

English Translation

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FY2022 First Quarter Consolidated Financial Results [Japanese GAAP]

January 26, 2022

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

Inquiries: Senior Managing Executive Officer Go Nakayama

Tel +81-3-5459-0202

Quarterly report submission date: January 27, 2022

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 First Quarter of the Fiscal Year Ending September 2022

(1) Consolidated results of operations (cumulative)

(% = Year-on-Year Change.)

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of parent		Comprehensive income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
1Q FY2022	171,090	30.6	19,804	180.6	19,836	186.1	6,091	107.9	8,831	—
1Q FY2021	131,014	13.3	7,058	(8.7)	6,932	(10.2)	2,930	101.3	(1,262)	—

	Basic earnings per share	Diluted earnings per share
1Q FY2022	¥ 12.05	¥ 11.39
1Q FY2021	5.80	5.46

(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	Shareholders' equity ratio
As of 1Q FY2022	¥ million 353,904	¥ million 195,788	¥ million 126,669	% 35.8
As of FY2021	382,578	194,145	128,883	33.7

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
FY2021	¥ —	¥ 0.00	¥ —	¥ 11.00	¥ 11.00
FY2022	—	—	—	—	—
FY2022 (Forecast)	—	—	—	—	—

(Note 1) Revisions to most recent dividend forecast: None

(Note 2) The year-end dividend for FY2022 is to be determined.

3. Forecast of the Consolidated Results for the Fiscal Year Ending September 2022

(October 1, 2021 - September 30, 2022)

The Company has continuously disclosed the earnings forecast in the rapidly evolving internet industry. However, the game business expects that the operation status of the existing games and launch dates of upcoming games may cause large fluctuations in the business performance in the near future. This makes it difficult to calculate appropriate and reasonable figures for the consolidated earnings forecast for the fiscal year ending September 30, 2022. Thus, the Company decided to refrain from disclosing the forecast for fiscal 2022 at this time.

The Company will closely monitor the progress and disclose the forecast as soon as it becomes possible to calculate it.

For detailed information related to the forecast, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information" on page 2.

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*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: Yes

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)	
1Q FY2022: 505,706,400 shares	FY2021: 505,706,400 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
1Q FY2022: 226,604 shares	FY2021: 251,404 shares
(3) Average number of shares during the period (cumulative quarterly period)	
1Q FY2022: 505,475,657 shares	1Q FY2021: 504,658,084 shares

(Note) The Company conducted a four-for-one stock split of common stocks as of April 1, 2021. The "Average number of shares during the period (cumulative period) " is calculated assuming that the said stock split was conducted at the beginning of the previous 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 Quarterly Financial Results (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information" on page 2.

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1. Qualitative Information on the Quarterly Financial Results

(1) Explanation of Consolidated Financial Results

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

As a result, during the cumulative consolidated first quarter, Net sales grew 30.6% year on year to ¥171,090 million, and Operating income amounted to ¥19,804 million (180.6% increase). Ordinary income amounted to ¥19,836 million (186.1% increase), and profit attributable to shareholders of parent increased 107.9% to ¥6,091 million.

Earnings by business segments are discussed below.

(a) Media Business

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

While investing in "ABEMA", the TV for future, Net sales grew and amounted to ¥24,996 million for the period, a 22.4% year-on-year increase. Operating loss amounted to ¥3,840 million, compared to operating loss of ¥3,926 million for the same period in the prior fiscal year.

(b) Internet Advertisement Business

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

With our strength which maximizes the advertising effectiveness, this segment achieved a record high of Net sales. It reported ¥87,831 million in Net sales, up 14.7% year on year. Operating income gained 0.7%, reaching ¥5,746 million.

(c) Game Business

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

A new game title which launched in February 2021 contributed to the results, Net sales amounting to ¥58,329 million, a 94.7% year-on-year increase. Operating income was ¥17,130 million, a 1,405.7% 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 ¥2,461 million (53.7% year-on-year decrease) and operating income of ¥1,969 million (a year-on-year decrease of 57.5%).

(e) Other Businesses

The Other Businesses segment includes Makuake, Inc., REALGATE INC., Zelvia Co., Ltd. and others.

This segment reported Net sales of ¥6,347 million, a 21.5% year-on-year increase. Operating income amounted to ¥152 million (a year-on-year decrease of 47.4%).

(2) Explanation of Consolidated Financial Position

Total assets at the end of this consolidated first quarter have decreased by ¥28,674 million compared to the end of the previous fiscal year and amounted to ¥353,904 million. It is mainly due to the decrease in Cash and deposits by corporate tax and dividend paid.

