

English Translation

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FY2022 Third Quarter Consolidated Financial Results [Japanese GAAP]

July 27, 2022

Listed company name: CyberAgent, Inc.

Listed stock exchange: TSE Prime Market

Code No.: 4751

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

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Quarterly report submission date: July 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 Third 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	%
3Q FY2022	534,348	9.8	55,898	(27.9)	56,266	(27.7)	20,701	(37.4)	29,927	(39.8)
3Q FY2021	486,732	36.1	77,513	171.9	77,799	173.3	33,044	462.1	49,738	288.8

	Basic earnings per share	Diluted earnings per share
3Q FY2022	¥ 40.94	¥ 38.76
3Q FY2021	65.46	61.97

(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 3Q FY2022	¥ million 374,695	¥ million 216,683	¥ million 140,515	% 37.5
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	—	0.00	—	—	—
FY2022 (Forecast)	—	—	—	14.00	14.00

(Note) Revisions to most recent dividend forecast: No

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)	49.43

(Note) Revisions to most recent consolidated earnings forecast: No

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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)	
3Q FY2022: 505,706,400 shares	FY2021: 505,706,400 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
3Q FY2022: 1,004 shares	FY2021: 251,404 shares
(3) Average number of shares during the period (cumulative quarterly period)	
3Q FY2022: 505,576,066 shares	3Q FY2021: 504,783,449 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 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 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 third quarter, Net sales grew 9.8% year on year to ¥534,348 million, and Operating income amounted to ¥55,898 million (27.9% decrease). Ordinary income amounted to ¥56,266 million (27.7% decrease), and Profit attributable to shareholders of parent decreased 37.4% to ¥20,701 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 the Pay-Per-View service of "ABEMA", the TV for future, and related business, Net sales grew and amounted to ¥81,842 million for the period, a 36.0% year-on-year increase.

Operating loss amounted to ¥9,779 million, compared to operating loss of ¥11,215 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.

Maintained high sales growth, this segment achieved a record high of Net sales. It reported ¥284,428 million in Net sales, up 19.0% year on year. Operating income gained 7.0%, reaching ¥19,409 million.

(c) Game Business

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

Due to the impact of the big events etc in the previous quarter, Net sales amounting to ¥173,551 million, a 6.9% year-on-year decrease. Operating income was ¥48,427 million, a 29.4% year-on-year decrease.

(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 ¥3,353 million (45.1% year-on-year decrease) and operating income of ¥2,119 million (a year-on-year decrease of 54.0%).

(e) Other Businesses

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

This segment reported Net sales of ¥19,325 million, a 23.1% year-on-year increase. Operating income amounted to ¥356 million (a year-on-year decrease of 36.6%).

(2) Explanation of Consolidated Financial Position

Total assets at the end of this consolidated third quarter have decreased by ¥7,882 million compared to the end of the previous fiscal year and amounted to ¥374,695 million. It is mainly due to the decrease in Cash and deposits by corporate tax and dividend paid.

Total liabilities have decreased by ¥30,420 million compared to the end of previous fiscal year and amounted to ¥158,012 million. This decrease is mainly due to a decrease in accrued income tax through the payment to corporate tax, etc.

Total net assets have increased by ¥22,537 million compared to the end of the previous fiscal year and amounted to ¥216,683 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

The forecast of FY2022 has not been revised from its original publication on April 27, 2022.

The forecast is based on our expectations and assumptions as of the date the forecast was made. Our actual results could differ from those listed in this forecast because of various factors.

