

English Translation

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FY2022 Consolidated Financial Results [Japanese GAAP]

October 26, 2022

Listed company name: CyberAgent, Inc. (herein referred as the "Company") Listed stock exchange: TSE Prime Market

Code No.: 4751

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

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Scheduled date of the Annual General Meeting of Shareholders: December 9, 2022

Scheduled date of dividend payment start: December 12, 2022

Scheduled filing date of the Annual Securities Report: December 9, 2022

Preparation of supplementary references regarding financial results: Yes

Holding the briefing of financial results: Yes (live stream only)

(Amounts less than ¥1 million are rounded down)

1. Consolidated Financial Results for the Year Ended September 30, 2022 (October 1, 2021 - September 30, 2022)

(1) Consolidated Results of Operations

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Comprehensive income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2022	710,575	6.6	69,114	(33.8)	69,464	(33.6)	24,219	(41.7)	35,963	(45.0)
FY2021	666,460	39.3	104,381	208.1	104,694	209.2	41,553	528.8	65,376	224.2

	Basic earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary income on total assets	Operating income margin
	¥	¥	%	%	%
FY2022	47.89	45.33	17.7	18.1	9.7
FY2021	82.30	77.90	38.1	32.5	15.7

(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	Equity	Shareholders' equity	Shareholders' equity ratio	Equity per share
	¥ million	¥ million	¥ million	%	¥
FY2022	383,698	222,915	144,264	37.6	285.15
FY2021	382,578	194,145	128,883	33.7	254.98

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

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	¥ million	¥ million	¥ million	¥ million
FY2022	17,946	(31,412)	(2,801)	168,035
FY2021	109,609	(28,537)	374	184,082

2. Dividends

	Dividends per share					Amount of dividends (Total)	Dividend ratio (Consolidated)	Dividend on equity (Consolidated)
	1Q	2Q	3Q	Year-End	Annual			
	¥	¥	¥	¥	¥	¥ million	%	%
FY 2021	—	0.00	—	11.00	11.00	5,560	13.4	5.1
FY 2022	—	0.00	—	14.00	14.00	7,082	29.2	5.2
FY 2023 (forecast)	—	0.00	—	15.00	15.00		—	

3. Forecast of the Consolidated Results for the Fiscal Year Ending September 30, 2023

(October 1, 2021 - September 30, 2022)

(% = Year-on-Year Change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	720,000	1.3	40,000	(42.1)	40,000	(42.4)	15,000	(38.1)	29.64
			-50,000	-(27.7)	-50,000	-(28.0)	-20,000	-(17.4)	-39.53

(Note) For detailed information related to the forecast, please refer to "1. Results of Operations (4) Forecast" on page 3.

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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) 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

(3) Number of shares issued (common stock)

(1) Number of shares issued at end of year (including treasury stock)	
FY2022: 505,924,000	FY2021: 505,706,400
(2) Number of shares of treasury stock issued at end of year	
FY2022: 1,004	FY2021: 251,404
(3) Average number of shares during the year	
FY2022: 505,655,340	FY2021: 504,905,332

(Note) The Company conducted a four-for-one stocks 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.

(Reference)

Non-consolidated Results for the Fiscal Year Ended September 30, 2022

(October 1, 2021 - September 30, 2022)

(1) Non-consolidated Results of Operations

(% = Year-on-Year Change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2022	363,045	15.3	12,102	(33.4)	14,502	(43.5)	10,018	—
FY2021	314,857	20.8	18,158	28.6	25,657	13.8	(69,028)	—

	Basic earnings per share	Diluted earnings per share
	¥	¥
FY2022	19.81	18.67
FY2021	(136.71)	—

(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 fiscal year.

(2) Non-consolidated Financial Position

	Total assets	Equity	Shareholders' equity	Shareholders' equity ratio	Equity per share
	¥ million	¥ million	¥ million	%	¥
FY2022	132,442	36,306	34,612	26.1	68.41
FY2021	124,633	34,972	33,683	27.0	66.63

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

* This financial report is not subject to audit by independent certified public accountants or audit firms.

* Appropriate Use of Earnings Forecast and Other Matters.

The earnings forecast and forward-looking statements in these reports are based on the Company's expectations and assumptions as of the date of this report. Actual results may differ materially due to various factors and uncertainties.