Total liabilities have decreased by ¥30,317 million compared to the end of previous fiscal year and amounted to ¥158,115 million. This decrease is mainly due to a decrease in Income tax payable with payment of corporate tax, etc.

Total net assets have increased by ¥1,643 million compared to the end of the previous fiscal year and amounted to ¥195,788 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) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information

With the purpose "To break through stagnation with new power and the internet," the Group has expanded its business in the internet industry. Our current strategy is to build up profits in the internet advertising and the game business, invest adequately in the media business, and develop ABEMA into a medium to a long-term pillar.

As for the strategy by segment, in the media business, the Company will continue to increase weekly active users of ABEMA and strengthen monetization including the related businesses. In the Internet advertising business, we will strive to expand our market share by leveraging our operational and technical capabilities, and in the game business, we will strengthen the operation of ongoing games and aim to make new games successful.

Regarding the earnings forecast, the game business expects that the operation status of the existing games and launch dates of upcoming games may cause large fluctuations in the business performance in the near future. This makes it difficult to calculate appropriate and reasonable figures for the consolidated earnings forecast for the fiscal year ending September 30, 2022. Thus, the Company decided to refrain from disclosing the forecast for fiscal 2022 at this time. The Company will closely monitor the progress and disclose the forecast as soon as it becomes possible to calculate it.

The dividend forecast is also to be determined according to the management guidance of the DOE 5%.

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2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

	FY2021 (As of September 30, 2021)	1Q FY2022 (As of December 31, 2021)
(Unit: ¥ million)		
Assets		
Current assets		
Cash and deposits	181,451	157,221
Notes and accounts receivable-trade	75,300	—
Notes and accounts receivable-trade, and contract assets	—	72,665
Inventories	3,226	3,486
Sales investment securities	18,969	15,983
Other	22,832	24,151
Allowance for doubtful accounts	(130)	(127)
Total current assets	301,650	273,381
Non-current assets		
Property, plant and equipment	16,740	18,804
Intangible assets		
Goodwill	4,957	5,326
Other	21,484	21,133
Total intangible assets	26,442	26,460
Investments and other assets		
Other	37,800	35,319
Allowance for doubtful accounts	(97)	(98)
Total investments and other assets	37,702	35,220
Total non-current assets	80,885	80,485
Deferred assets	42	36
Total assets	382,578	353,904
Liabilities		
Current liabilities		
Notes and accounts payable-trade	56,055	58,078
Short-term loans payable	1,037	4,080
Income tax payable	29,723	3,396
Other	53,898	43,352
Total current liabilities	140,714	108,907
Non-current liabilities		
Convertible bonds	40,228	40,202
Long-term loans payable	1,174	3,300
Accrued long service rewards for employees	1,851	1,907
Asset retirement obligations	1,974	2,079
Other	2,489	1,717
Total non-current liabilities	47,718	49,208
Total liabilities	188,433	158,115
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	11,198	11,100
Retained earnings	100,794	101,378
Treasury stock	(67)	(61)
Total shareholders' equity	119,128	119,621
Other comprehensive income		
Valuation difference on available-for-sale securities	9,517	6,783
Foreign currency translation adjustments	237	265
Total other comprehensive income	9,755	7,048
Subscription rights to shares	1,320	1,421
Non-controlling interests	63,940	67,697
Total net assets	194,145	195,788
Total liabilities and net assets	382,578	353,904

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

Quarterly Consolidated Statements of Income
(Cumulative consolidated first quarter)

	(Unit: ¥ million)	
	1Q FY2021 (October 1, 2020 - December 31, 2020)	1Q FY2022 (October 1, 2021 - December 31, 2021)
Net sales	131,014	171,090
Cost of sales	95,047	116,671
Gross profit	35,967	54,419
Selling, general and administrative expenses	28,908	34,615
Operating income	7,058	19,804
Non-operating income		
Interest income	34	36
Dividends received	50	138
Other	72	22
Total non-operating income	157	196
Non-operating expenses		
Interest expenses	3	12
Equity in losses of affiliates	110	62
Foreign exchange losses	100	42
Other	69	47
Total non-operating expenses	283	164
Ordinary income	6,932	19,836
Extraordinary income		
Gain on sale of investment securities	—	97
Other	454	0
Total extraordinary gain	454	97
Extraordinary loss		
Impairment loss	723	899
Other	113	82
Total extraordinary loss	837	981
Income before income taxes and non-controlling interests	6,550	18,953
Income taxes-current	2,784	4,553
Income taxes-deferred	359	2,892
Total income tax	3,143	7,446
Net income	3,406	11,506
Profit attributable to non-controlling interests	476	5,414
Profit attributable to shareholders of parent	2,930	6,091

