well as compensation for loss mainly due to the suspension of operations of the Yokohama DeNA BayStars Baseball Club, Inc.

Share of profit of associates accounted for using the equity method was ¥1,770 million, down 87.6% year-on-year. The main factors of the year-on-year fluctuation included the performance trends of Cygames, Inc., a major associate accounted for using the equity method, as well as the recording of a one-time gain from the capital increase of GO Inc. through a third-party allotment in the same period of the previous fiscal year.

As a result, revenue of the DeNA Group was ¥134,914 million, up 3.1% year-on-year, operating profit was ¥4,202 million, down 63.3% year-on-year, profit before tax was ¥13,595 million, down 53.8% year-on-year, and profit for the period attributable to owners of the parent was ¥8,857 million, down 71.0% year-on-year.

Business performance by segment is as follows.
Further, from the six months ended September 30, 2022, the segment previously reported as the “Healthcare Business” has been changed to the “Healthcare & Medical Business.”

1) Game Business
Revenue of the Game Business was ¥64,006 million, down 14.3% year-on-year, and segment profit was ¥9,582 million, down 17.4% year-on-year.

During the fiscal year ended March 31, 2023, both revenue and profit decreased as operations were centered on existing titles and virtual currency consumption decreased year-on-year. Although some new titles scheduled for release in the fiscal year ended March 31, 2023 have been delayed, results were underpinned by titles with long-term contributions and the optimization of fixed costs, etc. The Company is making continuous effort to make the cost structure more robust and optimize fixed costs to strengthen the earnings base, in addition to the creation and release of new titles.

2) Live Streaming Business
Revenue of the Live Streaming Business was ¥40,106 million, up 15.7% year-on-year, and segment loss was ¥572 million, compared with segment profit of ¥3,484 million for the previous fiscal year.

During the fiscal year ended March 31, 2023, Pococha continued to perform solidly in Japan. In the Live Streaming Business, the Company made growth investments while exerting appropriate control in services including the global Pococha service and the anime character live streaming service IRIAM.

3) Sports Business
   Revenue of the Sports Business was ¥20,958 million, up 42.5% year-on-year, and segment loss was ¥23 million, compared to segment loss of ¥2,575 million for the previous fiscal year.
   The performance of the Sports Business recovered significantly compared to the previous fiscal year, during which the number of spectators, etc. had to be restricted due to COVID-19.

4) Healthcare & Medical Business
   Revenue of the Healthcare & Medical Business was ¥6,985 million, up 132.8% year-on-year, and segment loss was ¥2,202 million, compared with segment loss of ¥624 million for the previous fiscal year.
   In order to actively take advantage of medium to long-term growth opportunities, the Company has promoted M&A and other activities aimed at new growth and challenges. In the Healthcare & Medical Business, significant progress was made toward strengthening the business portfolio during the fiscal year ended March 31, 2023. DATA HORIZON CO., LTD. and Allm Inc. became consolidated subsidiaries of the Company on August 3, 2022 and on October 3, 2022, respectively. From those points onward, the results of each company are included in the results of the Business.

5) New Businesses and Others
   Revenue of the New Businesses and Others was ¥2,928 million, down 24.0% year-on-year, and segment loss was ¥882 million, compared with segment loss of ¥326 million for the previous fiscal year.
   This section comprises various initiatives that aim to reinforce the Group’s business portfolio over the mid to long term as well as services of the E-commerce Business.

(Outlook for Fiscal 2023)
The consolidated financial results forecast for the fiscal year ending March 31, 2024 cannot be provided due to the difficulty of reasonably and accurately estimating the figures. However, the Company aims to achieve a year-on-year increase in revenue and operating profit with the exception of one-off gains and losses. The Company’s views on the individual businesses are as indicated below.

1) Game Business
   For the fiscal year ending March 31, 2024, the Company plans to release about three new titles throughout the period.

2) Live Streaming Business
   For the fiscal year ending March 31, 2024, the Company will continue to place major importance on revenue growth and positioning in each region where services are offered, with the aim of securing segment profit for the full year.

3) Sports Business
   If conditions continue throughout the fiscal year in which games can be held without restrictions on the number of spectators, etc. due to COVID-19 for each sport, both segment revenue and segment profit or loss are expected to improve compared to the previous fiscal year.

4) Healthcare & Medical Business
   In this segment, the Company significantly strengthened its business portfolio during the fiscal year ended March 31, 2023. For the fiscal year ending March 31, 2024, the Company will focus on further growth of the strengthened business portfolio and improvement of profitability, aiming to increase revenue in both the healthcare and medical areas compared to the previous fiscal year and to turn profitable.

More information regarding the fiscal year ending March 31, 2024 is described in “3. Consolidated Financial Statements and Principal Notes (7) Notes to Consolidated Financial Statements 4. Significant subsequent events.”

(2) Overview of Financial Position and Cash Flows for Fiscal 2022

1) Financial Position

Total assets at the end of the fiscal year ended March 31, 2023 were ¥348,942 million, an increase of ¥8,373 million compared to the end of the previous fiscal year.

Current assets were ¥133,341 million, an increase of ¥22,921 million compared to the end of the previous fiscal year. This was due mainly to an increase in cash and cash equivalents by ¥19,436 million.

Non-current assets were ¥215,601 million, representing a decrease of ¥14,549 million compared to the end of the previous fiscal year. This was due mainly to an increase in goodwill by ¥31,637 million and a decrease in other non-current financial assets by ¥59,044 million.

Total liabilities at the end of the fiscal year ended March 31, 2023 amounted to ¥114,949 million, an increase of ¥19,286 million compared to the end of the previous fiscal year.

Current liabilities were ¥50,648 million, representing a decrease of ¥5,377 million compared to the end of the previous fiscal year. This was due mainly to an increase in income tax payables by ¥10,530 million and a decrease in borrowings by ¥17,308 million.

Non-current liabilities stood at ¥64,301 million, representing an increase of ¥24,663 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥34,916 million in borrowings.

Total equity at the end of the fiscal year ended March 31, 2023 was ¥233,993 million, representing a decrease of ¥10,914 million compared to the end of the previous fiscal year. This was primarily attributable to an increase of ¥15,589 million in retained earnings and a decrease of ¥36,128 million in other components of equity.

In terms of liquidity, the liquidity ratio and ratio of equity attributable to owners of the parent were 263.3% and 63.5%, respectively, at the end of the fiscal year ended March 31, 2023.

2) Cash Flows

Cash and cash equivalents (collectively, “cash”) at the end of the fiscal year ended March 31, 2023 increased by ¥19,436 million to ¥97,732 million compared to the end of the previous fiscal year. Cash flows in each area of activity and their respective contributing factors are as follows.

(Operating activities)

Net cash provided by operating activities for the fiscal year ended March 31, 2023 was ¥10,808 million, compared to a cash inflow of ¥18,375 million in the previous fiscal year. The principal cash inflow factor was ¥13,595 million in profit before tax.

(Investing activities)

Net cash provided by investing activities for the fiscal year ended March 31, 2023 was ¥12,451 million, compared to a cash outflow of ¥19,924 million in the previous fiscal year. The principal cash inflow factor was ¥50,090 million in proceeds from sales and redemption of investment securities. The principal cash outflow factor was ¥26,218 million in acquisition of subsidiaries or other businesses, net of cash acquired.

(Financing activities)

Net cash used in financing activities for the fiscal year ended March 31, 2023 was ¥4,930 million, compared to a cash outflow of ¥18,549 million in the previous fiscal year. The principal cash inflow factor was ¥51,850 million in proceeds from borrowings. The principal cash outflow factors were ¥35,390 million in repayments of borrowings and ¥15,000 million in purchase of treasury stock.

(3) Basic Policy for Distribution of Profit and Dividends for Fiscal 2022 and 2023

The Company regards continuing enhancement of its corporate value through business growth and strengthening of the management structure and contributing to shareholders’ interest to be important management priorities.

With respect to allocating profit to shareholders through dividends, while considering performance of each fiscal year, the Company, as a basic principle, sets as a minimum whichever is higher, a consolidated payout ratio of 15%

or an annual dividend of ¥20 per share of the Company's common stock, and plans to continue paying a dividend with the aim of a consolidated payout ratio of 30% in the future.

