

English Translation

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FY2023 Second Quarter Consolidated Financial Results [Japanese GAAP]

April 26, 2023

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: April 27, 2023

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 2023

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Comprehensive income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2Q FY2023	363,235	0.3	17,531	(61.5)	17,891	(60.9)	2,898	(83.1)	8,128	(68.3)
2Q FY2022	362,192	23.0	45,527	38.2	45,715	38.4	17,155	25.3	25,668	40.8

	Basic earnings per share	Diluted earnings per share
	¥	¥
2Q FY2023	5.72	5.24
2Q FY2022	33.93	32.14

(2) Consolidated financial position

	Total assets	Equity	Shareholders' equity	Shareholders' equity ratio
	¥ million	¥ million	¥ million	%
As of 2Q FY2023	428,812	223,593	140,212	32.7
As of FY2022	383,698	222,915	144,264	37.6

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
	¥	¥	¥	¥	¥
FY2022	—	0.00	—	14.00	14.00
FY2023	—	0.00			
FY2023 (Forecast)			—	15.00	15.00

(Note) Revisions to most recent dividend forecast: None

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

(October 1, 2022 - September 30, 2023)

(% = 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)	-39.52

(Note) Revisions to most recent forecast: None.

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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)	
2Q FY2023: 506,073,600 shares	FY2022: 505,924,000 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
2Q FY2023: 1,004 shares	FY2022: 1,004 shares
(3) Average number of shares during the period (cumulative quarterly period)	
2Q FY2023: 505,988,611 shares	2Q FY2022: 505,534,912 shares

*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.

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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, a new TV of the future, to grow it in the medium to long-term mainstay.

As a result, during the cumulative consolidated second quarter, Net sales grew 0.3% year on year to ¥363,235 million, and operating income amounted to ¥17,531 million (61.5% decrease). Ordinary income amounted to ¥17,891 million (60.9% decrease), and profit attributable to shareholders of the parent decreased 83.1% to ¥2,898 million.

Earnings by business segments are discussed below.

(a) Media Business

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

Driven by "ABEMA", a new TV of the future, and related business, net sales grew and amounted to ¥66,960 million for the period, a 27.9% year-on-year increase. With the distribution of the FIFA World Cup Qatar 2022 in the first quarter, operating loss amounted to ¥9,956 million, compared to operating loss of ¥5,804 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.

Resulted from strong client acquisition, this segment remained stable. It reported ¥195,871 million in net sales, up 6.0% year on year. Operating income was ¥9,938 million, a 24.8% year-on-year decrease.

(c) Game Business

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

The anniversary events of major existing titles were successful, however, net sales amounted to ¥103,061 million, a 19.1% year-on-year decrease. Operating income was ¥20,414 million, a 47.0% 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 ¥1,217 million (63.5% year-on-year decrease) and operating income of ¥356 million (a year-on-year decrease of 84.5%)

(e) Other Businesses

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

This segment reported net sales of ¥14,775 million, a 13.9% year-on-year increase. Operating income amounted to ¥296 million (a year-on-year decrease of 18.1%)

(2) Explanation of Consolidated Financial Position

(Financial position)

Total assets at the end of this consolidated second quarter have increased by ¥45,114 million compared to the end of the previous fiscal year and amounted to ¥428,812 million. It is mainly due to the issuance of convertible bonds.

Total liabilities have increased by ¥44,435 million compared to the end of previous fiscal year and amounted to ¥205,219 million. This increase is mainly due to the issuance of convertible bonds.

Equity have increased by ¥678 million compared to the end of the previous fiscal year and amounted to ¥223,593 million. It is mainly due to increase in Non-controlling interests.

(Cash flows)

As of the end of the consolidated second quarter, cash and cash equivalents increased by ¥17,246 million from the end of the previous fiscal year to ¥185,281 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 ¥14,080 million of inflow (¥10,887 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 ¥12,012 million of outflow (¥10,371 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 ¥15,410 million of inflow (¥4,587 million of outflow in the same period of the previous fiscal year). The major inflow included issuance and redemption of convertible bonds.