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1. Results of Operations

(1) Overview of Results of Operations

While taking advantage of the growth of the smartphone market, the CyberAgent Group has been investing in "ABEMA," the TV for future, to grow it in the medium to long-term mainstay.

As a result, for this consolidated fiscal year, net sales grew 6.6% year on year to ¥710,575 million, and operating income amounted to ¥69,114 million (33.8% decrease). Ordinary income amounted to ¥69,464 million (33.6% decrease), and net income attributable to owners of the parent decreased by 41.7% to ¥24,219 million.

Earnings by business segments are discussed below.

(a) Media Business

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

Due to an achievement of record high in WAU (Weekly Active User) of "ABEMA," the TV for future, and an increase in sales of related businesses, net sales amounted to ¥112,142 million for the current year, a 35.3% year-on-year increase. Operating loss amounted to ¥12,419 million, compared to operating loss of ¥15,141 million for the prior fiscal year.

(b) Internet Advertisement Business

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

Owing to the high sales growth recorded continuously and market share expansion, Internet Advertisement Business recorded ¥376,819 million of net sales, up 17.3% year on year. Operating income amounted to ¥24,464 million, a 8.4% year-on-year increase.

(c) Game Business

The Game Business includes Cygames, Inc., Colorful Palette Inc., Sumzap, Inc., Applibot, Inc. etc.

Game business maintained a high level of sales despite the slowdown of the game title released last year, this segment maintained a high level of performance. Net sales amounted to ¥228,387 million, a 13.1% year-on-year decrease. Operating income amounted to ¥60,531 million, a 37.2% 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 ¥4,438 million (a 31.1% year-on-year decrease) and operating income of ¥2,524 million (a 42.7% year-on-year decrease).

(e) Other Businesses

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

This segment reported net sales of ¥25,716 million, a 18.3% year-on-year increase. Operating income amounted to ¥16 million, compared to operating income of ¥479 million for the prior fiscal year.

(2) Overview of Financial Position

Total assets at the end of this fiscal year increased by ¥ 1,120 million compared to the end of the previous fiscal year and amounted to ¥383,698 million. It is mainly due to the increase in Property and equipment in relation to the business expansion.

Total liabilities decreased by ¥27,649 million compared to the end of the previous fiscal year and amounted to ¥160,783 million. This decrease is mainly attributable to a decrease in income taxes payable due to payments of such taxes.

Total equity increased by ¥28,770 million compared to the end of the previous fiscal year and amounted to ¥222,915 million. It is mainly due to increase in retained earnings owing to the recording of Net income attributable to owners of the parent and Non-controlling interests.

(3) Overview of Cash Flows

As of the end of this fiscal year, cash and cash equivalents decreased by ¥16,047 million compared to the end of the previous fiscal year and amounted to ¥168,035 million.

The following is a summary of the major factor affecting the cash flows in this fiscal year.

(1) Cash flows from operating activities

Cash flows from operating activities was ¥17,946 million of inflow (¥109,609 million of inflow in the previous fiscal year). The major components were net income and income tax payments.

(2) Cash flows from investing activities

Cash flows from investing activities was ¥31,412 million of outflow (¥28,537 million of outflow in the previous fiscal year). The major components were acquisition of property and equipment and investment property.

(3) Cash flows from financing activities

Cash flows from financing activities was ¥2,801 million of outflow (¥374 million of inflow in the previous fiscal year). The major components were dividend payment.

(4) Forecasts

With respect to earnings forecasts for the next fiscal year (the year ending September 2023), consolidated sales is expected to be ¥720 billion (up 1.3% from the previous fiscal year). Internet Advertisement Business, Media Business, etc. will contribute to revenue growth while factoring in the slowdown of the major hit title of the Game Business. Considering the investment in the "FIFA World Cup" content to be streamed on "ABEMA" in November 2022 and fluctuations and other factors in Game Business, consolidated operating income is expected to be ¥40-50 billion in a range. Therefore, consolidated ordinary income is expected to be ¥40-50 billion, and net income attribute to owners of the parent is expected to be ¥15-20 billion. We continue to invest in "ABEMA," the TV for future, and aim to achieve a steady improvement in its business foundations in medium to long term period.

