

English Translation

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Financial Results for the 2nd Quarter of the Period Ending September 30, 2013 [Japanese Standards] (Consolidated)

April 25, 2013

Listed company name: CyberAgent, Inc.

Listed stock exchange: TSE Mothers

Code No.: 4751

URL: <http://www.cyberagent.co.jp/>

Representative: (Title) President

(Name) Susumu Fujita

Inquiries: (Title) Managing Director

(Name) Go Nakayama

Tel: 03-5459-0202

Quarterly report submission date: April 26, 2013

Dividend payment start date —

Preparation of supplementary references regarding quarterly results: Yes

Holding the briefing of quarterly results: Yes (For security analysts and institutional investors)

(Amounts less than ¥ million are rounded down.)

1. Consolidated Performance for the 2nd Quarter of the Period Ending September 30, 2013

(October 1, 2012 – March 31, 2013)

(1) Consolidated results of operations (cumulative total)

(The percentage indicates the change from the same quarter of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2Q of FY2013	82,192	20.7	5,171	(53.3)	5,348	(51.2)	9,555	87.8
2Q of FY2012	68,110	14.6	11,064	45.3	10,969	46.3	5,089	35.5

(Note) Comprehensive Income: 2Q of FY 2013: 10,211 million yen (75.9 %)

2Q of FY 2012: 5,803 million yen (41.2 %)

	Net income per share	Diluted net income per share
	¥	¥
2Q of FY2013	14,939.20	14,938.61
2Q of FY2012	7,857.42	7,853.84

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of Mar. 31, 2013	81,284	48,229	54.7
As of Sep. 30, 2012	136,366	43,594	30.6

(Reference) Equity capital: As of Mar. 31, 2013 ¥44,499 million, As of Sep. 30, 2012 ¥41,767 million

2. Dividend Status

	Annual dividends				
	1Q end	2Q end	3Q end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY2012	—	0.00	—	3,500.00	3,500.00
FY2013	—	0.00	—	—	—
FY2013 (Forecast)	—	—	—	3,500.00	3,500.00

(Note) Corrections to the dividend forecast for this quarter: None

3. Consolidated Performance Forecast for the Fiscal Year Ending September 30, 2013

(October 1, 2012 – September 30, 2013)

(The percentages indicate the change from the previous period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	170,000	20.5	10,000	(42.6)	10,000	(41.7)	12,000	40.8	18,761.08

(Note) Corrections to the consolidated performance forecast figures for this quarter: None

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***Notes**

- (1) Changes in important subsidiaries during the period (change of specified subsidiaries that lead to a change in the scope of consolidation): Yes

One company excluded (corporate name: CyberAgent FX)

(Note) For details, refer to page 4, "2. Summary Information, (1)Changes in Important Subsidiaries during the Period"

- (2) Application of specific accounting methods for producing quarterly consolidated financial statements: None

- (3) Changes to accounting policies, changes to accounting estimates, restatements:

1) Changes associated with revisions of accounting standards: None

2) Change other than those included in 1): None

3) Changes to Accounting Estimates: None

4) Restatements: None

- (4) Number of shares issued (common stock)

(1) Number of shares issued and outstanding (including treasury stock)	
2Q Sep. 2013 Period: 632,133	Sep. 2012 Period: 652,497
(2) Number of shares of treasury stock issued and outstanding	
2Q Sep. 2013 Period: 9,291	Sep. 2012 Period: 5,125
(3) Average number of shares during the period (quarterly consolidated cumulative accounting period)	
2Q Sep. 2013 Period: 639,622	2Q Sep. 2012 Period: 647,701

* Indication regarding the implementation status of the audit procedures

This quarterly financial results is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. As of the disclosure of this quarterly financial results, the procedures for reviewing quarterly financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

* Explanations related to appropriate use of the performance forecast; other special instructions

This forecast of performance is based on the judgment of the Group in accordance with information that was available at the time of its creation, and includes factors of risk and uncertain elements. Accordingly, actual results, performance, etc., may differ from the listed estimates. For information related to the forecast of performance indicated above, please see "(3) Qualitative Information regarding the Consolidated Performance Forecast" under "1. Results of Operations" on page 3.

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1. Results of Operations**(1) Qualitative Information Related to Consolidated Results of Operations**

The number of smartphones shipped in 2012 was 28.98 million (71.0% of overall shipments), and 31.60 million (76.3% of overall shipments) are forecast to be shipped in 2013 with the adoption of smartphones continuing at an increased pace^{*1}. With the rapid adoption of smartphones, the marketplace for downloadable content is expanding as well, reaching ¥1.6 trillion in 2013 and forecast to be approximately ¥2.0 trillion by 2017. The social game market is growing especially rapidly, worth ¥538.5 billion in 2012 and forecast to grow to ¥615.0 billion in 2013^{*2}.

Under such conditions, the Group focused operating resources on smartphone businesses, with the smartphone community and game SNS “Ameba” starting in earnest and large scale promotions carried out with television commercials and transportation advertising. Business restructuring, such as a decision to sell FX business, was also carried out.