As one approach to capital management policy is to respond flexibly to changes in the Company's stock price and conditions in the operating environment and return a portion of the profit for the period to shareholders, the Company appropriately considers purchases of its own shares from the market. As stated in in "1. Overview of Operating Results and Financial Position (2) Overview of Financial Position and Cash Flows for Fiscal 2022," the Company purchased its own shares during the fiscal year under review.

Regarding retained earnings, the Company's objective is to make effective investments in the establishment of a business portfolio that realizes medium- to long-term growth, while making aggressive investments to strengthen the earnings base of its principal businesses in order to maximize corporate value.

Based on the basic principle described above, the Company is scheduled to pay a regular cash dividend for its common stock of ¥20 per share (consolidated payout ratio of 26.0%) for the fiscal year under review, having taken into account performance, the future business environment, and internal reserves for the continued growth of business.

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

(4) Risk Factors

This section reviews the principal matters among the various items related to the business and accounting situation that management recognizes as possible risks for the DeNA Group and having 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 in the event of an occurrence. However, the Company believes that the judgments of investors regarding the Company's stock must be made after the careful consideration of these matters and other factors that are not covered here.

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

(1) Business Environment Risk

1) Responding to Changes in the Internet and AI (Artificial Intelligence)-related Industries and New Technologies

Internet usage continues to expand, particularly usage by mobile devices, and every day new Internet services are created in a diverse variety of fields. In addition, increased utilization of AI technologies in business is gaining attention in society.

The Group is capitalizing on its strengths in Internet services for mobile devices, such as smartphones, with the provision of games and all types of services, and working on initiatives aimed at boosting the value of its services through the utilization of AI technologies. However, in the markets associated with the services that the Group provides, sudden changes in market share owing to new entrants into the industry and structural changes in the market in association with the emergence of new business models may have an adverse impact on the Group's business performance, etc.

With the development of new Internet and AI-related technologies and the constant introduction of new services based on these technologies in society at large, in the event that the Group lags behind new technologies due in part to its inability to promote research and development as well as alliances with other companies, retain engineers, or develop personnel, its competitiveness may decline. Furthermore, in the event that large expenditures are necessary for responding to new technologies, this may have an adverse impact on the Group's business performance, etc.

Moreover, with regard to AI technologies, the reliability, accuracy, and usability, etc. of services that use AI technologies in general can become an issue, and ethical problems related to matters such as human dignity, privacy, fairness, and transparency may arise depending on how AI technologies are used. If such issues or problems have an impact on provision of services, it may adversely affect the Group's business performance, etc.

Due to the nature of technological innovations and changes in business structure related to the Internet and AI, it is difficult to reasonably predict when and how much of an impact there will be on the business environment. However, the Group recognizes that there will definitely be an impact considering the history of development of information technologies and changes in business structure. The Group stipulates in its vision that it engages in business while fully leveraging the Internet and AI. The DeNA Promise, which is part of the Group value and is our social promise, as well as the DeNA Group AI Policy, states the Group's commitment to challenge ourselves to develop new technology and services while overcoming any issues that may arise. As such, the Group recognizes that responding to such technological innovation and changes in business structure related to the Internet and AI is an important issue. At the same time, with the aim of reducing these risks, the Group has established a management system, which includes compliance and risk management departments, that conducts multifaceted business reviews, when planning and implementing services that utilize the Internet and AI. By creating this system, the Group is promoting initiatives aimed at improving service value through further utilization of the Internet and AI, and is working to secure business opportunities and enhance its competitiveness. However, due to the nature of technological innovation and business structure related to the Internet and AI, these measures may not be able to prevent the above risks from materializing, which could in turn have an adverse impact on the Group's business performance, etc.

2) Responding to OS Providers for Mobile Devices

The Group operates its business aimed at mobile devices equipped with operating systems (OS) such as Android or iOS. Accordingly, in the event that the Group is unable to provide its services due to accidents or other problems related to these OSs, or if the Group is unable to provide its services due to measures introduced by the OS providers that are difficult to predict, if the Group is unable to provide the same services as in the past because of major or unforeseeable changes in existing conditions, rules and their application, or the establishment of new conditions and rules imposed by the OS providers for providing services on these OSs, if responding to such changes in or the new establishment of the conditions, rules and their application requires large expenditures, if the conditions, rules and their application are changed to those disadvantageous to the Group, or if the Group is unable to meet the changed or newly established conditions, rules and their application, leading to the suspension of services provided by the OS providers or account usage, there may be an adverse impact on the Group's business and financial performance, etc.

It is difficult to foresee the timing of major or unforeseeable changes in existing conditions, rules and their application, or the establishment of new conditions and rules imposed by the OS providers, and it is also difficult to reasonably predict the impact they will have. The Group is working to control the possibility of these risks materializing and affecting its business performance as much as possible, by establishing a development system to build services that are compatible with the latest OSs. At the same time, the Group is keeping up with the latest conditions and rules imposed by the OS providers and establishing management and coordination systems in the administrative and business divisions to apply any changes to its services. Nevertheless, in keeping with the Group's relationships with the OS providers, these measures may not be able to prevent the above risks from materializing, which could in turn have an adverse impact on the Group's business performance.

3) Competition and Consumer Trends

The Group faces intense competition with other companies in all of its business fields, including the Internet- and AI-related industries. The Group strives to increase its competitiveness by creating and offering distinctive services capturing the needs of the times, taking on measures for improving users' environment and security, and initiatives to ensure improved customer support. However, intensifying competition from companies or new market entrants offering similar services, or changes in trends of consumer demand may have an adverse impact on the Group's business performance, etc.

It is difficult to reasonably estimate the possibility, timing, and degree of impact of risks related to intensifying competition and changes in trends of consumer demand materializing. However, the Group recognizes that these risks constantly exist in its business operations, as the future potential of services with distinctive features that meet the needs of the times will inherently cause competition to intensify through the business development of new entrants. The Group is working to develop the internal environment and cultivate human resources for providing even more attractive and competitive services, based on the Company vision, which reads in part “We seek to entertain and enrich lives, and to serve and make the world a better place. Each of us harnesses our individual strengths to make our unique business succeed.” Nevertheless, due to the characteristics of the Group’s business, these measures may not be able to prevent the above risks from materializing, which could in turn have an adverse impact on the Group’s business performance.

(2) Individual Business Risk

1) Businesses Utilizing Content such as Mobile Games

Changes in user tastes and preferences may be rapid and extreme in businesses that use content, as typified by mobile games. In the event that, for some reason, the Group cannot accurately identify user needs and provide content that satisfies them, the appeal of the Group’s services to users may decline. As a result, the profitability of the content may also decline, or the Group may be unable to provide new content, which may have an unexpected and significant adverse impact on its business performance, etc.

In addition, it is necessary to not only improve existing content but also expand its lineup by introducing new titles on a continuing basis, but in the event that content enrichment does not proceed according to plan, it may cause an adverse impact on the Group’s business performance, etc. In particular, the development costs of mobile games have been rising in recent years. It is possible that the development of new titles may not proceed as planned due to imbalances between development costs and expected revenues, which may prevent enhancement of content.

Because it is not easy to accurately identify user tastes at all times, and securing the content development systems of external partner companies depends on external factors that are different from those faced by the Group, the possibility of these risks materializing always exists to a certain extent due to the nature of the business. The Group is addressing these risks by constantly working to plan and develop content that meet user needs through the establishment of internal organizations and implementation of measures to accurately understand and analyze those needs. In addition, the Group is continuously working to strengthen its development system, cultivate external partner companies, and build relationships so that it can continuously provide excellent content. However, due to the nature of these risks, it is difficult to completely eliminate them.

Moreover, in the event that a serious issue occurs regarding the content provided by the Group or a third-party developer, or external partners including outsourcing companies cause serious problems, the legal responsibility of the Group may become an issue regardless of the content of contract rules and regulations and terms/conditions. Even where this is not the case, such incidents may cause a loss of trust in the Group and impairment in the Group’s brand image, and may have an adverse impact on the Group’s business performance, etc.

