

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.

FY2021 Second Quarter Consolidated Financial Results [Japanese GAAP]

April 28, 2021

Listed company name: CyberAgent, Inc.

Listed stock exchange: TSE 1st section

Code No.: 4751

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

Representative: President

Susumu Fujita

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Quarterly report submission date: April 30, 2021

Dividend payment start date

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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 2021

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

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2Q FY2021	294,497	20.3	32,932	62.8	33,029	63.2	13,694	187.7
2Q FY2020	244,853	7.3	20,231	45.0	20,234	47.4	4,760	337.9

(Note) Comprehensive income 2Q FY2021¥18,233 million(170.9%) 2Q FY2020 ¥6,731 million (168.2%)

	Basic earnings per share	Diluted earnings per share
	¥	¥
2Q FY2021	27.13	25.66
2Q FY2020	9.44	8.88

(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 ratio
	¥ million	¥ million	%
As of 2Q FY2021	300,365	146,617	33.3
As of FY2020	260,766	127,678	34.3

(Reference) Equity capital: As of 2Q FY2021 ¥100,006 million As of FY2020 ¥89,528 million

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
	¥	¥	¥	¥	¥
FY2020	—	0.00	—	8.50	8.50
FY2021	—	0.00	—	—	—
FY2021 (Forecast)	—	—	—	10.00	10.00

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

(Note 2) The Company conducted a four-for-one stock split of common stocks as of April 1, 2021. The year-end dividends for FY2020 and FY2021(Forecast) are stated in an amount that reflects this stock split. If the stock split is not considered, the year-end dividend for FY2021 (forecast) would be 40 yen.

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3. Forecast of the Consolidated Results for the Fiscal Year Ending September 2021

(October 1, 2020 - September 30, 2021)

(% = 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	600,000	25.4	57,500 ~62,500	69.7 ~84.5	57,500 ~62,500	69.8 ~84.6	24,000 ~26,000	263.2 ~293.4	47.54 ~51.51

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

(Note 2) The Company conducted a four-for-one stock split of common stocks as of April 1, 2021. The "Basic earnings per share" is calculated considering the said stock split.

*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: None

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 FY2021: 505,706,400 shares	FY2020: 505,706,400 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
2Q FY2021: 953,524 shares	FY2020: 1,190,968 shares
(3) Average number of shares during the period (cumulative quarterly period)	
2Q FY2021: 504,703,240 shares	2Q FY2020: 504,149,340 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 Summary (3) Forecast" on page 3.

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1. Qualitative Information on the Quarterly Financial Summary

(1) Overview of Consolidated Financial Results

The scale of the Internet advertising market focusing on smartphones in 2021 is estimated to increase steadily by 13.1% (Note) year-on-year.

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

As a result, during the cumulative consolidated second quarter, net sales grew 20.3% year on year to ¥294,497 million, and operating income amounted to ¥32,932 million (62.8% increase). Ordinary income amounted to ¥33,029 million (63.2% increase), and profit attributable to shareholders of parent increased 187.7% to ¥13,694 million.

(Note) Source: NIKKEI Advertising Research Institute / Forecast for Advertising Expenditure in FY2021
(Revised in February 2021)

Earnings by business segments are discussed below.

(a) Media Business

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

While investing in "ABEMA", net sales grew and amounted to ¥40,259 million for the period, a 54.6% year-on-year increase. Operating loss amounted to ¥7,384 million, compared to operating loss of ¥9,288 million for the same period in the prior fiscal year.

(b) Internet Advertisement Business

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

With our strength which maximizes the advertising effectiveness, this segment achieved a record high of net sales and operating income. It reported ¥157,228 million in net sales, up 12.2% year on year. Operating income gained 4.5%, reaching ¥12,941 million.

(c) Game Business

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

Two new game titles are off to a quick start, net sales amounting to ¥93,937 million, a 17.3% year-on-year increase. Operating income was ¥24,347 million, a 56.5% 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 ¥5,762 million (70.5% year-on-year increase) and operating income of ¥4,575 million (a year-on-year increase of 67.2%).

(e) Other Businesses

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

This segment reported net sales of ¥10,897 million, a 13.4% year-on-year increase. Operating income amounted to ¥559 million (a year-on-year decrease of 26.0%).

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(2) Overview of Consolidated Financial Position

(Financial position)

Total assets at the end of this consolidated second quarter have increased by ¥39,599 million compared to the end of the previous fiscal year and amounted to ¥300,365 million. It is mainly due to the increase in Accounts receivable-trade to sales and business scale increase.

Total liabilities have increased by ¥20,659 million compared to the end of previous fiscal year and amounted to ¥153,747 million. This increase is mainly due to an increase in Accounts payable-trade to sales and business scale increase.

Total net assets have increased by ¥18,939 million compared to the end of the previous fiscal year and amounted to ¥146,617 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 ¥1,984 million from the end of the previous fiscal year to ¥100,384 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 ¥10,082 million of inflow (¥11,574 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 ¥12,935 million of outflow (¥8,789 million of outflow in the same period of the previous fiscal year). Major outflow included purchase of investment securities and fixed assets.

iii) Cash flow from financing activities

Net cash provided by financing activities was ¥600 million of inflow (¥2,419 million of outflow in the same period of the previous fiscal year). The major inflow included proceeds from share issuance to non-controlling shareholders, and the major outflow included dividend payment to investment partners.