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 period through business growth and improving capital efficiency. Since the fiscal year 2016, the Company has been investing in "ABEMA," the TV for future, to develop it into a pillar of the Company's business for medium to long-term period, and set "DOE 5% or more" as a management target from the fiscal year 2017, to gain a medium to long-term support from our shareholders even during the investment period.

Based on the above assumptions and estimates for the fiscal year 2023, the estimated year-end dividend is ¥15 to achieve "DOE of 5% or more."

We will submit this matter to the 26th Annual General Meeting of Shareholders to be held in December 2023.

The forecast is based on our expectations and assumptions as of the date the forecast was made. Actual results may differ from the forecasts because of various factors.

2. Basic Policy for the Selection of Accounting Standards

The Group has adopted the generally accepted accounting standards in Japan, considering the comparability of consolidated financial statements as to comparison with other periods and other companies.

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3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Unit: ¥ million)

	FY2021 (As of September 30, 2021)	FY2022 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	181,451	165,907
Trade notes and accounts receivable	75,300	—
Trade notes and accounts receivable and contract assets	—	72,371
Inventories	3,226	4,262
Operational investment securities	18,969	16,457
Other current assets	22,832	34,887
Allowance for doubtful receivables	(130)	(36)
Total current assets	301,650	293,850
Non-current assets		
Property and equipment		
Buildings and structures, net	9,761	11,346
Tools, furniture and fixtures, net	5,221	5,846
Other	1,757	1,781
Net property and equipment	16,740	18,974
Intangible assets		
Goodwill	4,957	4,843
Software	10,814	5,076
Software in progress	8,766	10,205
Other	1,903	1,927
Total intangible assets	26,442	22,054
Investments and other assets		
Investment securities	22,061	22,907
Long-term loans receivable	492	226
Deferred tax assets	8,454	6,783
Other	6,792	18,896
Allowance for doubtful receivables	(97)	(17)
Total investments and other assets	37,702	48,797
Total non-current assets	80,885	89,826
Deferred assets	42	21
Total assets	382,578	383,698

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(Unit: ¥ million)

	FY2021 (As of September 30, 2021)	FY2022 (As of September 30, 2022)
Liabilities		
Current liabilities		
Trade accounts payable	56,055	59,212
Other payables	17,735	15,954
Short-term bank loans	1,037	2,380
Income taxes payable	29,723	5,036
Current portion of convertible bonds	—	20,023
Other	36,162	27,407
Total current liabilities	140,714	130,014
Non-current liabilities		
Convertible bonds	40,228	20,102
Long-term bank loans	1,174	3,750
Provision for long service rewards for employees	1,851	2,787
Asset retirement obligations	1,974	2,250
Deferred tax liabilities	1,293	371
Other	1,196	1,505
Total non-current liabilities	47,718	30,768
Total liabilities	188,433	160,783
Equity		
Shareholders' equity		
Common stock	7,203	7,239
Capital surplus	11,198	11,636
Retained earnings	100,794	119,204
Treasury stock	(67)	(1)
Total shareholders' equity	119,128	138,079
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	9,517	5,887
Foreign currency translation adjustments	237	298
Total other comprehensive income	9,755	6,185
Stock acquisition rights	1,320	1,747
Noncontrolling interests	63,940	76,903
Total equity	194,145	222,915
Total liabilities and equity	382,578	383,698

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

(Unit: ¥ million)

	FY2021 (Oct.1, 2020 to Sep.30, 2021)	FY2022 (Oct.1, 2021 to Sep.30, 2022)
Net sales	666,460	710,575
Cost of sales	434,465	491,417
Gross profit	231,995	219,158
Selling, general and administrative expenses	127,613	150,044
Operating income	104,381	69,114
Non-operating income		
Interest income	135	139
Dividend income	341	384
Foreign exchange gains	150	—
Rent income	10	163
Subsidy income	70	110
Other	153	201
Total non-operating income	861	999
Non-operating expenses		
Interest expense	17	54
Loss on valuation of investment securities	13	86
Equity in losses of associated companies accounted for by the equity method	314	313
Other	203	193
Total non-operating expenses	548	648
Ordinary income	104,694	69,464
Extraordinary gain		
Gain on sales of investment securities	8	491
Gain on sales of investments in subsidiaries and associated companies	1,578	805
Gain on sales of non-current assets	1	330
Insurance income	429	—
Other	184	6
Total extraordinary gains	2,201	1,633
Extraordinary losses		
Loss on impairment of long-lived assets	5,102	7,742
Other	1,071	557
Total extraordinary losses	6,173	8,299
Income before income taxes	100,722	62,798
Income taxes-current	36,523	21,155
Income taxes-deferred	(2,472)	2,229
Total income taxes	34,051	23,385
Net income	66,671	39,413
Net income attributable to non-controlling interests	25,117	15,194
Net income attributable to owners of the parent	41,553	24,219