As a result, the Group’s operating results for this second consolidated fiscal quarter were as follows. Net sales reached ¥82,192 million (up 20.7% from the same period of the previous year); operating income reached ¥5,171 million (down 53.3% from the same period of the previous year); ordinary income reached ¥5,348 million (down 51.2% from the same period of the previous year); and quarterly net income reached ¥9,555 million (up 87.8% from the same period of the previous year).

Source: MM Research Institute, Ltd. ^{*1}, Nomura Research Institute, Ltd. ^{*2},

Performance of each business segment was as follows.

As of the 1st quarter of this consolidated accounting period, the division of the reporting segments has been changed, so for comparisons to the same period the previous year the values from the previous year have been changed to follow the new segment divisions.

(a) Ameba business

The Ameba business includes Ameba, Ameba Pigg and AMoAd, etc.

For this business, there were large scale promotion activities for the smartphone community and game SNS “Ameba”, and new smartphone media businesses that were previously part of Internet advertisement agency business (formerly comprehensive Internet business) were consolidated.

As a result, net sales totaled ¥13,684 million (up 7.7% from the same period of the previous year), and we recorded an operating loss of ¥4,666 million (an operating income of ¥3,131 million in the same period of the previous year).

(b) SAP and other media businesses

The SAP and other media businesses includes CA Mobile, LTD. and SAP (social game) businesses in our Group companies such as Cygames Inc., Applibot, Inc., and Sumzap, Inc.

For these businesses, with active expansion of SAP businesses both domestically and internationally, net sales totaled ¥31,512 million (up 45.0% from the same period of the previous year), and we recorded an operating income of ¥3,243 million (up 4.5% from the same period of the previous year).

(c) Internet advertisement business

Internet advertisement business includes advertising agency businesses and SEM (search engine marketing), centered on the Company’s internet advertising business department.

For this business, with healthy sales of smartphone advertising, net sales totaled ¥38,981 million (up 13.8% from the same period of the previous year), and we recorded an operating income of ¥4,175 million (up 40.6% from the same period of the previous year).

(d) Investment development business

Our investment development business includes the Company’s corporate venture capital business, and fund operation in CyberAgent Ventures, Inc. It discovers, develops and generates value for promising venture companies both within Japan and in Asian countries.

In the current business year, due mainly to sales of shares, net sales totaled ¥1,405 million (up 914.8% from the same period of the previous year), and we recorded an operating

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income of ¥732 million (an operating loss of ¥140 million for the same period of the previous year).

(e) FX business

As all shares of CyberAgent FX, Inc., which was a consolidated subsidiary, were sold on January 31, 2013, the performance of the FX business only for the period from October 1, 2012 to January 31, 2013 is included.

Sales and operating income of this business were ¥2,916 million and ¥1,686 million, respectively.

(2) Qualitative Information Related to Consolidated Financial Standing**(Financial standing)**

In this second consolidated quarter, CyberAgent FX, Inc. was excluded from the consolidation. The total assets and liabilities of the FX business were 74,196 million yen and 65,192 million yen, respectively, as of the end of the previous consolidated fiscal year, and these values were excluded. Accordingly, total assets were ¥81,284 million (down ¥55,081 million from the previous consolidated fiscal year) and liabilities were ¥33,054 million (down ¥59,716 million from the previous consolidated fiscal year), as of the end of this second consolidated quarter.

Net assets totaled ¥48,229 million (up ¥4,635 million from the end of the previous fiscal year). This was mainly due to the fact that retained earnings increased as a result of recording quarterly net income, etc.

(Status of cash flow)

Cash and cash equivalents (hereafter 'funds') for the second quarter of this consolidated fiscal year increased by ¥12,188 million from the end of the previous consolidated fiscal year, and totaled ¥31,437 million.

Cash flow situations and major causal factors for the second quarter of this consolidated fiscal year are as follows.

(Net cash provided by operating activities)

Net cash provided by operating activities totaled ¥3,884 million (net cash provided by the same period of the previous year totaled ¥8,781 million). This was mainly due to the fact that we recorded a profit and income taxes paid.

(Net cash provided by investing activities)

Net cash provided by investing activities totaled ¥15,012 million (net cash used in the same period of the previous year totaled ¥4,546 million). This was mainly due to sales of stocks of subsidiaries and affiliates.

(Net cash used in financing activities)

Net cash used in financing activities totaled ¥7,165 million (net cash used in the same period of the previous year totaled ¥950 million). This was mainly due to purchase of treasury stock and cash dividends paid.

(3) Qualitative Information regarding the Consolidated Performance Forecast

The forecasted consolidated business performance announced on January 31, 2013 has not been revised.

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2. Summary Information (Notes)

(1) Changes in Important Subsidiaries during the Period

Since all shares of CyberAgent FX, Inc., which was a consolidated subsidiary, were sold on January 31, 2013, its performance was excluded from the consolidated results on February 1, 2013.

(2) Application of Specific Accounting Methods for Producing Quarterly Consolidated Financial Statements

No applicable items.

(3) Changes to Accounting Policies, Changes to Accounting Estimates, Restatements

No applicable items.