(3) Forecast

The Company accumulates profits from the internet advertisement and the game business and invests in the media business as a pillar of its medium to long-term strategy. In the second quarter of the fiscal year 2021, two new game titles launched and had a good start. The trend in the advertising business was also better than expected despite the partial impact of COVID-19. The Company thus has revised the original earnings forecast announced on October 28, 2020 upward.

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 through business growth and improving capital efficiency. Since the fiscal year 2016, the Company is investing in ABEMA, the new future of TV, to develop it into a 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, as a result of the revision of the full-year earnings forecast for the fiscal year 2021, the year-end dividend forecast has been changed from 9.25 yen to 10 yen (37 yen to 40 yen based on the pre-stock split calculation) to achieve the DOE of 5% or more. We will submit this matter to the 24th Annual General Meeting of Shareholders to be held in December 2021.

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2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit: ¥ million)	
	FY2020 (As of September 30, 2020)	2Q FY2021 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	102,368	100,384
Accounts and notes receivable-trade	58,550	97,461
Inventories	2,078	2,479
Sales investment securities	24,096	18,795
Other	16,674	15,862
Allowance for doubtful accounts	(93)	(109)
Total current assets	203,674	234,873
Non-current assets		
Property, plant and equipment	13,241	13,704
Intangible assets		
Goodwill	1,192	847
Other	23,316	23,113
Total intangible assets	24,509	23,961
Investments and other assets		
Other	19,311	27,860
Allowance for doubtful accounts	(14)	(88)
Total investments and other assets	19,296	27,771
Total non-current assets	57,047	65,437
Deferred assets	44	53
Total assets	260,766	300,365
Liabilities		
Current liabilities		
Notes and accounts payable-trade	42,966	60,606
Short-term loans payable	1,080	880
Income tax payable	9,458	10,845
Other	34,363	36,880
Total current liabilities	87,867	109,212
Non-current liabilities		
Convertible bonds	40,331	40,279
Accrued long service rewards for employees	1,586	1,738
Asset retirement obligations	1,851	1,834
Other	1,451	682
Total non-current liabilities	45,220	44,535
Total liabilities	133,088	153,747
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	8,048	11,061
Retained earnings	63,529	72,935
Treasury stock	(315)	(252)
Total shareholders' equity	78,466	90,947
Other comprehensive income		
Valuation difference on available-for-sale securities	10,952	8,852
Foreign currency translation adjustments	109	205
Total other comprehensive income	11,062	9,058
Subscription rights to shares	977	1,114
Non-controlling interests	37,171	45,496
Total net assets	127,678	146,617
Total liabilities and net assets	260,766	300,365

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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 FY2020 (October 1, 2019 - March 31, 2020)	2Q FY2021 (October 1, 2020 - March 31, 2021)
Net sales	244,853	294,497
Cost of sales	171,366	202,000
Gross profit	73,487	92,496
Selling, general and administrative expenses	53,255	59,563
Operating income	20,231	32,932
Non-operating income		
Interest income	68	67
Dividends received	65	59
Foreign exchange gains	—	183
Other	126	132
Total non-operating income	260	444
Non-operating expenses		
Interest expenses	7	5
Equity in losses of affiliates	197	183
Provision for allowance for doubtful accounts	—	78
Other	53	79
Total non-operating expenses	258	347
Ordinary income	20,234	33,029
Extraordinary income		
Insurance income	—	429
Other	80	33
Total extraordinary gain	80	463
Extraordinary loss		
Impairment loss	1,652	1,761
Other	831	472
Total extraordinary loss	2,484	2,234
Income before income taxes and non-controlling interests	17,830	31,258
Income taxes-current	9,055	11,306
Income taxes-deferred	(395)	(200)
Total income tax	8,660	11,105
Net income	9,169	20,152
Profit attributable to non-controlling interests	4,409	6,457
Profit attributable to shareholders of parent	4,760	13,694

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

(Unit: ¥ million)

	2Q FY2020 (October 1, 2019 - March 31, 2020)	2Q FY2021 (October 1, 2020 - March 31, 2021)
Net income	9,169	20,152
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,771)	(2,022)
Foreign currency translation adjustment	(9)	138
Share of other comprehensive income of associates accounted for using equity method	342	(35)
Total other comprehensive income	(2,438)	(1,919)
Comprehensive income	6,731	18,233
(Comprehensive income attributable to)		
Shareholders of the parent	2,337	11,691
Non-controlling interests	4,393	6,541

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(3) Quarterly Consolidated Statements of Cash Flows

(Unit: ¥ million)