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2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit: ¥ million)	
	FY2021 (As of September 30, 2021)	3Q FY2022 (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	181,451	167,264
Accounts and notes receivable-trade	75,300	—
Notes and accounts receivable-trade, and contract assets	—	64,395
Inventories	3,226	3,123
Sales investment securities	18,969	15,937
Other	22,832	35,807
Allowance for doubtful accounts	(130)	(80)
Total current assets	301,650	286,447
Non-current assets		
Property, plant and equipment	16,740	19,219
Intangible assets		
Goodwill	4,957	5,358
Other	21,484	19,119
Total intangible assets	26,442	24,478
Investments and other assets		
Other	37,800	44,622
Allowance for doubtful accounts	(97)	(99)
Total investments and other assets	37,702	44,523
Total non-current assets	80,885	88,220
Deferred assets	42	27
Total assets	382,578	374,695
Liabilities		
Current liabilities		
Notes and accounts payable-trade	56,055	57,281
Short-term loans payable	1,037	3,700
Income tax payable	29,723	3,201
Other	53,898	63,875
Total current liabilities	140,714	128,058
Non-current liabilities		
Convertible bonds	40,228	20,113
Long-term loans payable	1,174	3,368
Accrued long service rewards for employees	1,851	2,553
Asset retirement obligations	1,974	2,106
Other	2,489	1,812
Total non-current liabilities	47,718	29,953
Total liabilities	188,433	158,012
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	11,198	11,729
Retained earnings	100,794	115,698
Treasury stock	(67)	(1)
Total shareholders' equity	119,128	134,629
Other comprehensive income		
Valuation difference on available-for-sale securities	9,517	5,644
Foreign currency translation adjustments	237	242
Total other comprehensive income	9,755	5,886
Subscription rights to shares	1,320	1,624
Non-controlling interests	63,940	74,543
Total net assets	194,145	216,683
Total liabilities and net assets	382,578	374,695

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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 FY2021 (October 1, 2020 - June 30, 2021)	3Q FY2022 (October 1, 2021 - June 30, 2022)
Net sales	486,732	534,348
Cost of sales	318,802	368,816
Gross profit	167,929	165,532
Selling, general and administrative expenses	90,415	109,633
Operating income	77,513	55,898
Non-operating income		
Interest income	100	104
Dividends received	323	381
Other	344	331
Total non-operating income	768	817
Non-operating expenses		
Interest expenses	9	42
Equity in losses of affiliates	280	216
Other	193	191
Total non-operating expenses	483	450
Ordinary income	77,799	56,266
Extraordinary income		
Gain on sale of investment securities	8	306
Gain on sales of subsidiaries and affiliates' stocks	1,578	805
Gain on sales of property	1	330
Other	523	0
Total extraordinary gain	2,111	1,443
Extraordinary loss		
Impairment loss	2,140	3,320
Other	621	274
Total extraordinary loss	2,762	3,595
Income before income taxes and non-controlling interests	77,149	54,114
Income taxes-current	26,158	16,451
Income taxes-deferred	12	3,983
Total income tax	26,171	20,435
Net income	50,977	33,678
Profit attributable to non-controlling interests	17,932	12,977
Profit attributable to shareholders of parent	33,044	20,701

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

(Unit: ¥ million)

	3Q FY2021 (October 1, 2020 - June 30, 2021)	3Q FY2022 (October 1, 2021 - June 30, 2022)
Net income	50,977	33,678
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,308)	(3,756)
Foreign currency translation adjustment	157	(12)
Share of other comprehensive income of associates accounted for using equity method	(88)	17
Total other comprehensive income	(1,239)	(3,751)
Comprehensive income	49,738	29,927
(Comprehensive income attributable to)		
Shareholders of the parent	31,761	16,832
Non-controlling interests	17,976	13,095

(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.

(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 third 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 third 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 Third Quarter of the Fiscal Year Ended 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.

2. Matters related to changes in Reportable Segment

No applicable items.

II. Cumulative Third Quarter of the Fiscal Year Ending September 2022 (October 1, 2021 to June 30, 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**	74,446	266,538	173,211	3,353	16,799	534,348	—	534,348
Sales to external customers	74,446	266,538	173,211	3,353	16,799	534,348	—	534,348
Inter-segment sales or transfers	7,396	17,890	340	—	2,526	28,153	(28,153)	—
Total	81,842	284,428	173,551	3,353	19,325	562,501	(28,153)	534,348
Segment income (loss)	(9,779)	19,409	48,427	2,119	356	60,533	(4,634)	55,898

*Adjustment of ¥ -4,634 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 third quarter of this consolidated fiscal year is minor.