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- (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information
Forecast of FY2023 has not been revised from its original publication on October 26, 2022.

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2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

	FY2022 (As of September 30, 2022)	2Q FY2023 (As of March 31, 2023)
(Unit: ¥ million)		
Assets		
Current assets		
Cash and deposits	165,907	183,260
Trade notes and accounts receivable and contract assets	72,371	90,798
Inventories	4,262	5,728
Operational investment securities	16,457	18,674
Other	34,887	31,368
Allowance for doubtful receivable	(36)	(34)
Total current assets	293,850	329,795
Non-current assets		
Property and equipment	18,974	22,730
Intangible assets		
Goodwill	4,843	4,685
Other	17,210	20,346
Total intangible assets	22,054	25,032
Investments and other assets		
Other	48,814	51,194
Allowance for doubtful accounts	(17)	(14)
Total investments and other assets	48,797	51,179
Total non-current assets	89,826	98,943
Deferred assets	21	73
Total assets	383,698	428,812
Liabilities		
Current liabilities		
Trade accounts payable	59,212	69,078
Short-term bank loans	2,380	5,642
Income taxes payable	5,036	9,812
Other	63,385	49,566
Total current liabilities	130,014	134,099
Non-current liabilities		
Convertible bonds	20,102	60,649
Long-term bank loans	3,750	3,055
Provision for long service rewards for employees	2,787	3,155
Asset retirement obligations	2,250	2,407
Other	1,877	1,851
Total non-current liabilities	30,768	71,119
Total liabilities	160,783	205,219
Equity		
Shareholders' equity		
Common stock	7,239	7,313
Capital surplus	11,636	11,483
Retained earnings	119,204	115,021
Treasury stock	(1)	(1)
Total shareholders' equity	138,079	133,816
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	5,887	6,312
Foreign currency translation adjustments	298	84
Total other comprehensive income	6,185	6,396
Stock acquisition rights	1,747	1,882
Non-controlling interests	76,903	81,498
Total Equity	222,915	223,593
Total liabilities and equity	383,698	428,812

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(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 FY2022 (October 1, 2021 - March 31, 2022)	2Q FY2023 (October 1, 2022 - March 31, 2023)
Net sales	362,192	363,235
Cost of sales	244,887	262,042
Gross profit	117,305	101,192
Selling, general and administrative expenses	71,778	83,661
Operating income	45,527	17,531
Non-operating income		
Interest income	69	92
Dividends received	158	148
Equity in earnings of affiliates	—	170
Rent income	5	237
Other	217	70
Total non-operating income	450	720
Non-operating expenses		
Interest expenses	27	25
Depreciation	—	82
Foreign exchange losses	—	112
Other	234	139
Total non-operating expenses	261	359
Ordinary income	45,715	17,891
Extraordinary gains		
Gain on sales of investments in subsidiaries and associated companies	—	1,000
Other	234	389
Total extraordinary gain	234	1,389
Extraordinary losses		
Loss on impairment of long-lived assets	1,642	554
Other	135	776
Total extraordinary losses	1,777	1,331
Income before income taxes	44,173	17,949
Income taxes-current	13,551	10,028
Income taxes-deferred	2,282	172
Total income tax	15,833	10,201
Net income	28,339	7,748
Net income attributable to non-controlling interests	11,183	4,849
Net income attributable to owners of the parent	17,155	2,898

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

(Unit: ¥ million)

	2Q FY2022 (October 1, 2021 - March 31, 2022)	2Q FY2023 (October 1, 2022 - March 31, 2023)
Net income	28,339	7,748
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(2,733)	603
Foreign currency translation adjustments	55	(84)
Share of other comprehensive income (loss) of associated companies accounted for by the equity method	7	(139)
Total other comprehensive income (loss)	(2,670)	380
Comprehensive income	25,668	8,128
(Comprehensive income attributable to)		
Owners of the parent	14,304	3,109
Non-controlling interests	11,363	5,018