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Consolidated Statements of Comprehensive Income

(Unit: ¥ million)

	FY2021 (Oct. 1, 2020 to Sep. 30, 2021)	FY2022 (Oct. 1, 2021 to Sep. 30, 2022)
Net income	66,671	39,413
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	(1,383)	(3,516)
Foreign currency translation adjustments	183	70
Share of other comprehensive income (loss) in associated companies	(95)	(3)
Total other comprehensive income (loss)	(1,295)	(3,450)
Comprehensive income	65,376	35,963
(Comprehensive income attributable to)		
Owners of the parent	40,246	20,649
Non-controlling interests	25,129	15,313

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(3) Consolidated Statements of Changes in Equity

FY2021 (Oct. 1, 2020 to Sep. 30, 2021)

(Unit: ¥ million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of year	7,203	8,048	63,529	(315)	78,466
Change in the year					
Cash dividends			(4,288)		(4,288)
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		201		247	449
Change in the parent's ownership interest due to transactions with non-controlling interests		2,948			2,948
Change in scope of consolidation			(0)		(0)
Net income attributable to owners of the parent			41,553		41,553
Net change in the year					
Total changes of items in the year	—	3,149	37,264	247	40,662
Balance at the end of current year	7,203	11,198	100,794	(67)	119,128

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total other comprehensive income			
Balance at the beginning of the year	10,952	109	11,062	977	37,171	127,678
Change in the year						
Cash dividends						(4,288)
Purchase of treasury stock						(0)
Disposal of treasury stock						449
Change in the parent's ownership interest due to transactions with non-controlling interests						2,948
Change in scope of consolidation						(0)
Net income attributable to owners of the parent						41,553
Net change in the year	(1,434)	127	(1,307)	342	26,769	25,805
Total changes of items in the year	(1,434)	127	(1,307)	342	26,769	66,467
Balance at the end of current year	9,517	237	9,755	1,320	63,940	194,145

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FY2022 (Oct. 1, 2021 to Sep. 30, 2022)

(Unit: ¥ million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of year	7,203	11,198	100,794	(67)	119,128
Cumulative effects of changes in accounting policies			(17)		(17)
Balance at the beginning of year, as restated	7,203	11,198	100,777	(67)	119,110
Change in the year					
Issuance of new shares (Exercise of stock acquisition rights)	35	35			71
Cash dividends			(5,560)		(5,560)
Disposal of treasury stock		65		66	131
Change in the parent's ownership interest due to transactions with non-controlling interests		84			84
Change in scope of consolidation		252	(231)		20
Net income attributable to owners of the parent			24,219		24,219
Net change in the year					
Total changes of items in the year	35	438	18,427	66	18,968
Balance at the end of year	7,239	11,636	119,204	(1)	138,079

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total equity
	Unrealized gain on available-for sale securities	Foreign currency translation adjustments	Total other comprehensive income			
Balance at the beginning of year	9,517	237	9,755	1,320	63,940	194,145
Cumulative effects of changes in accounting policies						(17)
Balance at the beginning of year, as restated	9,517	237	9,755	1,320	63,940	194,127
Change in the year						
Issuance of new shares (Exercise of stock acquisition rights)						71
Cash dividends						(5,560)
Disposal of treasury stock						131
Change in the parent's ownership interest due to transactions with non-controlling interests						84
Change in scope of consolidation						20
Net income attributable to owners of the parent						24,219
Net change in the year	(3,630)	60	(3,569)	426	12,962	9,819
Total changes of items in the year	(3,630)	60	(3,569)	426	12,962	28,787
Balance at the end of year	5,887	298	6,185	1,747	76,903	222,915

