

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

FY2022 Second Quarter Consolidated Financial Results [Japanese GAAP]

April 27, 2022

Listed company name: CyberAgent, Inc.

Listed stock exchange: TSE Prime Market

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: April 28, 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 Second 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	%
2Q FY2022	362,192	23.0	45,527	38.2	45,715	38.4	17,155	25.3	25,668	40.8
2Q FY2021	294,497	20.3	32,932	62.8	33,029	63.2	13,694	187.7	18,233	170.9

	Basic earnings per share	Diluted earnings per share
2Q FY2022	¥ 33.93	¥ 32.14
2Q FY2021	27.13	25.66

(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 2Q FY2022	¥ million 385,731	¥ million 212,831	¥ million 137,660	% 35.7
As of FY2021	382,578	194,145	128,883	33.7

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
FY2020	¥ —	¥ 0.00	¥ —	¥ 11.00	¥ 11.00
FY2021	—	0.00	—	—	—
FY2021 (Forecast)	—	—	—	14.00	14.00

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

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

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

(October 1, 2021 - September 30, 2022)

(% = 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	700,000	5.0	70,000	(32.9)	70,000	(33.1)	25,000	(39.8)	49.44

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

*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)	
2Q FY2022: 505,706,400 shares	FY2021: 505,706,400 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
2Q FY2022: 62,604 shares	FY2021: 251,404 shares
(3) Average number of shares during the period (cumulative quarterly period)	
2Q FY2022: 505,534,912 shares	2Q FY2021: 504,703,240 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 Quarterly Financial Results (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information” on page 3.

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Table of Contents

1. Qualitative Information on the Quarterly Financial Results.....	2
(1) Explanation of Consolidated Financial Results.....	2
(2) Explanation of Consolidated Financial Position.....	2
(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information.....	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) Quarterly Consolidated Statements of Cash Flows.....	6
(4) Notes to Quarterly Consolidated Financial Statements.....	7
(Notes Regarding the Going Concern Assumption).....	7
(Notes Regarding Significant Changes in Shareholders' Equity)	7
(Notes Change in Accounting Policies).....	7
(Segment Information)	8

1. Qualitative Information on the Quarterly Financial Summary

(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 second quarter, net sales grew 23.0% year on year to ¥362,192 million, and operating income amounted to ¥45,527 million (38.2% increase). Ordinary income amounted to ¥45,715 million (38.4% increase), and profit attributable to shareholders of parent increased 25.3% to ¥17,155 million.

Earnings by business segments are discussed below.

(a) Media Business

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

Due to a significant increase in sales of "ABEMA", the TV for future, and related business, Net sales grew and amounted to ¥52,338 million for the period, a 30.0% year-on-year increase. Operating loss amounted to ¥5,804 million, compared to operating loss of ¥7,384 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.

By pursuing the advertising effectiveness, this segment achieved a record high of Net sales and Operating income. It reported ¥184,855 million in Net sales, up 17.6% year on year. Operating income gained 2.1%, reaching ¥13,218 million.

(c) Game Business

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

Driven by the successes on anniversary events of major existing titles, Net sales amounting to ¥127,342 million, a 35.6% year-on-year increase. Operating income was ¥38,529 million, a 58.2% 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 ¥3,337 million (42.1% year-on-year decrease) and Operating income of 2,306 million (a year-on-year decrease of 49.6%).

(e) Other Businesses

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

This segment reported Net sales of ¥12,971 million, a 19.0% year-on-year increase. Operating income amounted to ¥361 million (a year-on-year decrease of 35.4%).

(2) Explanation of Consolidated Financial Position

(Financial position)

Total assets at the end of this consolidated second quarter have increased by ¥3,152 million compared to the end of the previous fiscal year and amounted to ¥385,731 million. It is mainly due to the increase in Current assets to sales and business scale increase.

Total liabilities have decreased by ¥15,533 million compared to the end of previous fiscal year and amounted to ¥172,899 million. This decrease is mainly due to a decrease in Income tax payable.

Total net assets have increased by ¥18,686 million compared to the end of the previous fiscal year and amounted to ¥212,831 million. It is mainly due to increase in retained earnings owing to the recording of profit attributable to shareholders of parent.

(Cash flows)

As of the end of the consolidated second quarter, cash and cash equivalents decreased by ¥4,012 million from the end of the previous fiscal year to ¥180,070 million.