Furthermore, in the event that changes are made to core content or the Group becomes unable to provide core content due to the change or expiration of contracts or partnership relationships with alliance partners, intellectual property (IP) providers, or companies that provide content to platforms operated by the Group, or in the event that revenues and the profitability of related content decline, this may have an adverse impact on the Group’s business performance, etc. Especially if such an event occurs in a service related to content that is of high business importance, it may have a significant adverse impact on the Group’s business performance.

The Group is working to control the possibility of these risks materializing as much as possible, by striving to minimize the possibility of issues through selection of excellent external developers and thorough management of outsourced work conducted by outsourcing companies. At the same time, the Group is strengthening coordination between its business divisions and administrative divisions, which review the details of contracts, and building a contract management system that prevents unexpected changes to the details or termination of the contracts or partnership relationships. However, if the risks materialize despite these measures, it may have a significant adverse impact on the Group’s business performance.

2) Sports Business

The Group engages in the sports business including management of the professional baseball team “Yokohama DeNA BayStars” and the professional basketball club “Kawasaki Brave Thunders.”

In this business, the shift in trends in the target industry of sports and the game results of the team under management may have an adverse impact on attendance at games and on the Group's earnings, in addition to which expenditures for strengthening the team in order to improve their game results or capital investment may have an adverse impact on the Group's business performance, etc. In addition, as a large number of spectators are in attendance for sporting events, the Group has in place requisite measures, etc., to prevent accidents such as those caused by balls hit by players. However, in the case that accidents, etc., occur despite the implementation of these measures, this may have an adverse impact on the Group's business performance, etc. due to factors such as claims for large amounts of damages alongside a loss of trust in the Group and impairment in the Group's brand image. Furthermore, if facilities used for sporting events are damaged, etc., and made unusable by natural disasters such as earthquakes or typhoons, or by other accidents, or if normal events cannot be held, due to causes such as the impact of an infectious disease, etc., this may have an adverse impact on the Group's business performance, etc. Further, the Group operates the "Yokohama Stadium" facility on the basis of a contract for preferential utilization for entertainment purposes, including holding professional baseball games, with the City of Yokohama, the owner of the stadium. The situation concerning renewal of this contract or changes to the terms of usage may lead to the inability to use the stadium facility, or to restrictions on said usage, which may have an adverse impact on the Group's business performance, etc. Also, there is a similar risk associated with using facilities to hold professional basketball games and other sports. As an example of how the Group's business performance would be impacted when these risks materialize, it would have a significant adverse impact on income from ticket sales, sponsorships, merchandise sales, food and beverage sales, and other income.

The Group is working to create value in businesses that attract spectators and fans, implement safety management measures, and enhance coordination with facility owners such as the City of Yokohama, the owner of Yokohama Stadium. However, it is difficult to predict the occurrence of risk factors such as game result trends, accidents during entertainment such as accidents caused by balls hit by players, and natural disasters. Accordingly, the Group recognizes that the possibility of these risks materializing always exists to a certain extent due to the nature of these risks. For the impact of COVID-19, please refer to "(9) Risks Related to the Impact of COVID-19."

3) Live Streaming Business

The Group engages in the live streaming business through the operation of the "Pococha" live communication app, the "IRIAM" anime character live streaming app, etc.

Since both broadcasters and viewers transmit information through these apps, issues such as infringements of rights of third parties, laws and regulations, acts of expression including inappropriate content, and incidents caused by user behavior may arise in the contents streamed by broadcasters or the interactions between/among users. Furthermore, users and companies that use the service may engage in behavior both inside and outside the service that affects the integrity of the service. For details regarding these risks, please refer to "8) Providing Services to the General Public" and "(7) Compliance Risk 1) Maintaining Service Integrity."

4) Healthcare & Medical Business

The Group engages in the healthcare & medical business, such as the operation of direct-to-consumer genetic testing services, health promotion support services and cognitive function testing services that use information and communication technology (ICT), the operation of information sharing and communication services for medical settings, the utilization of healthcare data, and the support of health businesses.

While the Group constructs its services and pursues research and development in this business in such a way that they do not come in conflict with the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals and Medical Devices, etc., the Medical Practitioner's Law, the Act on the Protection of Personal Information, and other regulations, future amendments to regulations regarding the application of approval processes and related regulations, future amendments to regulations regarding the handling of healthcare data, as well as circumstances leading to some kinds of constraints and additional expenses involving this business or devices and other products it handles may adversely impact the Group's business performance, etc. Additionally, as this business handles a large amount of highly-sensitive information such as personal health records, genetic information, and information obtained through anonymization and statistical processing, etc., and the amount and range of information is expected to increase as business diversifies in the future, in the event of leakage or improper handling of information, the Group may receive claims for large amounts of damages or administrative sanctions. Furthermore, technological development in the services that this business is involved in is proceeding, and competition in the market may further intensify. Additionally, whether or not the Group's services are involved, changes in market conditions as a result of situations giving rise to social or moral questions related to the healthcare & medical business may have an effect on business performance. Furthermore, with regard to the healthcare & medical business, in the event of inaccuracies, defects or deficiencies in testing content or other delivered information and services, unforeseen circumstances leading to an environment in which operations such as testing are not possible, a shortage of or defects in devices required for the business, or other situations which inhibit the Group's ability to maintain high-quality services lead to the cessation of services, a recall of products sold, or claims for large amounts of damages alongside a loss of trust in the Group and impairment in the Group's brand image, it may cause an adverse impact on the Group's business performance, etc.

If the risks related to the healthcare & medical business materialize, there may be a significant adverse impact on the Group's overall business development due to a loss of trust in the Group and impairment in the Group's brand image.

The Group considers risks caused by information leaks and improper handling of highly sensitive information to be important management risks. Accordingly, the Group companies engaged in the said business are working to minimize the possibility of such risks materializing by promoting the establishment of a business management system, including strict information management. To this end, some Group companies have acquired ISO/IEC 27001:2013 (JIS Q27001:2014) (also known as ISMS) certification, which is a conformity assessment system for information security management systems, as well as PrivacyMark (JIS Q15001:2017) certification. However, it is difficult to completely prevent the abovementioned risks from materializing.

5) New Businesses

As a part of its efforts to challenge itself to achieve growth, the Group will continue to engage in aggressive initiatives to provide new services and enter new businesses, in order to expand the scale of its business activities and diversify sources of earnings. As a result, the Group may have to make investments in systems and incur additional expenditures on advertising, personnel expenses required for development, and other items, which may result in lower profitability. In addition, in launching new services and new businesses, the risks inherent in these new activities become risk factors for the Group. Also, in unexpected situations and other circumstances, the development of new services and new businesses may not proceed as originally planned and the Group may not be able to recover its investments, possibly causing an adverse impact on the Group's business performance, etc.

It is difficult to reasonably predict the likelihood and timing of these risks materializing, as well as the impact these risks will have on the business performance, because they depend on the nature of the relevant new businesses and the scale of investments. In the process of planning and promoting new businesses, the Group is working to minimize the risks associated with the development of the said new businesses, including the perspective of human resources development, by meticulously analyzing the degree of possibility of recouping its investment and potential risks from the managerial viewpoint. However, despite these countermeasures, it is impossible to prevent the abovementioned risks from materializing due to the nature of new businesses.

6) Investment Activity

The Group invests in venture businesses and funds with the aim of providing support from an early stage for companies with a high growth potential. The unlisted companies where the Group invests may lack sufficient capabilities in areas such as development or business management to adapt to changes in the market, and there are many uncertainties regarding their future growth. These companies may not be able to realize their expected potential and may experience deterioration in performance, thus making it impossible to recover venture fund investments, and this may cause an adverse impact on the Group’s business performance, etc. Furthermore, if the companies in which the Group invests engage in illegal or inappropriate activity, even when issues of legal responsibility of the Group do not arise, such incidents may cause a loss of trust in the Group and impairment in the Group’s brand image, and may cause an adverse impact on the Group’s business performance, etc.