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(4) Consolidated Statements of Cash Flows

(Unit: ¥ million)

	FY2021 (Oct. 1, 2020 to Sep. 30, 2021)	FY2022 (Oct. 1, 2021 to Sep. 30, 2022)
Cash flows from operating activities		
Income before income taxes	100,722	62,798
Depreciation and amortization	10,111	8,685
Loss on impairment of long-lived assets	5,102	7,742
Decrease (increase) in trade notes and accounts receivable	(16,525)	—
Decrease (increase) in trade notes and accounts receivable and contract assets	—	1,325
Increase (decrease) in trade accounts payable	12,778	4,479
Decrease (increase) in prepaid expenses	(2,584)	(4,207)
Increase (decrease) in other payables	3,943	(1,217)
Increase (decrease) in consumption taxes payable	10,549	(12,786)
Other, net	2,954	(3,940)
Sub-total	127,050	62,879
Interest and dividend income received	373	419
Interest expenses paid	(17)	(54)
Income taxes paid	(17,797)	(45,298)
Net cash provided by (used in) operating activities	109,609	17,946
Cash flows from investing activities		
Purchases of property and equipment and investment property	(3,834)	(16,926)
Purchases of intangible assets	(8,632)	(9,164)
Purchases of investment securities	(10,999)	(1,965)
Payments for sales of subsidiaries' shares resulting in a change in consolidation scope	(7)	(1,637)
Proceeds from sales of associated companies resulting in a change in consolidation scope	1,780	—
Other, net	(6,844)	(1,717)
Net cash provided by (used in) investing activities	(28,537)	(31,412)
Cash flows from financing activities		
Increase(decrease) in short-term loans payable	(202)	2,373
Proceeds from long-term loans payable	—	3,181
Payments of dividends to investment partners	(617)	(1,769)
Cash dividends paid	(4,290)	(5,556)
Proceeds from sales of subsidiaries' shares without a change in the scope of consolidation	1,454	—
Other, net	4,030	(1,029)
Net cash provided by (used in) financing activities	374	(2,801)
Foreign currency translation adjustments on cash and cash equivalents	267	292
Net increase (decrease) in cash and cash equivalents	81,714	(15,975)
Cash and cash equivalents at beginning of year	102,368	184,082
Increase (decrease) in cash and cash equivalents due to change in consolidation scope	—	(72)
Cash and cash equivalents at end of year	184,082	168,035

(5) Notes to Consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

No applicable items.

(Changes in Accounting Policies)

(Application of accounting standards for revenue recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standard Board of Japan("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 proviso to Article 84 of the standard. The cumulative effect of retrospectively applying the new accounting standard was added to retained earnings as of the beginnings of the current fiscal year. The effect of this accounting change on profit and loss for the current fiscal year and the beginning balance of retained earnings were insignificant.

As a result of applying the revenue recognition standard, "Trade notes and accounts receivable" which was included in "Current assets" in the consolidated balance sheet for the previous fiscal year, is now included in "Trade notes and accounts receivable and contract assets" from the current fiscal year. Also, "Decrease (increase) in trade notes and accounts receivable," which was included in "cash flows from operating activities" in consolidated statements of cash flows for the previous fiscal year, has been included in "Decrease (Increase) in trade notes and accounts receivable and contract assets" from 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 89-3 information of disaggregation of revenue from contracts with customers for 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 related standards from the beginning of the current fiscal year. The Company will prospectively apply the new accounting policies, in line with the transitional treatment specified in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This application did not have any impact on the consolidated financial statements.

(Changes in Presentation)

(Consolidated Statement of income)

Rent income and subsidy income, which were included in "other" in non-operating income section in the previous fiscal year, have been presented separately in the current fiscal year due to increased materiality. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, ¥80 million of "other" in non-operating income section in the previous fiscal year has been reclassified to "Rent income" of ¥10 million and "subsidy income" of ¥70 million.

