

English Translation

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FY2021 Third Quarter Consolidated Financial Results [Japanese GAAP]

July 28, 2021

Listed company name: CyberAgent, Inc.

Listed stock exchange: TSE 1st section

Code No.: 4751

URL <https://www.cyberagent.co.jp/en/>

Representative: President

Susumu Fujita

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Quarterly report submission date: July 29, 2021

Dividend payment start date

—

Preparation of Supplementary Materials for Quarterly Financial Results: Yes

Presentation of Quarterly Financial Results: Yes (live stream only)

(Amounts less than ¥1 million rounded down)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending September 2021

(1) Consolidated results of operations (cumulative) (% = Year-on-Year Change.)

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
3Q FY2021	486,732	36.1	77,513	171.9	77,799	173.3	33,044	462.1
3Q FY2020	357,708	4.6	28,511	21.9	28,463	22.8	5,879	230.9

(Note) Comprehensive income 3Q FY2021¥49,738 million(288.8%) 3Q FY2020 ¥12,791 million (214.4%)

	Basic earnings per share	Diluted earnings per share
3Q FY2021	¥ 65.46	¥ 61.97
3Q FY2020	11.65	10.94

(Note) The Company conducted a four-for-one stock split of common stocks as of April 1, 2021. The "Basic earnings per share" and "Diluted earnings per share" are calculated assuming that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of 3Q FY2021	343,717	178,088	35.0
As of FY2020	260,766	127,678	34.3

(Reference) Equity capital: As of 3Q FY2021 ¥120,293 million As of FY2020 ¥89,528 million

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
FY2020	¥ —	¥ 0.00	¥ —	¥ 8.50	¥ 8.50
FY2021	—	0.00			
FY2021 (Forecast)				11.00	11.00

(Note 1) Revisions to most recent dividend forecast: Yes

(Note 2) The Company conducted a four-for-one stock split of common stocks as of April 1, 2021. The year-end dividends for FY2020 and FY2021(Forecast) are stated in an amount that reflects this stock split. If the stock split is not considered, the year-end dividend for FY2021 would be 44 yen.

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3. Forecast of the Consolidated Results for the Fiscal Year Ending September 2021

(October 1, 2020 - September 30, 2021)

(% = Year-on-Year Change.)

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	650,000	35.8	100,000	195.2	100,000	195.3	40,000	505.3	79.17

(Note 1) Revisions to most recent consolidated earnings forecast: Yes

(Note 2) The Company conducted a four-for-one stock split of common stocks as of April 1, 2021. The "Basic earnings per share" is calculated considering the said stock split.

*Notes

(1) Changes in Significant Subsidiaries during the Period: None

(Changes in specified subsidiaries due to changes in the scope of consolidation)

New : —(Company name: —)

Excluded : —(Company name: —)

(2) Application of simplified accounting methods and/or special accounting methods: None

(3) Changes in accounting policies, changes in accounting estimates, restatements

i) Changes associated with revisions of accounting standards: None

ii) Changes other than those included in i) : None

iii) Changes in accounting estimates: None

iv) Restatements: None

(4) Number of shares issued

(1) Number of shares issued and outstanding at end of period (including treasury stock)	
3Q FY2021: 505,706,400 shares	FY2020: 505,706,400 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
3Q FY2021: 511,404 shares	FY2020: 1,190,968 shares
(3) Average number of shares during the period (cumulative quarterly period)	
3Q FY2021: 504,783,449 shares	3Q FY2020: 504,222,833 shares

(Note) The Company conducted a four-for-one stock split of common stocks as of April 1, 2021. Number of shares issued is calculated assuming that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

*The Consolidated Financial Results is not subject to audit.

*Appropriate Use of Earnings Forecast and Other Matters

The forecast of performance is based on our expectations and assumptions as of the date the forecast was made. Our actual results could differ materially from those listed in this forecast because of various risks and uncertainties. For information related to the forecast indicated above, please refer to "1. Qualitative Information on the Quarterly Financial Summary (3) Forecast" on page 3.

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Table of Contents

1. Qualitative Information on the Quarterly Financial Summary.....	2
(1) Overview of Consolidated Financial Results.....	2
(2) Overview of Consolidated Financial Position.....	3
(3) Forecast.....	3
2. Quarterly Consolidated Financial Statements and Key Notes.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	5
(3) Notes to Quarterly Consolidated Financial Statements.....	7
(Notes Regarding the Going Concern Assumption).....	7
(Notes Regarding Significant Changes in Shareholders' Equity)	7
(Segment Information)	7

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1. Qualitative Information on the Quarterly Financial Summary

(1) Overview of Consolidated Financial Results

The scale of the Internet advertising market focusing on smartphones in 2021 is estimated to increase steadily by 21.1% (Note) year-on-year.

Under the circumstances, the CyberAgent Group has taken advantage of the growth of the smartphone market. At the same time, the group has been investing in "ABEMA", to grow it in the medium to long-term mainstay.