In the fiscal year ended March 31, 2020, with an investment of approximately ¥10 billion, the Group established a fund for the purpose of investing in ventures, and in the fiscal year ended March 31, 2023 the Group decided to invest in a newly formed fund for the purpose of producing entrepreneurs and investing in ventures, and various risks related to the fund may materialize within the scope of the amount invested and operating period.

It is difficult to reasonably predict the likelihood and timing of these risks materializing, as well as the impact these risks will have on the business performance, because they depend on the nature of the businesses of the investees and the scale of investments. As an investor, the Group is working to reduce the possibility of such risks materializing by monitoring the investees and providing necessary advice as much as possible. However, it is difficult to completely prevent the abovementioned risks from materializing.

7) International Business

As the Group is developing business operations globally, the Group faces many potential risks in its international business, including those related to the legal regulations, systems, political climate (including political trends between nations), economic/social conditions, differences in culture/religions/preferences of local users/business customs/ethics of other countries, and foreign currency risk. In the event that conducting business becomes difficult because the Group is unable to deal with these risks, or if the development of the Group’s international business activities does not proceed according to its plans, this may cause an adverse impact on the Group’s business performance, etc.

Because the Group focuses on business development in China, particularly in its business policies regarding mobile games, the Group considers risks associated with its business in China to be important management risks. In order to minimize the possibility of these risks materializing as well as their impact on business performance, the Group is working to establish a management system for its international business, a management system for the Group companies, and a compliance system. Nevertheless, given the fact that changes in laws, regulations, systems, and political climate (including political trends between nations), economic/social conditions, etc. in China are difficult to predict due to the social background of the country, the Group recognizes that, with the expansion of its business in China, the possibility of these risks materializing always exists to a certain extent in its business operations. The Group also recognizes that as it expands live streaming services and information sharing and communication services for medical settings, etc. overseas, various risks including those mentioned above may arise in the countries where it operates.

In addition, when converting financial statements of international subsidiaries from local currencies to Japanese yen for the preparation of consolidated financial statements or if transactions denominated in foreign currencies increase at the Group, fluctuations in the foreign currency market may have an adverse impact on the Group’s performance and financial position.

8) Providing Services to the General Public

The Group provides services to an unspecified large number of users who make use of the services, etc., it operates, such as mobile games, game platforms, live streaming services and Internet auction services. In services that provide functions for communication between users, issues may arise related to inappropriate behavior, such as 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. It may be difficult to fully supervise the behavior of users on the Group's services. In the event that inappropriate behavior of users leads to trouble, regardless of the content of contract rules and regulations 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 loss of trust in the Group and impairment in the Group's brand image may have an adverse impact on the Group's business performance, etc. The Group is working to reduce the likelihood of such risks materializing by continuously engaging in initiatives to maintain and strengthen its surveillance systems and send warnings regarding methods for using services, etc. However, it is difficult to completely prevent these risks from materializing.

Because factors that cause these risks depend on users' usage status, it is difficult to reasonably estimate the timing of these risks materializing and the impact they will have on business performance. However, in the event that the Group suspends its services or otherwise becomes unable to maintain them, there is a possibility that a significant amount of revenues and profits from those services would be lost.

With respect to the Internet auction services, the Group continues to carry out inspections of the items offered for sale as the provider of a sales venue. In addition, the services' terms and conditions include phrases that clearly absolve the Group of any responsibilities for any matters regarding the items put up for sale or transactions following the closing of the bidding and completion of the shopping transaction. Moreover, based on the Act on Specified Commercial Transactions, which regulates advertising by mail-order retailers, the Group sets its voluntary standards for advertisements it will carry for sellers according to the number of items they offer. In addition, the Group's contracts with mail-order retailers state clearly that the responsibility for advertising content lies with the mail-order retailer. As such, the Group strives to control, to the greatest degree possible, the likelihood of risks related to Internet auction services materializing, and the Group has deemed its efforts to be reasonably effective. However, if the risks materialize despite these measures, it may have an adverse impact on the Group's business performance, etc.

9) Internet Advertising

The Group operates a number of services that contain Internet advertising. Looking ahead, the unit prices of advertising services may decline as a result of factors such as law amendments, economic trends, trends in the Internet advertising industry as a whole, competition with services of other companies, and changes in the rules imposed by OS providers. Similarly, such circumstances may also result in increases in selling fees paid to advertising agencies and the cost of winning new business from advertisers, possibly causing an adverse impact on the Group's business performance, etc. The Group recognizes it is difficult to accurately predict the future business environment, including economic trends, overall trends in the Internet advertising market, and the status of competition with the services of other companies.

When other advertisers and the media use the advertising services offered by the Group and serious problems arise because of legal violations, etc., regardless of the content of contracts and terms/conditions, the legal responsibility of the Group may become an issue. In addition, even when issues of legal responsibility do not arise, the loss of trust in the Group and impairment in the Group's brand image may have an adverse impact on the Group's business performance, etc.

The Group has built an adequate examination system for advertisements posted on its services, and is working to prevent posting of advertisements that the Group deems inappropriate according to its business operation policies. The Group deems its efforts to be reasonably effective. However, if the risks materialize despite these measures, it may have an adverse impact on the Group's business performance, etc.

10) Discontinued or Transferred, Etc., Businesses

If illegal activities, fraudulent activities or other inappropriate activities, or unrecognized liabilities are discovered to have occurred in businesses that the Group had operated in the past and has discontinued or transferred, etc., to other companies, the Group may be held legally responsible for such activities or liabilities, or incur loss. In addition, even when issues of legal responsibility or other liability do not arise, such incidents may cause a loss in the trust of the Group and impairment in the Group's brand image, and may have an adverse impact on the Group's business performance, etc.

In order to prevent illegal activities, fraudulent activities, and other inappropriate activities from occurring in businesses currently operated by the Group and those that are scheduled to be discontinued or transferred, etc., to other companies, the Group has developed a business management system and compliance/risk management system that include a legal perspective. The Group deems its efforts to be reasonably effective. However, if the risks materialize despite these measures, it may have an adverse impact on the Group's business performance, etc. depending on the nature or scale of the activity.

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

1) Business Alliances, Capital Investments, and Joint Ventures, Etc.

The Group is working to expand its business activities through business alliances and 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 changed or dissolved, it may cause an adverse impact on the Group's business performance, etc. In particular, if there is a change in partnership relationships with other companies related to mobile games, it may cause a significant adverse impact on the Group's business performance, etc.

There are various forms of alliances and business operations with alliance partners and joint venture partners. It is difficult to uniformly estimate the cases in which the initially expected effects cannot be achieved, the possibility and timing of changes to or termination of these relationships, and their impact on business performance. However, the Group is working to develop a business management system that supports the expansion of diversified and complex businesses, and strengthening relationships with alliance partners and joint venture partners.

In addition, regarding investment securities such as shares acquired in association with capital alliances or other deals, in the event that the asset value of the investment securities changes due to the financial results of the issuing company, the financial market or any other factors, it may cause an adverse impact on the Group's performance and financial position. Of particular importance is the 8,797,000 shares the Group holds in Nintendo Co., Ltd., which is both a business and capital alliance partner. Fluctuations in the asset value of these investment securities may have an adverse impact on the financial position of the Group.

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

As an effective means of accelerating business expansion, the Group has adopted a policy of making use of M&A. When concluding M&A deals, the Group strives to conduct screenings, including the examination of the financial position of M&A candidate companies, their contractual relationships, and other matters, and makes decisions after 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 post-merger integration or 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 performance, etc.

Also, if an M&A deal results in the addition of business activities that are new to the Group, the risks inherent in these new activities may become risk factors for the Group.

The Group recognizes the difficulty in making a reasonable prediction of the likelihood and timing of risks materializing in relation to business development after an M&A, because they are linked to the timing of the M&A and business development after a deal is completed.

As of the end of the fiscal year ended March 31, 2023, goodwill of ¥49,088 million was recorded in the consolidated statement of financial position, and there is a potential risk that the Group's business performance, etc. may be affected for example by the impairment of the goodwill.