	2Q FY2020 (October 1, 2019 - March 31, 2020)	2Q FY2021 (October 1, 2020 - March 31, 2021)
Cash flow from operating activities		
Income before income taxes and non-controlling interests	17,830	31,258
Depreciation	4,273	4,906
Impairment loss	1,652	1,761
Decrease (increase) in notes and accounts receivable-trade	(14,241)	(38,971)
Increase (decrease) in accounts payable-trade	8,048	17,650
Increase (decrease) in accounts payable-other	1,194	(723)
Increase (decrease) in accrued consumption taxes	699	2,673
Other, net	74	1,589
Sub-total	19,531	20,144
Interest and dividends income received	77	76
Interest expenses paid	(7)	(5)
Income taxes paid	(8,027)	(10,132)
Net cash provided by (used in) operating activities	11,574	10,082
Cash flow from investing activities		
Purchase of property, plant and equipment	(3,007)	(1,696)
Purchase of intangible assets	(5,203)	(4,599)
Purchases of investment securities	(21)	(5,293)
Other, net	(557)	(1,345)
Net cash provided by (used in) investing activities	(8,789)	(12,935)
Cash flow from financing activities		
Cash dividends paid	(4,155)	(4,288)
Proceeds from share issuance to non-controlling shareholders	1,964	3,952
Proceeds from the sales of subsidiaries' shares without a change in the scope of consolidation	1,875	1,454
Other, net	(2,104)	(517)
Net cash provided by (used in) financing activities	(2,419)	600
Effect of exchange rate change on cash and cash equivalents	29	268
Net increase (decrease) in cash and cash equivalents	395	(1,984)
Cash and cash equivalents at beginning of period	84,563	102,368
Cash and cash equivalents at the end of period	84,959	100,384

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(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.

(Segment Information)

I. Cumulative Second Quarter of the Fiscal Year Ended September 2020 (October 1, 2019 to March 31, 2020)

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	21,726	131,102	79,966	3,380	8,677	244,853	—	244,853
Inter-segment sales or transfers	4,317	9,007	136	—	934	14,395	(14,395)	—
Total	26,043	140,110	80,103	3,380	9,611	259,249	(14,395)	244,853
Segment income (loss)	(9,288)	12,389	15,560	2,735	755	22,152	(1,920)	20,231

*Adjustment of ¥ -1,920 million represents corporate general and administrative expenses not allocable to a reportable segment.

II. Cumulative Second Quarter of the Fiscal Year Ending 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.

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(Significant Subsequent Events)

(The Stock Split)

The Company's Board of Directors approved a stock split and partial amendment to the Articles of Incorporation on March 10, 2021.

1. Purpose

We aim to improve the liquidity of the stock and make it more accessible to a broader base of investors by lowering the amount per unit of investment of its common stock.

2. Outline of the Stock Split

(1) Method

With the record date of March 31, 2021, the Company's common stock held by shareholders listed or recorded by the end of the day was split at a four-for-one ratio.

(2) Number of shares to be increased upon the stock split

Total number of issued shares prior to the stock split	126,426,600 shares
Increase in the number of shares upon the stock split	379,279,800 shares
Total number of issued shares following the stock split	505,706,400 shares
Number of authorized shares following the stock split	1,517,119.200 shares

(3) Schedule

Record date announcement	Wednesday, March 17, 2021
Record date	Wednesday, March 31, 2021
Effective date	Thursday, April 1, 2021

(4) Effect on Information per share

The effect of this stock split is described in the summary of Financial Results.

3. Partial Amendment to the Articles of Incorporation

(1) Reason for the amendment

Following the above stock split, the Company has amended a part of its Article of Incorporation, effective April 1, 2021, according to Article 184, Paragraph 2 of the Companies Act.

(2) Details of the amendment

Changes are underlined.

Before the amendment	After the Amendment
(Total number of authorized shares) Article 6 Total number of authorized shares of Company shall be <u>379,279,800</u> shares.	(Total number of authorized shares) Article 6 Total number of authorized shares of the Company shall be <u>1,517,119,200</u> shares.

4. Adjustment in Conversion Terms of the Zero Coupon Convertible Bonds

Following the above stock split, the Company has adjusted the conversion price for its Zero Coupon Convertible Bonds due 2023 and 2025, effective April 1, 2021.

Name	Conversion price before the adjustment	Conversion price after the adjustment
Zero Coupon Convertible Bonds due 2023	6,460 yen	1,615 yen
Zero Coupon Convertible Bonds due 2025	6,270 yen	1,567.50 yen

5. Adjustment in Exercise Price of Stock Acquisition Rights

Following the above stock split, the exercise price per share of the stock acquisition rights issued by the Company has adjusted as follows effective April 1, 2021.

Stock Acquisition Rights (Issuance date)	Exercise price before the adjustment	Exercise price after the adjustment
8th Stock Acquisition Rights (October 27, 2011)	1,252 yen	313 yen
9th Stock Acquisition Rights (December 16, 2011)	1,252 yen	313 yen
10th Stock Acquisition Rights (December 14, 2012)	885 yen	222 yen
11th Stock Acquisition Rights (December 12, 2014 & October 8, 2015)	1 yen	1 yen
12th Stock Acquisition Rights (December 14, 2018 & December 19, 2018)	1 yen	1 yen
13th Stock Acquisition Rights (December 11, 2020)	1 yen	1 yen

6. About Capital

The above stock split does not increase the Company's capital.