As a result, during the cumulative consolidated third quarter, Net sales grew 36.1% year on year to ¥486,732 million, and Operating income amounted to ¥77,513 million (171.9% increase). Ordinary income amounted to ¥77,799 million (173.3% increase), and Profit attributable to shareholders of parent increased 462.1% to ¥33,044 million.

(Note) Source: NIKKEI Advertising Research Institute / Advertising Expenditure increased 10.4% in FY2021.
(Revised in July 2021)

Earnings by business segments are discussed below.

(a) Media Business

The Media Business includes " ABEMA" and " Ameba" , etc.

While investing in "ABEMA", Net sales grew and amounted to ¥60,173 million for the period, a 52.6% year-on-year increase. Operating loss amounted to ¥11,215 million, compared to operating loss of ¥13,288 million for the same period in the prior fiscal year.

(b) Internet Advertisement Business

The Group's Internet Advertisement Business includes Internet Advertisement Division, CyberZ, Inc. and CyberACE, Inc., etc.

With our strength which maximizes the advertising effectiveness, this segment achieved a record high of Net sales. It reported ¥239,082 million in net sales, up 17.0% year on year. Operating income gained 5.9%, reaching ¥18,144 million.

(c) Game Business

The Game Business includes Cygames, Inc., Craft Egg, Inc., Sumzap, Inc., and Applibot, Inc. etc.

A new game title contributed to the results significantly, Net sales amounting to ¥186,335 million, a 59.5% year-on-year increase. Operating income was ¥68,589 million, a 196.4% year-on-year increase.

(d) Investment Development Business

The Investment Development Business consists of the CyberAgent corporate venture capital business and the fund operations of CyberAgent Capital, Inc. The Investment Development Business recorded Net sales of ¥6,107 million (66.2% year-on-year increase) and Operating income of ¥4,603 million (a year-on-year increase of 57.1%).

(e) Other Businesses

The Other Businesses segment includes CAM Inc., Makuake, Inc., Zelvía Co., Ltd. and CyberFight, Inc. etc.

This segment reported Net sales of ¥15,697 million, a 9.3% year-on-year increase. Operating income amounted to ¥562 million (a year-on-year decrease of 55.5%).

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(2) Overview of Consolidated Financial Position

(Financial position)

Total assets at the end of this consolidated third quarter have increased by ¥82,951 million compared to the end of the previous fiscal year and amounted to ¥343,717 million. It is mainly due to the increase in Current assets to sales and business scale increase.

Total liabilities have increased by ¥32,541 million compared to the end of previous fiscal year and amounted to ¥165,629 million. This increase is mainly due to an increase in Accounts payable-trade to sales and business scale increase.

Total net assets have increased by ¥50,410 million compared to the end of the previous fiscal year and amounted to ¥178,088 million. It is mainly due to increase in retained earnings owing to the recording of Profit attributable to shareholders of parent and Non-controlling interests.

(3) Forecast

The Company accumulates profits from the internet advertisement and the game business and invests in the media business as a pillar of its medium to long-term strategy. In the second quarter of the fiscal year 2021, a new game title contributed to the results significantly. The trend in the advertising business was also better than expected despite the partial impact of COVID-19. The Company thus has revised the original earnings forecast announced on April 28, 2021 upward again.

Also, the Company recognizes that the return of profits to shareholders is an important management priority and intends to continue to pay dividends along with increasing the value of our shares over a medium to long-term through business growth and improving capital efficiency. Since the fiscal year 2016, the Company is investing in ABEMA, the new future of TV, to develop it into a medium to long-term pillar, and set "DOE 5% or more" as a management indicator from the fiscal year 2017, to gain a medium to long-term support from our shareholders even during the investment period.

Therefore, as a result of the revision of the full-year earnings forecast for the fiscal year 2021, the year-end dividend forecast has been changed from 10 yen to 11 yen (40 yen to 44 yen based on the pre-stock split calculation) to achieve the DOE of 5% or more.

We will submit this matter to the 24th Annual General Meeting of Shareholders to be held in December 2021.

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2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: ¥ million)