(4) Telecommunications Network and Computer Systems Risk

Many of the businesses of the Group are reliant on telecommunications networks that link computer systems such as mobile devices and PCs. In the event that these networks are disconnected as a result of natural disasters and accidents (including those caused by human factors either inside or outside the Group), it may cause an adverse impact on the Group’s business performance, etc.

Also, in the event that computer systems break down because of unpredictable developments, such as a sudden increase in the number of users accessing the Group’s services, etc., an electric power outage, a cloud service failure, or other problems, it may cause an adverse impact on the Group’s business performance, etc.

The Group takes precautionary security measures to avert improper external access of its computer systems as well as other system failures and trouble from occurring, but, in the event of information leaks, etc. resulting from exploitation of vulnerability in the Company’s IT systems or unauthorized access, etc. or damage to these systems as a result of computer viruses, hacker attacks, and trouble caused by the Company, it may cause an adverse impact on the Group’s business performance, etc.

Many of the risks related to telecommunications networks and information system infrastructure are caused by external and unpredictable factors, making it difficult to specifically predict the possibility and timing of their materialization. The Group recognizes that these potential risks constantly exist, as long as the Group’s business structure, which is to develop businesses centered on Internet services, is maintained. In the event of a major service suspension, it may cause a significant adverse impact on the Group’s business performance, etc.

(5) Climate Change Risk

The Group recognizes that climate change will have a significant impact on society. If global efforts to combat climate change lead to a shift towards renewable energy sources and the implementation of carbon taxes and related regulations, the Group's operating results may be affected by increased business costs. Additionally, if the Group's businesses fail to respond to the lack of climate change countermeasures or changes in behavior and values due to heightened environmental awareness, the Group's credibility and brand image may be damaged, leading to a deterioration in business profitability and affecting the Group's operating results. Moreover, if the transition to a decarbonized society fails to materialize and the global average temperature continues to rise, the Group's business profitability may decline due to physical and human damage to the Company's offices and other facilities caused by more frequent and severe disasters, as well as changes in consumption trends caused by rising temperatures and infectious disease outbreaks. These factors may impact the Group's operating results.

As part of its value, in the "DeNA Promise," our social promise, the Group is committed to promoting sustainable corporate activities prioritizing harmony between the economy, society, and the environment, and contributing to a sustainable future as a global citizen. In response to climate change, the Group intends to adopt measures such as the efficient use of renewable energy and the strengthening of its business continuity plan (BCP). Furthermore, the Group will develop new businesses and services that respond to changes in behavior and values due to heightened environmental awareness, and take other measures to ensure that the changes in society related to climate change countermeasures are taken as business opportunities, and aim to deliver Delight to society.

However, it is difficult to accurately estimate the mid to long-term impact of climate change on society, and it is not possible to accurately predict the extent of the impact on the Group's business.

(6) Management Systems Risk

1) Human Resources

To further expand and diversify its business activities going forward, the Group believes it will be necessary to enhance human resources in each of its departments. In order to respond to changes in and diversification of business activities, the Group is flexibly reviewing its human resource development policies and reexamining personnel allocations regularly, and is working to ensure that human resources do not lower competitiveness or become a limiting factor on business expansion. However, in the event that the training of personnel does not keep pace with the expansion and changes in business activities, and qualified human resources cannot be externally recruited as planned, it may not be possible to assign proper personnel. This would result in a decline in competitiveness and constrains the expansion of the business, and may cause an adverse impact on the Group’s business performance, etc.

2) 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.

As well as the compliance and risk management department that is responsible for the overall compliance and risk management of the Group, the Company is working to establish and enhance its internal control system capable of supporting various forms of business development and business expansion through measures such as the establishment of an internal audit department and corporate auditor support division.

Nevertheless, in the event that the creation of adequate internal control systems cannot keep pace with the changes to the Group’s business, conducting operations properly may become difficult. If improper operations occur as a result, this may have a significant adverse impact on the Group’s business performance, etc., depending on the scale and nature of such improper operations.

In addition, in relation to its management system, the Group intends to reduce fixed costs. However, if the reduction and management of fixed costs do not progress, and cause imbalance between income generated by its businesses, it may have an adverse impact on the Group’s business performance.

3) Measures for Recovery from Disasters

The Group has formulated a business continuity plan (BCP) and established a structure that enables it to maintain business operations to the greatest degree possible, or rapidly restore affected business. However, the Group’s principal business locations are situated in the Tokyo metropolitan area. In the event that various unforeseeable 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, depending on the amount of damage, business recovery may take a large amount of time and involve a great deal of expense. In particular, if the Group must suspend a major service which forms the earnings base for the Group, it may cause a significant adverse impact on the Group’s business performance, etc. as a result. For the impact of COVID-19, please refer to “(9) Risks Related to the Impact of COVID-19.”

(7) Compliance Risk

1) Maintaining Service Integrity

The Group’s mobile game, game platforms which include social networking service functions, live streaming services, Internet auction services, and other services are provided to a large number of individual users, and it is assumed that users using these services will communicate with one another on their own initiative.

To ensure healthy services, the Group not only explicitly states in its terms and conditions that inappropriate behavior and illegal behavior that may become social issues, such as behavior that seeks to meet in person or behavior that infringes upon the rights of others, etc., are prohibited, but also monitors communications between users and amounts of money used within the service as needed. Users that violate the terms and conditions are asked to remedy their behavior and measures may be taken to cancel their memberships, or else warnings may be issued within the service. The Group is continually strengthening the monitoring structure including both systems and personnel, including strengthening monitoring systems and increasing the number of patrol personnel within services. In addition, the Group conducts examinations by confirming the attributes, etc. of companies that conduct business activities, etc. related to services provided by the Group. The Group also clearly states prohibited behavior in terms and conditions, and takes measures such as preventing inappropriate business activities from being conducted both inside and outside the service.

Moreover, the Group has made it clear what manners are to be observed and those points where users should exercise caution to encourage appropriate use by users. The Group is also enabling users to set their own usage amount limit on the service, among other mechanisms deployed to enable users to use services in a sound way and thus to maintain the soundness of the service.

However, it is difficult to fully supervise the conduct of users and companies within the services, etc., to foresee the timing of improper or illegal behavior, or to conduct complete background checks for all business operators. In the event that improper behavior of a user or a business operator causes trouble, or is discovered to have a relationship with a business operator with inappropriate attributes, such as being anti-social forces, etc. regardless of the content of contract rules and regulations and terms/conditions, the legal responsibility of the Group may become an issue. Even where this is not the case, especially if the Group must suspend its services, such incidents may cause an adverse impact on business performance, etc. in relation to the revenues and profits of those services. They may also cause a loss in the trust of the Group and impairment in the Group's brand image, and may cause an adverse impact on the Group's overall business.

2) Improvements in the User Environment

To promote the development of the computer entertainment industry, in collaboration with the Computer Entertainment Supplier's Association (CESA), in which other leading gaming platform companies and game providers participate, and other entities, the Group implements various initiatives to advance reasonable game play and improve the user environment. The Group's business performance, etc. 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.

3) Legal Restrictions

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

Services offering communication functions among users including Mobage and Pococha assume healthy communication among users. It is the Group's understanding that such communication does not involve "dating and personal introduction services" as covered by the Act on Regulation on Soliciting Children by Using Opposite Sex Introduction Service on the Internet.

In addition to the foregoing, the Group's paid points, etc., used in various services may be subject to the Payment Services Act of Japan as prepaid payment instruments stipulated in said Act, and the Group complies with this act in its operations.

In some cases, the DeNA Group outsources its systems development, content preparation and other aspects of its operations. Certain transactions of this kind are subject to the provisions of the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act). Moreover, depending on factors such as the business scale and market conditions of services offered by the DeNA Group, with regard to the implementation of the DeNA Group's contracts or the content of its agreements (regulations) that form the basis for these transactions, it is necessary to consider the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-Monopoly Act).