The following is a summary of the major factor affecting the cash flow in the cumulative consolidated second quarter.

i) Cash flow from operating activities

Net cash provided by operating activities was ¥10,887 million of inflow (¥10,082 million of inflow in the same period of the previous fiscal year). The major inflow included net income gains, and the major outflow included income tax payments.

ii) Cash flow from investing activities

Net cash used in investing activities was ¥10,371 million of outflow (¥12,935 million of outflow in the same period of the previous fiscal year). Major outflow included purchase of fixed assets.

iii) Cash flow from financing activities

Net cash provided by financing activities was ¥4,587 million of outflow (¥600 million of inflow in the same period of the previous fiscal year). The major outflow included dividend payment to investment partners.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information

The Company announced the earnings forecast for the fiscal year ending September 30, 2022. The Net sales is expected to be ¥700,000 million, an increase of 5.0% from the previous fiscal year. Despite factoring in the pullback in the game business due to the big hit in the previous fiscal year, the Net sales of the advertising business and media business are expected to grow in revenue. Also, the Consolidated operating income and the Consolidated ordinary income are expected to be ¥70,000 million due to the pullback in the game business which has high operating profit margin. Accordingly, the Profit attributable to shareholders of parent is expected to be ¥25,000 million.

While continuously investing in "ABEMA", the TV for the future, The CyberAgent Group aim to grow steadily in the medium to long-term.

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 the medium to long-term through business growth and improving capital efficiency. Since the fiscal year 2016, the Company has been investing in "ABEMA," the TV for the future, to develop it into the 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, according to the announcement of the full-year earnings forecast for the fiscal year 2022, the year-end dividend forecast is 14 yen to achieve the DOE of 5% or more. We will submit this matter to the 25th Annual General Meeting of Shareholders to be held in December 2022. The above forecast 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 uncertainties.

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: ¥ million)

	FY2021 (As of September 30, 2021)	2Q FY2022 (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	181,451	177,567
Accounts and notes receivable-trade	75,300	—
Notes and accounts receivable-trade, and contract assets	—	81,534
Inventories	3,226	2,721
Sales investment securities	18,969	15,665
Other	22,832	26,549
Allowance for doubtful accounts	(130)	(132)
Total current assets	301,650	303,905
Non-current assets		
Property, plant and equipment	16,740	19,200
Intangible assets		
Goodwill	4,957	5,449
Other	21,484	20,114
Total intangible assets	26,442	25,564
Investments and other assets		
Other	37,800	37,126
Allowance for doubtful accounts	(97)	(98)
Total investments and other assets	37,702	37,027
Total non-current assets	80,885	81,792
Deferred assets	42	32
Total assets	382,578	385,731
Liabilities		
Current liabilities		
Notes and accounts payable-trade	56,055	62,562
Short-term loans payable	1,037	2,030
Income tax payable	29,723	13,319
Other	53,898	45,525
Total current liabilities	140,714	123,437
Non-current liabilities		
Convertible bonds	40,228	40,176
Long-term loans payable	1,174	3,262
Accrued long service rewards for employees	1,851	2,153
Asset retirement obligations	1,974	2,149
Other	2,489	1,720
Total non-current liabilities	47,718	49,462
Total liabilities	188,433	172,899
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	11,198	11,128
Retained earnings	100,794	112,442
Treasury stock	(67)	(18)
Total shareholders' equity	119,128	130,756
Other comprehensive income		
Valuation difference on available-for-sale securities	9,517	6,653
Foreign currency translation adjustments	237	250
Total other comprehensive income	9,755	6,904
Subscription rights to shares	1,320	1,481
Non-controlling interests	63,940	73,689
Total net assets	194,145	212,831
Total liabilities and net assets	382,578	385,731

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

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

Quarterly Consolidated Statements of Income (Cumulative consolidated second quarter)

(Unit: ¥ million)

	2Q FY2021 (October 1, 2020 - March 31, 2021)	2Q FY2022 (October 1, 2021 - March 31, 2022)
Net sales	294,497	362,192
Cost of sales	202,000	244,887
Gross profit	92,496	117,305
Selling, general and administrative expenses	59,563	71,778
Operating income	32,932	45,527
Non-operating income		
Interest income	67	69
Dividends received	59	158
Other	316	222
Total non-operating income	444	450
Non-operating expenses		
Interest expenses	5	27
Equity in losses of affiliates	183	125
Other	158	109
Total non-operating expenses	347	261
Ordinary income	33,029	45,715
Extraordinary income		
Gain on sale of investment securities	8	233
Other	455	0
Total extraordinary gain	463	234
Extraordinary loss		
Impairment loss	1,761	1,642
Other	472	135
Total extraordinary loss	2,234	1,777
Income before income taxes and non-controlling interests	31,258	44,173
Income taxes-current	11,306	13,551
Income taxes-deferred	(200)	2,282
Total income tax	11,105	15,833
Net income	20,152	28,339
Profit attributable to non-controlling interests	6,457	11,183
Profit attributable to shareholders of parent	13,694	17,155