	FY2020 (As of September 30, 2020)	3Q FY2021 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	102,368	146,607
Accounts and notes receivable-trade	58,550	83,705
Inventories	2,078	2,974
Sales investment securities	24,096	19,813
Other	16,674	19,877
Allowance for doubtful accounts	(93)	(94)
Total current assets	203,674	272,884
Non-current assets		
Property, plant and equipment	13,241	13,906
Intangible assets		
Goodwill	1,192	543
Other	23,316	22,970
Total intangible assets	24,509	23,514
Investments and other assets		
Other	19,311	33,459
Allowance for doubtful accounts	(14)	(95)
Total investments and other assets	19,296	33,364
Total non-current assets	57,047	70,785
Deferred assets	44	48
Total assets	260,766	343,717
Liabilities		
Current liabilities		
Notes and accounts payable-trade	42,966	56,137
Short-term loans payable	1,080	2,880
Income tax payable	9,458	18,870
Other	34,363	42,623
Total current liabilities	87,867	120,510
Non-current liabilities		
Convertible bonds	40,331	40,254
Accrued long service rewards for employees	1,586	1,807
Asset retirement obligations	1,851	1,874
Other	1,451	1,182
Total non-current liabilities	45,220	45,118
Total liabilities	133,088	165,629
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	8,048	11,162
Retained earnings	63,529	92,285
Treasury stock	(315)	(136)
Total shareholders' equity	78,466	110,514
Other comprehensive income		
Valuation difference on available-for-sale securities	10,952	9,561
Foreign currency translation adjustments	109	217
Total other comprehensive income	11,062	9,778
Subscription rights to shares	977	1,175
Non-controlling interests	37,171	56,619
Total net assets	127,678	178,088
Total liabilities and net assets	260,766	343,717

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(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income (Cumulative consolidated third quarter)

(Unit: ¥ million)

	3Q FY2020 (October 1, 2019 - June 30, 2020)	3Q FY2021 (October 1, 2020 - June 30, 2021)
Net sales	357,708	486,732
Cost of sales	252,217	318,802
Gross profit	105,490	167,929
Selling, general and administrative expenses	76,979	90,415
Operating income	28,511	77,513
Non-operating income		
Interest income	101	100
Dividends received	116	323
Foreign exchange gains	—	154
Other	140	190
Total non-operating income	358	768
Non-operating expenses		
Interest expenses	11	9
Equity in losses of affiliates	311	280
Other	82	193
Total non-operating expenses	406	483
Ordinary income	28,463	77,799
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	79	1,578
Insurance income	—	429
Other	8	103
Total extraordinary gain	88	2,111
Extraordinary loss		
Impairment loss	4,508	2,140
Other	984	621
Total extraordinary loss	5,493	2,762
Income before income taxes and non-controlling interests	23,058	77,149
Income taxes-current	11,726	26,158
Income taxes-deferred	(283)	12
Total income tax	11,442	26,171
Net income	11,615	50,977
Profit attributable to non-controlling interests	5,736	17,932
Profit attributable to shareholders of parent	5,879	33,044

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Quarterly Consolidated Statements of Comprehensive Income (Cumulative consolidated third quarter)

(Unit: ¥ million)

	3Q FY2020 (October 1, 2019 - June 30, 2020)	3Q FY2021 (October 1, 2020 - June 30, 2021)
Net income	11,615	50,977
Other comprehensive income		
Valuation difference on available-for-sale securities	982	(1,308)
Foreign currency translation adjustment	(14)	157
Share of other comprehensive income of associates accounted for using equity method	208	(88)
Total other comprehensive income	1,175	(1,239)
Comprehensive income	12,791	49,738
(Comprehensive income attributable to)		
Shareholders of the parent	7,068	31,761
Non-controlling interests	5,722	17,976

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(3)Notes to Quartely Consolidated Financial Statement

(Notes Regarding the Going Concern Assumption)

No applicable items.

(Notes Regarding Significant Changes in Shareholders' Equity)

No applicable items.

(Segment Information)

I. Cumulative Third Quarter of the Fiscal Year Ended September 2020 (October 1, 2019 to June 30, 2020)

1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Adjustments *	Quarterly Consolidated Statements of Income
	Media	Internet Advertisem ent	Game	Investment Developme nt	Other	Total		
Net sales								
Sales to external customers	33,602	190,748	116,615	3,675	13,066	357,708	—	357,708
Inter-segment sales or transfers	5,835	13,670	200	—	1,300	21,006	(21,006)	—
Total	39,437	204,419	116,815	3,675	14,367	378,714	(21,006)	357,708
Segment income (loss)	(13,288)	17,130	23,142	2,931	1,264	31,180	(2,669)	28,511

*Adjustment of ¥ -2,669 million represents corporate general and administrative expenses not allocable to a reportable segment.

II. Cumulative Third Quarter of the Fiscal Year Ending September 2021 (October 1, 2020 to June 30, 2021)

1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Adjustments *	Quarterly Consolidated Statements of Income
	Media	Internet Advertisem ent	Game	Investment Developme nt	Other	Total		
Net sales								
Sales to external customers	55,553	224,993	186,159	6,107	13,918	486,732	—	486,732
Inter-segment sales or transfers	4,619	14,089	175	—	1,779	20,663	(20,663)	—
Total	60,173	239,082	186,335	6,107	15,697	507,395	(20,663)	486,732
Segment income (loss)	(11,215)	18,144	68,589	4,603	562	80,685	(3,171)	77,513

*Adjustment of ¥ -3,171 million represents corporate general and administrative expenses not allocable to a reportable segment.