In addition, the Group's expansion of its international business will be exposed to laws and regulations of other countries and regions, including legal restrictions with respect to commercial transactions, advertising, gambling, premiums, personal information, privacy, data protection, protection of minors, prohibition of monopolization, intellectual property, human rights, consumer protection, labor, unfair competition prevention (including prohibition of bribery), foreign investment restrictions, taxation, as well as government approval and licenses required for conducting businesses and investments.

The Group is establishing and implementing management systems to respond in good faith to legal regulations including those of Japan and other countries and regions mentioned above, standards defined by administrative, international and other organizations, and voluntary regulations, etc., defined by industry organizations. In addition, the Group regularly provides its employees with training on compliance with legal regulations in consideration of the importance of individual legal regulations and the risk of violations. However, in the event that, under unforeseen circumstances, should the Group be denied the validity of contracts and other agreements, be subject to government administrative action or governmental guidance, etc., due to its alleged violation of those regulations, be subject to certain amount of statements, etc., of governmental organizations, etc., or, if these legal restrictions, etc., are tightened going forward or new regulations are put into effect and the Group is subject to some kinds of constraints in the development of its business activities, this may have an adverse impact on the Group's business performance, etc. In particular, if restrictions arise on the operation of mobile games due to the tightening of legal regulations related to mobile games, it may cause a significant adverse impact on the Group's business performance.

It is difficult to uniformly predict the likelihood and timing of these risks materializing, or the impact they will have on business performance, etc., because it depends on the details of individual legal regulations. The Group is working to minimize the impact of these risks and the likelihood of such risks materializing by establishing a system as above to recognize and intensively manage important risks across the entire Group, considering the impact of these risks and the likelihood of them materializing. Nevertheless, if these risks materialize despite these measures, it may have an adverse impact on the Group's business performance, etc.

Regarding legal regulations, please also refer to the sections "(2) Individual Business Risk 4) Healthcare & Medical Business," "(2) Individual Business Risk 8) Providing Services to the General Public," and "(7) Compliance Risk 4) Protection of Personal Information and Other Information."

4) Protection of Personal Information and Other Information

The Group gathers and makes use of member 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, etc. 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, etc., have been prepared as well as strict workflows for the processing of personal information, etc.

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

The Group has established a robust management system according to the characteristics of each business, such in the Group's business domains where the handling of highly sensitive personal information, etc., is particularly important, including the Healthcare & Medical Business, as described in "(2) Individual Business Risk 4) Healthcare & Medical Business." However, it is difficult to predict when serious issues such as information leaks may occur. In particular, if the Group must suspend such services, it may cause an adverse impact on business performance, etc. in relation to the revenues and profits from those services. In addition, such incidents may cause a loss of trust in the Group and impairment in the Group's brand image, and may cause an adverse impact on the Group's overall business development.

Furthermore, in developing business globally, the Group will be subject to laws and regulations concerning personal information, etc. in foreign countries, including the General Data Protection Regulation (GDPR) of the European Union (EU), and the California Consumer Privacy Act (CCPA) and the California Privacy Rights Act (CPRA) of the United States. In the event of a violation of such laws and regulations, suspension of services, compensation for damages, imposition of fines on the Group, or a loss of trust in the Group may cause an adverse impact on the Group's business performance, etc.

5) Litigation Involving Third Parties

With measures such as promoting compliance training, the Group works to reduce legal violations by officers and employees. However, regardless of whether there are violations by the Group, or officers and employees, unforeseen trouble arising with users, transaction partners, employees and third parties, and lawsuits and litigations may occur. In addition, as noted in the following item, the Group recognizes that there are risks of lawsuits occurring associated with intellectual property, including patents.

Depending on the nature of these lawsuits and their outcomes, it may cause an adverse impact on the Group's business performance, etc. In addition, incurring substantial legal expenses and loss of trust in the Group and impairment in the Group's brand image may have an adverse impact on the Group's business performance, etc.

It is impossible to predict the possibility of occurrence of individual disputes, and therefore it is difficult to uniformly predict the timing of occurrence of each dispute as well. In the event that a lawsuit results in the suspension of services of the Group or other such situations, that may cause an adverse impact on business performance, etc. in relation to the revenues and profits from those services. In addition, such incidents may cause a loss of trust in the Group and impairment in the Group's brand image, and may cause an adverse impact on the Group's overall business development.

(8) Intellectual Property Risk

The Group has investigated the intellectual property rights of other parties and has registered the trademarks for the services, etc., it operates as necessary. In addition, the Group strives to conduct research on the intellectual property rights of other parties and to protect its own intellectual property rights by acquiring patent rights as necessary for its originally developed systems and business models that are eligible for this protection. However, depending on the content of intellectual property rights owned by third parties, the Group may be subject to lawsuits, and may cause an adverse impact on the Group's business performance, etc.

The Group promotes compliance training and carries out reinforcements to its system of checks handled by the audit and control divisions in order to prevent infringements of third-party intellectual property rights. However, in the event that the Group is subject to lawsuits, etc., by third parties because of violations of intellectual property rights related to the systems or business models of the services operated by the Group, or images or text, etc., used in the services, there may be an adverse impact on the Group's business performance, etc.

The issues regarding infringement of intellectual property rights owned by third parties depend on future business development. Therefore, it is difficult to uniformly predict the possibility and timing of their occurrence. The Group is working to reduce the likelihood of these risks materializing as much as possible by implementing the abovementioned rights protection measures, conducting training, and strengthening its check systems. If these risks materialize despite these measures, it may have an adverse impact on the Group's business performance, etc.

(9) Risks Related to the Impact of COVID-19

With regard to the impact of COVID-19, the situation may cause a significant adverse impact on the Group's business performance, etc., if professional baseball games and other events in the Sports Business again do not take place as usual. A significant adverse impact may also be caused in other businesses, due to restrictions on business activities again being put into place and reduced consumer activity by general consumers due to a deterioration in economic trends. In particular, in the Sports Business, if the situation again arises where it is not possible to hold professional baseball games as usual, this may impact revenues from admission fees due to limits on the number of spectators, as well as merchandise sales, food and beverage sales, etc. The switch to a remote work-focused work style due to the spread of COVID-19 and the resulting reduction in the number of opportunities for face-to-face communication could cause organizational problems and make it difficult to conduct operations properly, which could in turn have an adverse impact on the Group's business performance. Even though the trends of the disease cannot be directly controlled or suppressed by the Group's risk management measures, the Group has set up a task force for the disease, with its executives taking the lead as they make every effort to draft and implement plans for response policies for COVID-19, fulfilling the social responsibilities of the Group, contributing to society through the Group's business, and taking on the challenges of new work styles focused on remote work, in response to the trends of the disease. The Group will continue striving to minimize the impact of COVID-19 on the Group's business performance, etc., but is unable to accurately forecast the extent of this impact.

2. Basic Stance Regarding Selection of Accounting Standards

With the Group's movement toward international expansion, it has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended March 31, 2013 in order to adopt global standards in accounting, both ensuring transparency in financial reports and allowing for comparisons to other international companies while also attempting to diversify future fundraising methods with international capital markets in mind.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	78,296	97,732
Trade and other current receivables	24,463	27,566
Other current financial assets	237	277
Other current assets	7,424	7,766
Total current assets	110,420	133,341
Non-current assets		
Property and equipment	2,380	3,163
Right-of-use assets	18,099	17,034
Goodwill	17,451	49,088
Intangible assets	13,148	23,036
Investments accounted for using the equity method	55,893	57,954
Other non-current financial assets	122,205	63,162
Deferred tax assets	539	517
Other non-current assets	433	1,647
Total non-current assets	230,150	215,601
Total assets	340,570	348,942

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	19,263	19,397
Borrowings	20,022	2,715
Lease liabilities	1,601	1,465
Income tax payables	639	11,169
Provisions	2,480	2,434
Other current financial liabilities	641	795
Other current liabilities	11,378	12,673
Total current liabilities	56,025	50,648
Non-current liabilities		
Borrowings	124	35,040
Lease liabilities	6,522	5,937
Provisions	225	215
Other non-current financial liabilities	357	462
Deferred tax liabilities	31,987	22,331
Other non-current liabilities	423	317
Total non-current liabilities	39,638	64,301
Total liabilities	95,663	114,949
Equity		
Common stock	10,397	10,397
Capital surplus	16,077	15,591
Retained earnings	177,997	193,586
Treasury stock	(22,819)	(20,794)
Other components of equity	58,975	22,846
Total equity attributable to owners of the parent	240,626	221,626
Non-controlling interests	4,280	12,367
Total equity	244,907	233,993
Total liabilities and equity	340,570	348,942