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

	(Unit: ¥ million)	
	1Q FY2021 (October 1, 2020 - December 31, 2020)	1Q FY2022 (October 1, 2021 - December 31, 2021)
Net income	3,406	11,506
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,547)	(2,726)
Foreign currency translation adjustment	(32)	48
Share of other comprehensive income of associates accounted for using equity method	(88)	3
Total other comprehensive income	(4,668)	(2,674)
Comprehensive income	(1,262)	8,831
(Comprehensive income attributable to)		
Shareholders of the parent	(1,736)	3,385
Non-controlling interests	474	5,446

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

No applicable items.

(Notes Regarding Significant Changes in Shareholders' Equity)

No applicable items.

(Notes Change in Accounting Policies)

(Application of accounting standards for revenue recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. The Company now recognizes revenue as the amount expected to be received in exchange for promised goods or services when control of sold goods or services is transferred to the customer.

With this change, revenue from item charges, mainly in the game business, is now recognized based on the customer's estimated usage period, which was previously recognized when users used in-game currency to purchase items.

In applying the Accounting Standard for Revenue Recognition and other standards, the Company has complied with the transitional treatment outlined in the Article 84 proviso of it.

The cumulative impact of applying the new accounting policy retrospectively before the beginning of the first quarter of the current fiscal year was added to or subtracted from retained earnings at the start of the first quarter of the current fiscal year. The new accounting policy was applied from that balance. As a result, the impact on profit and loss and the beginning balance of retained earnings for the first quarter of the current fiscal year is minor.

As a result of the revenue recognition standard, "Notes and accounts receivable-trade," which was included in "Current assets" in the consolidated balance sheet for the previous fiscal year, is now included in "Notes and accounts receivable-trade, and contract assets" from the first quarter of the current fiscal year.

According to the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the previous fiscal year to conform to the new presentation. In addition, following the transitional treatment set forth in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information that breaks down revenue from contracts with customers for the first quarter of the previous fiscal year is not presented.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year. The new accounting policy will be applied in the future, in line with the transitional treatment specified in Paragraph 19 of the Accounting Standard for Market Value Accounting and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

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(Segment Information)

I. Cumulative First Quarter of the Fiscal Year Ended September 2021 (October 1, 2020 to December 31, 2020)

1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Adjustments*	Quarterly Consolidated Statements of Income
	Media	Internet Advertisement	Game	Investment Development	Other	Total		
Net sales								
Sales to external customers	18,810	72,205	29,885	5,314	4,798	131,014	—	131,014
Inter-segment sales or transfers	1,617	4,382	68	—	425	6,493	(6,493)	—
Total	20,428	76,587	29,954	5,314	5,223	137,508	(6,493)	131,014
Segment income (loss)	(3,926)	5,705	1,137	4,636	289	7,842	(783)	7,058

*Adjustment of ¥ -783 million represents corporate general and administrative expenses not allocable to a reportable segment.

2. Matters related to changes in Reportable Segment

No applicable items.

II. Cumulative First Quarter of the Fiscal Year Ending September 2022 (October 1, 2021 to December 31, 2021)

1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Adjustments*	Quarterly Consolidated Statements of Income
	Media	Internet Advertisement	Game	Investment Development	Other	Total		
Net sales								
Revenue from contracts with customers**	22,489	82,262	58,258	2,461	5,618	171,090	—	171,090
Sales to external customers	22,489	82,262	58,258	2,461	5,618	171,090	—	171,090
Inter-segment sales or transfers	2,507	5,569	70	—	729	8,876	(8,876)	—
Total	24,996	87,831	58,329	2,461	6,347	179,967	(8,876)	171,090
Segment income(loss)	(3,840)	5,746	17,130	1,969	152	21,157	(1,353)	19,804

*Adjustment of ¥ -1,353 million represents corporate general and administrative expenses not allocable to a reportable segment.

** The revenue recognition method is as described in Notes Change in Accounting Policies.

*** The amount of revenue other than "Revenue from contracts with customers" is insignificant. The Company does not report it separately from "Revenue from contracts with customers".

2. Matters related to changes in Reportable Segment

As described in the Change in Accounting Policies, the Company has applied the "Accounting Standard for Revenue Recognition" and other standards from the beginning of the first quarter of the current fiscal year. As a result, the Company has changed the accounting method for revenue recognition, and calculating income and loss for business segments.

The impact on "Sales to external customers" and "Segment income (loss)" in each business segment of the first quarter of this consolidated fiscal year is minor.