Loss on valuation of investment securities, which were included in "other" in non-operating expenses section in the previous fiscal year, has been presented separately in the current fiscal year due to increased materiality. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

Also, provision for allowance for doubtful accounts which were presented separately in non-operating expense section in the previous fiscal year, has been reclassified and aggregated into "other" in the current fiscal year due to decrease materiality. The consolidated financial statements for the previous fiscal year were restated to reflect this change in presentation.

As a result, ¥132 million of other in non-operating expense in the previous fiscal year has been reclassified to "Loss on valuation of investment securities" of ¥13 million and "other" of ¥118 million. Furthermore, ¥84 million of "Provision for allowance for doubtful accounts" is reclassified and aggregated into "other".

Gain on sales of investment securities, which was included in "other" in extraordinary income section in the previous fiscal year, has been presented separately in the current fiscal year due to increased materiality. The consolidated financial statements of previous fiscal year have been restated to reflect this change in presentation.

As a result, ¥8 million of other in extraordinary income section in the previous fiscal year is reclassified to "gain on sales of investment securities".

(Consolidated Statement of Cash Flows)

Decrease (increase) in prepaid expenses, which was included in "other" in cash flows from operating activities in the previous fiscal year, has been presented separately in the current fiscal year due to increased materiality. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

Also, increase (decrease) in advances received and loss (gain) on sales of stocks of subsidiaries and affiliates, which were presented separately in cash flows from operating activities in the previous fiscal year, have been reclassified and aggregated into "other" in the current fiscal year due to decreased materiality. The consolidated financial statements for

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the previous fiscal year have been restated to reflect this change in presentation.

As a result, (¥1,588) million of "other" in cash flows from operating activities in the previous fiscal year has been reclassified to "decrease (increase) in prepaid expenses" of (¥2,584) million and "other" of ¥996 million. Furthermore, (¥3,396) million of "increase (decrease) in advances received" and (¥1,438) million of "loss (gain) on sales of stocks of subsidiaries and affiliates" are reclassified and aggregated into "other."

Purchase of property and equipment, which was presented in cash flows from investing activities in the previous fiscal year, has been presented as "purchases of property and equipment and investment property" due to expenses of purchasing investment property recorded in the current fiscal year. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

Payments for sales of subsidiaries' shares resulting in a change in consolidation scope, which were included in "other" in cash flows from investing activities in the previous fiscal year, have been presented separately in the current fiscal year due to increased materiality. The consolidated financial statements for the previous fiscal year were restated to reflect this change in presentation.

Also, purchase of shares of subsidiaries' share resulting in change in consolidation scope, which was presented separately in cash flows from investing activities in previous fiscal year, has been reclassified and aggregated into "other" in the current fiscal year due to decreased materiality. The consolidated financial statements for the previous fiscal year were restated to reflect this change in presentation.

As a result, (¥1,495) million reported in "other" in cash flows from investing activities in the previous fiscal year has been reclassified to "payments for sales of subsidiaries' shares resulting in a change in consolidation scope" of (¥7) million and "other" of (¥1,487) million. Furthermore, (¥5,356) million of "purchase of shares of subsidiaries' share resulting in change in consolidation scope" is reclassified and aggregated into "other."

Increase (decrease) in short-term loans payable and payments of dividends to investment partners, which were included in "other" in cash flows from financing activities in the previous fiscal year, have been presented separately in the current fiscal year due to increased materiality. The consolidated financial statements for the previous fiscal year were reclassified to reflect this change in presentation.

Also, proceeds from share issuance to non-controlling shareholders, which was presented separately in cash flows from financing activities in the previous fiscal year, have been reclassified and aggregated into "other" in the current fiscal year due to decreased materiality. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, (¥805) million of "other" in cash flows from financing activities in the previous fiscal year has been reclassified to three items, namely, (1) increase (decrease) in short-term loans payable of (¥202) million, (2) payments of dividends to investment partners of (¥617) million, and (3) other of ¥14 million. Furthermore, ¥4,016 million of proceeds from share issuance to non-controlling shareholders is reclassified and aggregated into "other."

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(Additional Information)

(Adoption of Tax Effect Accounting for the Transition from the Consolidated Corporate Tax System to the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries will make the transition from the consolidated corporate tax system to the group tax sharing system. With respect to items subject to the review of the Non-Consolidated Taxation System conducted to coincide with transition from the Consolidated Corporate Tax System to the Group Tax Sharing System, which was created under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the Company and some of its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 issued February 16, 2018) in accordance with the treatment set out in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Corporate Tax System to the Group Tax Sharing System (PITF No.39 issued March 31, 2020) and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision.