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(3) Quarterly Consolidated Statements of Cash Flows

(Unit: ¥ million)

	2Q FY2022 (October 1, 2021 - March 31, 2022)	2Q FY2023 (October 1, 2022 - March 31, 2023)
Cash flow from operating activities		
Income before income taxes and non-controlling interests	44,173	17,949
Depreciation	4,931	3,749
Impairment loss	1,642	554
Loss (gain) on sales of investments in subsidiaries and associated companies	—	(1,000)
Decrease (Increase) in notes and accounts receivable-trade, and contract assets	(6,076)	(17,495)
Decrease (increase) in investment securities for sale	122	(1,889)
Decrease (Increase) in Inventories	567	(1,530)
Increase (decrease) in accounts payable-trade	6,406	9,902
Increase (decrease) in advances received	3,386	1,739
Increase (decrease) in accrued consumption taxes	(8,835)	3,320
Other, net	(6,854)	1,219
Sub-total	39,463	16,520
Interest and dividends income received	173	162
Interest expenses paid	(27)	(25)
Income taxes paid	(28,722)	(2,577)
Net cash provided by (used in) operating activities	10,887	14,080
Cash flow from investing activities		
Purchase of property, equipment and investment property	(4,355)	(4,394)
Purchase of intangible assets	(4,296)	(5,562)
Proceeds from the sales of subsidiaries' shares with a change in the scope of consolidation	—	1,000
Other, net	(1,718)	(3,055)
Net cash provided by (used in) investing activities	(10,371)	(12,012)
Cash flow from financing activities		
Net increase (decrease) in short-term bank loans	993	3,262
Proceeds from issuance of convertible bonds	—	40,535
Redemption of convertible bonds	—	(20,000)
Cash dividends paid	(5,554)	(7,075)
Other, net	(26)	(1,311)
Net cash provided by (used in) financing activities	(4,587)	15,410
Effect of exchange rate change on cash and cash equivalents	131	(232)
Net increase (decrease) in cash and cash equivalents	(3,940)	17,246
Cash and cash equivalents at beginning of period	184,082	168,035
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(72)	—
Cash and cash equivalents at the end of period	180,070	185,281

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(4) 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 Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021) 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 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.

(Additional Information)

(Adoption of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries have made the transition from the consolidated corporate tax system to the group tax sharing system from the first quarter of the current fiscal year. Accordingly, we disclose corporate tax, local corporate tax and tax effect accounting with applying 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. In addition, based on PITF No.42 Paragraph 32 Item (1), there is no impact on the quarterly consolidated financial statements.

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(Segment Information)

I. Cumulative Second Quarter of the Fiscal Year Ended September 2022 (October 1, 2021 to March 31, 2022)

1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Reconciliations*	Quarterly Consolidated Statements of Income
	Media	Internet Advertisement	Game	Investment Development	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

*Reconciliations of ¥ -3,084 million represents corporate general and administrative expenses not allocable to a reportable segment.

**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

No applicable items

II. Cumulative Second Quarter of the Fiscal Year Ending September 2023 (October 1, 2022 to March 31, 2023)

1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Reconciliations*	Quarterly Consolidated Statements of Income
	Media Business	Internet Advertisement Business	Game Business	Investment Development Business	Other Business	Total		
Net sales								
Revenue from contracts with customers**	62,651	183,793	102,858	1,217	12,713	363,235	—	363,235
Sales to external customers	62,651	183,793	102,858	1,217	12,713	363,235	—	363,235
Inter-segment sales or transfers	4,308	12,077	202	—	2,062	18,651	(18,651)	—
Total	66,960	195,871	103,061	1,217	14,775	381,886	(18,651)	363,235
Segment income (loss)	(9,956)	9,938	20,414	356	296	21,049	(3,518)	17,531

*Reconciliations of ¥ -3,518 million represents corporate general and administrative expenses not allocable to a reportable segment.

**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

No applicable items