(2) Consolidated Income Statement

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	130,868	134,914
Cost of sales	(64,931)	(70,825)
Gross profit	65,937	64,089
Selling, general and administrative expenses	(57,220)	(59,957)
Other income	7,145	1,263
Other expenses	(4,400)	(1,192)
Operating profit	11,462	4,202
Finance income	5,195	7,805
Finance costs	(1,463)	(182)
Share of profit (loss) of associates accounted for using the equity method	14,226	1,770
Profit before tax	29,419	13,595
Income tax expense	1,232	(4,934)
Profit for the year	30,651	8,661
Attributable to:		
Owners of the parent	30,532	8,857
Non-controlling interests	119	(197)
Profit for the period	30,651	8,661

(Yen)

Earnings per share attributable to owners of the parent:		
Basic earnings per share	256.45	76.78
Diluted earnings per share	256.20	76.70

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit for the year	30,651	8,661
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax		
Gains (losses) from investments in equity instruments, net of tax	(1,663)	(9,619)
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	(1,663)	(9,619)
Components of other comprehensive income that may be reclassified to profit or loss, net of tax		
Foreign currency translation adjustments, net of tax	155	136
Cash flow hedges	-	68
Other	(89)	0
Total other comprehensive income that may be reclassified to profit or loss, net of tax	67	204
Other comprehensive income, net of tax	(1,596)	(9,414)
Total comprehensive income for the period	29,055	(754)
Attributable to:		
Owners of the parent	28,936	(570)
Non-controlling interests	119	(183)
Total comprehensive income for the period	29,055	(754)

(4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2021	10,397	16,282	151,747	(15,061)	60,346	223,711	4,948	228,659
Profit for the period	-	-	30,532	-	-	30,532	119	30,651
Other comprehensive income	-	-	-	-	(1,595)	(1,595)	(1)	(1,596)
Total comprehensive income for the period	-	-	30,532	-	(1,595)	28,936	119	29,055
Dividends recognized as distributions to owners	-	-	(3,906)	-	-	(3,906)	(712)	(4,618)
Increase (decrease) through treasury stock transactions	-	(90)	-	(10,589)	(201)	(10,880)	-	(10,880)
Changes resulting from share exchanges	-	6	-	2,831	-	2,837	-	2,837
Increase (decrease) through share-based payment transactions	-	31	-	-	121	152	-	152
Transfer to capital surplus from retained earnings	-	57	(57)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	(208)	-	-	-	(208)	497	288
Changes resulting from loss of control of subsidiaries	-	-	-	-	-	-	(615)	(615)
Increase (decrease) through transfers and other changes	-	0	(319)	-	304	(16)	43	28
As of March 31, 2022	10,397	16,077	177,997	(22,819)	58,975	240,626	4,280	244,907

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2022	10,397	16,077	177,997	(22,819)	58,975	240,626	4,280	244,907
Profit (loss) for the period	-	-	8,857	-	-	8,857	(197)	8,661
Other comprehensive income	-	-	-	-	(9,428)	(9,428)	13	(9,414)
Total comprehensive income for the period	-	-	8,857	-	(9,428)	(570)	(183)	(754)
Dividends recognized as distributions to owners	-	-	(4,623)	-	-	(4,623)	(262)	(4,885)
Increase (decrease) through treasury stock transactions	-	(41)	-	(14,945)	(4)	(14,990)	-	(14,990)
Cancellation of treasury stock	-	(15,332)	-	15,332	-	-	-	-
Changes resulting from share delivery	-	(84)	-	1,638	-	1,554	-	1,554
Increase (decrease) through share-based payment transactions	-	45	-	-	93	138	-	138
Transfer to capital surplus from retained earnings	-	15,434	(15,434)	-	-	-	-	-
Acquisition, disposal and other changes of non-controlling interests	-	(421)	-	-	-	(421)	896	475
Changes resulting from obtaining of control of subsidiaries	-	-	-	-	-	-	7,677	7,677
Increase (decrease) through transfers and other changes	-	(87)	26,789	-	(26,789)	(87)	(41)	(128)
As of March 31, 2023	10,397	15,591	193,586	(20,794)	22,846	221,626	12,367	233,993

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Operating activities		
Profit before tax	29,419	13,595
Depreciation and amortization	5,593	5,445
Profit for transfer from business divestitures	(197)	-
Gain on sales of shares of subsidiaries and associates	(1,286)	-
Impairment loss	4,244	364
Loss (gain) on investments in securities	1,352	(3,820)
Interest and dividend income	(3,738)	(3,180)
Interest expenses	94	144
Share of loss (profit) of associates accounted for using the equity method	(14,226)	(1,770)
Loss (gain) on step acquisitions	(2,273)	218
Decrease (increase) in trade and other current receivables	2,938	(806)
Increase (decrease) in trade and other current payables	(1,333)	(1,665)
Increase (decrease) in advances received	440	486
Other, net	(3,484)	(86)
Subtotal	17,543	8,925
Dividends received	3,719	3,173
Interest paid	(72)	(113)
Interest received	22	44
Income tax paid	(2,989)	(2,214)
Income tax refund	153	993
Net cash flows from (used in) operating activities	18,375	10,808
Investing activities		
Proceeds from acquisition of subsidiaries or other businesses, net of cash disposed of	232	374
Acquisition of subsidiaries or other businesses, net of cash acquired	(11,526)	(26,218)
Proceeds from sales of subsidiaries or other businesses, net of cash disposed of	1,074	-
Sales of subsidiaries or other businesses, net of cash acquired	(1,037)	-
Purchase of shares of associates	(358)	(1,588)
Advance payments resulting from purchase of shares of associates	-	(1,000)
Proceeds from sales and redemption of investment securities	72	50,090
Purchases of investment securities	(4,439)	(2,060)
Acquisition of property and equipment	(500)	(624)
Acquisition of intangible assets	(5,933)	(6,957)
Payments for asset retirement obligations	(1,818)	(104)
Proceeds from refund of leasehold and guarantee deposits	4,227	247
Other, net	83	290
Net cash flows from (used in) investing activities	(19,924)	12,451
Financing activities		
Proceeds from borrowings	-	51,850
Repayments of borrowings	(20)	(35,390)
Repayments of lease liabilities	(3,396)	(2,014)
Cash dividends paid	(3,907)	(4,623)
Proceeds from share issuance to non-controlling interests	334	503
Cash dividends paid to non-controlling shareholders	(712)	(188)
Proceeds from disposition of treasury stock	20	34
Purchase of treasury stock	(10,868)	(15,000)
Other, net	-	(100)
Net cash flows from (used in) financing activities	(18,549)	(4,930)
Net increase (decrease) in cash and cash equivalents	(20,097)	18,329
Cash and cash equivalents at beginning of period	97,301	78,296
Effect of exchange rate changes on cash and cash equivalents	1,092	1,107
Cash and cash equivalents at end of period	78,296	97,732

(6) Notes on Going Concern Assumption

Not applicable.

(7) Notes to Consolidated Financial Statements

1. Segment information

1) Outline of reportable segments

The Group principally provides Internet services for mobile and PC users and organizes business divisions by type of service. Each of these business divisions formulates comprehensive business strategies for the services it provides, and undertakes related business activities.

Therefore, the Group is composed of operating segments classified by the types of services provided. The four reportable segments of the Group are classified as the "Game Business," "Live Streaming Business," "Sports Business" and "Healthcare & Medical Business."

Effective from the second quarter ended September 30, 2022, the name of the reportable segment that was previously "Healthcare Business" has been changed to "Healthcare & Medical Business." This change is a change in the name of the reportable segment and has no impact on segment information. Segment information for the previous fiscal year is also presented under the new name.