In addition, the Company and some of its domestic consolidated subsidiaries will apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No.42 issued August 12, 2021) which set forth the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting in case of applying the group tax sharing system.

(Segment Information)

a. Segment Information

1. Overview of Reportable Segments

The Company's reportable segments are components of the Group for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate their performance.

The Company has business headquarters and subsidiaries for each product and service which develop their business activities both in Japan and overseas, with the aim of improving services and increasing sales and profits. The Group's services are categorized based on such business headquarters and subsidiaries and are classified into five reportable segments, namely, (1) media business, (2) internet advertisement business, (3) game business, (4) investment development business, and (5) other businesses.

Principal services provided by each reportable segment are summarized below:

Reportable Segment	Details of Services Belonging to the Segment
Media Business	ABEMA, WINTICKET, and Ameba.
Internet Advertisement Business	Advertising, AI, and Digital Transformation (DX)
Game Business	Game application for smartphone
Investment Development Business	Corporate venture capital and fund operation
Other Businesses	Crowdfunding service and sports business

2. Calculation of net sales, profit (loss), assets, liabilities and other items of each reportable segment

Segment profit is based on operating income. Intersegment sales and transfers are determined based on prevailing market price.

3. Information about net sales, profit (loss), assets, liabilities and other items of each reportable segment, including disaggregation of revenue

FY2021 (Oct. 1, 2020 to Sep. 30, 2021)

(Unit: ¥ million)

	Reportable Segment						Reconciliations*	Consolidated
	Media Business	Internet Advertisement Business	Game Business	Investment Development Business	Other Businesses	Total		
Net sales								
Sales to external customers	76,128	302,083	262,365	6,441	19,441	666,460	—	666,460
Inter-segment sales or transfers	6,740	19,229	385	—	2,302	28,658	(28,658)	—
Total	82,869	321,313	262,751	6,441	21,744	695,119	(28,658)	666,460
Segment profit(loss)	(15,141)	22,570	96,445	4,408	479	108,763	(4,381)	104,381

(Note) Reconciliations of ¥(4,381) million mainly represents corporate expenses, which comprise general and administrative expenses that are not allocable to a reportable segment.

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FY2022 (Oct. 1, 2021 to Sep. 30, 2022)

(Unit: ¥ million)

	Reportable Segment						Reconciliations*	Consolidated statement of Income
	Media Business	Internet Advertisement Business	Game Business	Investment Development Business	Other Businesses	Total		
Net sales Revenue from contracts with customers**	102,532	353,220	227,987	4,438	22,396	710,575	—	710,575
Sales to external customers	102,532	353,220	227,987	4,438	22,396	710,575	—	710,575
Inter-segment sales or transfers	9,609	23,598	400	—	3,320	36,929	(36,929)	—
Total	112,142	376,819	228,387	4,438	25,716	747,504	(36,929)	710,575
Segment income(loss)	(12,419)	24,464	60,531	2,524	(16)	75,084	(5,970)	69,114

*Reconciliations of ¥ (5,970) million mainly represents corporate expenses, which comprise general and administrative expenses that are not allocable to a reportable segment.

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

*** Revenue other than those generated from contracts with customers is not separately presented as it is insignificant.

4. Information on changes in reportable segments.

As discussed in "Change in Accounting Policies", the Company has applied the accounting standards for revenue recognition from the beginning of the current consolidated fiscal year. As a result, the method for calculating profit or loss for each reportable segment has also been changed.

The effect of this change on "sales to external customers" and "segment income(loss)" for each reportable segment in the current consolidated fiscal year is insignificant.

b. Related information

FY2021 (Oct. 1, 2020 to Sep. 30, 2021)

1. Information on each product and each service

The description is omitted because the same information is disclosed in the segment information.

2. Geographical information

(1) Sales

The description is omitted, because the sales to external customers in Japan exceeded 90% of the consolidated net sales.

(2) Property and equipment

The description is omitted, because the amount of property and equipment located in Japan exceeded 90% of the amount of property and equipment in the consolidated balance sheet.