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

(Unit: ¥ million)

	2Q FY2021 (October 1, 2020 - March 31, 2021)	2Q FY2022 (October 1, 2021 - March 31, 2022)
Net income	20,152	28,339
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,022)	(2,733)
Foreign currency translation adjustment	138	55
Share of other comprehensive income of associates accounted for using equity method	(35)	7
Total other comprehensive income	(1,919)	(2,670)
Comprehensive income	18,233	25,668
(Comprehensive income attributable to)		
Shareholders of the parent	11,691	14,304
Non-controlling interests	6,541	11,363

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: ¥ million)

	2Q FY2021 (October 1, 2020 - March 31, 2021)	2Q FY2022 (October 1, 2021 - March 31, 2022)
Cash flow from operating activities		
Income before income taxes and non-controlling interests	31,258	44,173
Depreciation	4,906	4,931
Impairment loss	1,761	1,642
Decrease (increase) in notes and accounts receivable-trade	(38,971)	—
Decrease (Increase) in notes and accounts receivable-trade, and contract assets	—	(6,076)
Increase (decrease) in accounts payable-trade	17,650	6,406
Increase (decrease) in advances received.	1,914	3,386
Increase (decrease) in accounts payable-other	(723)	(1,754)
Increase (decrease) in accrued consumption taxes	2,673	(8,835)
Other, net	(324)	(4,410)
Sub-total	20,144	39,463
Interest and dividends income received	76	173
Interest expenses paid	(5)	(27)
Income taxes paid	(10,132)	(28,722)
Net cash provided by (used in) operating activities	10,082	10,887
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,696)	(4,355)
Purchase of intangible assets	(4,599)	(4,296)
Purchases of investment securities	(5,293)	(1,148)
Other, net	(1,345)	(569)
Net cash provided by (used in) investing activities	(12,935)	(10,371)
Cash flow from financing activities		
Proceeds from long-term loans payable	—	2,255
Cash dividends paid	(4,288)	(5,554)
Payments of dividends to investment partners	(242)	(1,592)
Other, net	5,131	304
Net cash provided by (used in) financing activities	600	(4,587)
Effect of exchange rate change on cash and cash equivalents	268	131
Net increase (decrease) in cash and cash equivalents	(1,984)	(3,940)
Cash and cash equivalents at beginning of period	102,368	184,082
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(72)
Cash and cash equivalents at the end of period	100,384	180,070

(4)Notes to Quarterly Consolidated Financial Statement

(Notes Regarding the Going Concern Assumption)

No applicable items.

(Notes Regarding Significant Changes in Shareholders' Equity)

No applicable items.

(Note 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 second 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. Also, "Decrease (increase) in notes and accounts receivable-trade" which was included in "Cash flow from operating activities" in Quarterly Consolidated Statements of Cash Flows for the previous fiscal year, is now included in "Decrease (Increase) in notes and accounts receivable-trade, and contract assets" from the second 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.

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

(Segment Information)

I. Cumulative Second Quarter of the Fiscal Year Ended September 2021 (October 1, 2020 to March 31, 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	37,087	148,244	93,820	5,762	9,582	294,497	—	294,497
Inter-segment sales or transfers	3,171	8,983	117	—	1,314	13,587	(13,587)	—
Total	40,259	157,228	93,937	5,762	10,897	308,085	(13,587)	294,497
Segment income (loss)	(7,384)	12,941	24,347	4,575	559	35,039	(2,106)	32,932

*Adjustment of ¥ -2,106 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 Second Quarter of the Fiscal Year Ending September 2022 (October 1, 2021 to March 31, 2022)

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								
Revenue from contracts with customers**	47,329	173,134	127,134	3,337	11,257	362,192	—	362,192
Sales to external customers	47,329	173,134	127,134	3,337	11,257	362,192	—	362,192
Inter-segment sales or transfers	5,008	11,721	208	—	1,714	18,652	(18,652)	—
Total	52,338	184,855	127,342	3,337	12,971	380,844	(18,652)	362,192
Segment income (loss)	(5,804)	13,218	38,529	2,306	361	48,611	(3,084)	45,527

*Adjustment of ¥ -3,084 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.