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

Segment classification	Type of service
Game Business	Game for mobile devices-related services (provided in Japan and internationally) Principal services: Distribution of game apps, Mobage, etc.
Live Streaming Business	Live streaming-related services (provided in Japan and internationally) Principal services: Pococha, IRIAM, etc.
Sports Business	Sports-related services (provided in Japan) Principal services: Yokohama DeNA BayStars Baseball Club, operation of the Yokohama Stadium, Kawasaki Brave Thunders, S.C. Sagamihara, etc.
Healthcare & Medical Business	Healthcare and medical-related services (provided in Japan and internationally) Principal services: Provision of health big data-related services, Join and other medical digital transformation-related services, MYCODE, etc.
New Businesses and Others	New businesses and other services (provided in Japan) Principal business domains: E-commerce business, other new businesses, etc.

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

Accounting policies for reportable segments are identical to those of the Group in the consolidated financial statements for the fiscal year ended March 31, 2022.

Intersegment revenue is calculated based on external market prices.

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

For the fiscal year ended March 31, 2022
(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Game Business	Live Streaming Business *2	Sports Business	Healthcare & Medical Business	New Businesses and Others *3	Adjustments *4	Total
Revenue							
Revenue from external customers	74,681	34,664	14,686	3,000	3,838	—	130,868
Intersegment revenue	16	—	26	—	12	(55)	—
Total	74,697	34,664	14,712	3,000	3,850	(55)	130,868
Segment profit (loss)*1	11,596	3,484	(2,575)	(624)	(326)	(2,838)	8,717
Other income (expenses), net							2,745
Operating profit							11,462
Finance income (costs), net							3,732
Share of profit (loss) of associates accounted for using the equity method							14,226
Profit before tax							29,419
Other items							
Depreciation and amortization	2,164	526	2,004	288	230	381	5,593
Impairment loss	4,193	19	—	32	—	—	4,244

(Notes) 1 Segment profit (loss) is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

2 The Company acquired all the shares of IRIAM Inc., which operates IRIAM, on August 2, 2021, to make it a consolidated subsidiary of the Company. Accordingly, IRIAM has been included in the "Live Streaming Business" from the six months ended September 30, 2021.

3 "New Businesses and Others" refer to operating segments that do not fall into any of the reportable segments, including IP-generating platform business, E-commerce business, and other new businesses. The Company transferred all its shares in Everystar Co., Ltd., a company operating the EVERYSTAR novel posting website as part of the Company's IP-generating platform business, to MEDIA DO Co., Ltd. on December 14, 2021.

4 Adjustments in segment profit (loss) represent corporate expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.

For the fiscal year ended March 31, 2023
(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Game Business	Live Streaming Business	Sports Business *2	Healthcare & Medical Business *3	New Businesses and Others *4	Adjustments *5	Total
Revenue							
Revenue from external customers	63,961	40,106	20,941	6,983	2,923	—	134,914
Intersegment revenue	46	—	17	2	4	(69)	—
Total	64,006	40,106	20,958	6,985	2,928	(69)	134,914
Segment profit (loss)*1	9,582	(572)	(23)	(2,202)	(882)	(1,772)	4,131
Other income (expenses), net							70
Operating profit							4,202
Finance income (costs), net							7,623
Share of profit (loss) of associates accounted for using the equity method							1,770
Profit before tax							13,595
Other items							
Depreciation and amortization	1,473	673	2,119	635	219	322	5,441
Impairment loss	166	—	36	163	—	—	364

(Notes) 1 Segment profit (loss) is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

2 Effective February 1, 2023, Sports Club Sagamihara Co., Ltd., the operator of J.LEAGUE Club, “S.C. Sagamihara,” became a consolidated subsidiary of the Company. As a result, the company’s results have been included in the “Sports Business” segment from the fiscal year ended March 31, 2023.

3 Effective August 3, 2022, DATA HORIZON CO., LTD. became a consolidated subsidiary of the Company. As a result, the company’s results have been included in the “Healthcare & Medical Business” segment from the fiscal year ended March 31, 2023.
Effective October 3, 2022, Allm Inc. became a consolidated subsidiary of the Company. As a result, the company’s results have been included in the “Healthcare & Medical Business” segment from the fiscal year ended March 31, 2023.

4 “New Businesses and Others” refer to operating segments that do not fall into any of the reportable segments, including E-commerce business and other new businesses. The IP-generating platform business, which was included in “New Businesses and Others” in the fiscal year ended March 31, 2022, is not included in the results for the fiscal year ended March 31, 2023. This is because the Company transferred all its shares in Everystar Co., Ltd., a company operating the EVERYSTAR novel posting website as part of the same business, on December 14, 2021, and lost control in the said company.

5 Adjustments in segment profit (loss) represent corporate expenses, which primarily include general and administrative expenses not attributable to any of the reportable segments.

2. Earnings per share

The basis for calculating earnings per share attributable to owners of the parent for the fiscal years ended March 31, 2022 and 2023 are as follows:

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Profit for the period attributable to owners of the parent (Millions of yen)	30,532	8,857
Profit for the period adjustments		
Adjustments for dilutive shares issued by subsidiaries	—	—
Profit for the period used to calculate diluted earnings per share	30,532	8,857
Weighted average number of common shares outstanding during the period—basic (Shares)	119,054,854	115,364,837
Effect of dilutive potential common shares:		
Stock options, etc. (Shares)	117,197	108,614
Weighted average number of common shares outstanding during the period—diluted (Shares)	119,172,051	115,473,451
Earnings per share attributable to owners of the parent (Yen)		
Basic earnings per share	256.45	76.78
Diluted earnings per share	256.20	76.70
Summary of dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	—	Stock options issued by consolidated subsidiaries (number of subsidiary shares to be issued upon exercise of stock options: 168,900)

3. Impairment of assets

The Group recognized impairment losses, which are recorded under "other expenses" in the consolidated income statement.

The breakdown of the impairment losses is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Property and equipment		
Buildings and structures	(68)	(32)
Tools, furniture and fixtures	(30)	(4)
Right-of-use assets	(533)	(105)
Intangible assets		
Software	(3,555)	(192)
Other	(45)	(2)
Other non-current assets	(13)	(30)
Total	(4,244)	(364)

The Group organizes its assets into the smallest group of assets that generates identifiable independent cash flows. Idle assets are organized individually. Future cash flow is estimated on the basis of past results and management evaluation of future forecasts, using external and internal information.

For the fiscal year ended March 31, 2022

(From April 1, 2021 to March 31, 2022)

In the Game Business, individual game titles are recognized as cash generating units.

Future cash flows in the Game Business are estimated based on sales plans for individual game titles and trends in the Game Business. A pre-tax discount rate of 16.0%, calculated from the weighted average cost of capital, was used to discount the future cash flow from each game title to calculate the present value. The primary assumptions used in estimating future cash flows were future net sales forecasts and operating expenses forecasts for individual game titles that form the foundation of the business plan.

As a result of estimating value in use (recoverable amount), the Group identified games with the value in use less than their book value, and recorded an impairment loss of ¥4,193 million. The total value in use of game titles recorded as impairment losses was ¥1,583 million.

Net sales forecast, which is one of the primary assumptions used in calculating estimates, involves a high level of uncertainty, and a change in net sales forecast may result in an impairment loss in the following fiscal year.

For the fiscal year ended March 31, 2023

(From April 1, 2022 to March 31, 2023)

For the fiscal year ended March 31, 2023, there were no impairment losses to be separately disclosed in terms of the importance.

4. Significant subsequent events

(Investments accounted for using the equity method)

GO Inc. (Headquarters: Minato-ku, Tokyo; Representative Director & President: Hiroshi Nakajima), an associate of the Company accounted for using the equity method, passed a resolution to conduct a capital increase through a third-party allotment to one financial investor.

As a result, the shareholding of the Company in GO Inc. is expected to be 25.9% (28.1% as of March 31, 2023), and a one-time gain in earnings from the change in equity will be recorded as "share of profit (loss) of associates accounted for using the equity method” in the condensed consolidated income statement for the three months ending June 30, 2023.