3. Information on major customers

The description is omitted, because there is no single customer that accounts for over 10% of consolidated net sales.

FY2022 (Oct. 1, 2021 to Sep. 30, 2022)

1. Information on each product and each service

The description is omitted because the same information is disclosed in the segment information.

2. Geographical information

(1) Sales

The description is omitted, because the sales to external customers in Japan exceeded 90% of the consolidated net sales.

(2) Property and equipment

The description is omitted, because the amount of property and equipment located in Japan exceeded 90% of the amount of property and equipment in the consolidated balance sheet.

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3. Information on each major customer

The description is omitted, because there is no single customer that accounts for over 10% of consolidated net sales.

c. Significant loss on impairment of long-lived assets

FY2021 (Oct. 1, 2020 to Sep. 30, 2021)

(Unit: ¥ million)

	Reportable Segment						Corporate/ Elimination	Total
	Media Business	Internet Advertisemen t Business	Game Business	Investment Developm ent Business	Other Businesses	Subtotal		
Loss on impairment of long-lived assets	1,705	790	2,100	—	447	5,044	57	5,102

FY2022 (Oct. 1, 2021 to Sep. 30, 2022)

(Unit: ¥ million)

	Reportable Segment						Corporate/ Elimination	Total
	Media Business	Internet Advertiseme nt Business	Game Business	Investment Developm ent Business	Other Businesses	Subtotal		
Loss on impairment of long-lived assets	804	384	4,253	—	1,761	7,204	537	7,742

d. Amortization and remaining balance of goodwill by reportable segments

FY2021 (Oct. 1, 2020 to Sep. 30, 2021)

(Unit: ¥ million)

	Reportable Segment						Corporate/ Elimination	Total
	Media Business	Internet Advertiseme nt Business	Game Business	Investment Development Business	Other Businesses	Subtotal		
Amortization of goodwill	—	—	59	—	127	187	—	187
Remaining balance	—	—	329	—	4,627	4,957	—	4,957

FY2022 (Oct. 1, 2021 to Sep. 30, 2022)

(Unit: ¥ million)

	Reportable Segment						Corporate/ Elimination	Total
	Media Business	Internet Advertisement Business	Game Business	Investment Development Business	Other Businesses	Subtotal		
Amortization of goodwill	16	—	105	—	238	360	—	360
Remaining balance	198	—	269	—	4,375	4,843	—	4,843

e. Significant gains on negative goodwill

FY2021 (Oct. 1, 2020 to Sep. 30, 2021)

No applicable items.

FY2022 (Oct. 1, 2021 to Sep. 30, 2022)

No applicable items.

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(Per Share Information)

	FY2021 (Oct. 1, 2020 to Sep. 30, 2021)	FY2022 (Oct. 1, 2021 to Sep. 30, 2022)
Equity per share	¥254.98	¥285.15
Basic earnings per share	¥82.30	¥47.89
Diluted earnings per share	¥77.90	¥45.33

(Note)

1. The basis for calculating "Basic earnings per share" and "Diluted earnings per share" is as follows.

	FY2021 (Oct. 1, 2020 to Sep. 30, 2021)	FY2022 (Oct. 1, 2021 to Sep. 30, 2022)
Basic earnings per share		
Net income attributable to owners of the parent (¥ million)	41,553	24,219
Net income not attributable to common shareholders (¥ million)	—	—
Net income attributable to common shareholders of the parent (¥ million)	41,553	24,219
Weighted-average number of common stock (shares)	504,905,332	505,655,340
Diluted earnings per share		
Adjustment on net income attributable to owners of the parent (¥ million)	-73	-71
(Interest income, net of tax) (¥ million)	(-71)	(-71)
(Dilutive shares issued by subsidiaries and affiliates) (¥ million)	(-1)	(-0)
Increase in number of common stock (shares)	27,572,361	27,003,374
(Convertible bonds) (shares)	(25,143,070)	(25,143,070)
(Stock acquisition rights) (shares)	(2,429,291)	(1,860,304)
Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted earnings per share	—	—

(Note) The Company conducted a four-for-one stock split of common stock as of April 1, 2021. The Basic earnings per share, Equity 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.

(Significant Subsequent Events)

No applicable items.