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3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheets**

(Unit: ¥ million)

	FY2012 (As of September 30, 2012)	2Q of FY2013 (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	20,925	31,443
Accounts and notes receivable-trade	21,192	22,616
Inventories	92	121
Sales investment securities	3,638	4,155
Foreign exchange dealings cash segregated as deposits for customers	51,644	—
Foreign exchange dealings variation margin paid for customers	12,252	—
Other	6,570	3,474
Allowance for doubtful accounts	(46)	(41)
Total current assets	116,268	61,768
Non-current assets		
Property, plant and equipment	3,825	3,891
Intangible assets		
Goodwill	2,991	2,968
Other	7,027	6,873
Total intangible assets	10,019	9,841
Investments and other assets		
Other	6,305	5,804
Allowance for doubtful accounts	(53)	(22)
Total investments and other assets	6,252	5,782
Total non-current assets	20,097	19,516
Total assets	136,366	81,284

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(Unit: ¥ million)

	FY2012 (As of September 30, 2012)	2Q of FY2013 (As of March 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,226	13,222
Short-term loans payable	220	—
Income tax payable	4,711	8,283
Foreign exchange dealings deposits from customers	63,468	—
Other	10,952	10,667
Total current liabilities	91,579	32,173
Non-current liabilities		
Bonds payable	100	—
Long-term loans payable	315	51
Allowance for continuous service	122	197
Asset retirement obligations	624	624
Other	24	8
Total non-current liabilities	1,187	881
Reserves under the special laws		
Reserve for financial products transaction liabilities	4	—
Total reserves under the special laws	4	—
Total liabilities	92,771	33,054
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	5,400	2,289
Retained earnings	30,379	36,461
Treasury stock	(1,388)	(1,964)
Total shareholders' equity	41,595	43,990
Other Comprehensive Income		
Valuation difference on available-for-sale securities	310	423
Foreign currency translation adjustment	(138)	85
Total other comprehensive income	171	509
Subscription rights to shares	121	121
Minority interests	1,705	3,608
Total net assets	43,594	48,229
Total liabilities and net assets	136,366	81,284

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(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
 Consolidated Quarterly Statements of Income
 (2Q consolidated cumulative accounting period)

(Unit: ¥ million)

	2Q of FY2012 (Oct. 1, 2011 to Mar. 31, 2012)	2Q of FY2013 (Oct. 1, 2012 to Mar. 31, 2013)
Net sales	68,110	82,192
Cost of sales	39,401	52,607
Gross profit	28,708	29,584
Selling, general and administrative expenses	17,643	24,413
Operating income	11,064	5,171
Non-operating income		
Interest income	18	9
Equity in earnings of affiliates	—	0
Foreign exchange gains	32	165
Other	53	97
Total non-operating income	104	272
Non-operating expenses		
Interest expenses	17	15
Equity in losses of affiliates	62	—
Consumption tax adjustments	64	42
Other	55	38
Total non-operating expenses	200	96
Ordinary income	10,969	5,348
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	52	16,409
Other	41	304
Total extraordinary gain	93	16,714
Extraordinary loss		
Impairment loss	561	2,098
Loss on business withdrawal	31	1,687
Other	309	601
Total extraordinary loss	902	4,387
Income before income taxes and minority interests	10,160	17,674
Income taxes-current	4,388	8,884
Income taxes-deferred	535	(1,025)
Total income tax	4,924	7,859
Income before minority interests	5,236	9,814
Minority interests in net income	146	259
Net income	5,089	9,555

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Consolidated Quarterly Statements of Comprehensive Income
(2Q consolidated cumulative accounting period)

(Unit: ¥ million)

	2Q of FY2012 (Oct. 1, 2011 to Mar. 31, 2012)	2Q of FY2013 (Oct. 1, 2012 to Mar. 31, 2013)
Income before minority interests	5,236	9,814
Other comprehensive income		
Valuation difference on available-for-sale securities	441	164
Foreign currency translation adjustment	73	134
Share of other comprehensive income of associates accounted for using equity method	51	97
Total other comprehensive income	567	396
Comprehensive income	5,803	10,211
(Comprehensive income attributable to)		
Owners of the parent	5,658	9,892
Minority interests	145	318

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(3) Quarterly Consolidated Statements of Cash Flows

(Unit: ¥ million)

	2Q of FY2012 (Oct. 1, 2011 to Mar. 31, 2012)	2Q of FY2013 (Oct. 1, 2012 to Mar. 31, 2013)
Cash flow from operating activities		
Income before income taxes and minority interests	10,160	17,674
Depreciation	1,374	2,061
Amortization of goodwill	179	201
Impairment loss	561	2,098
Foreign exchange losses (gains)	(76)	(362)
Loss (gain) on sales of stocks of subsidiaries and affiliates	(52)	(16,409)
Loss on business withdrawal	31	1,687
Decrease (increase) in notes and accounts receivable-trade	(4,750)	(1,589)
Decrease (increase) in margin requirement for foreign exchange transactions	1,499	1,549
Net decrease (increase) in outstanding amount of foreign exchange transactions	304	208
Increase (decrease) in notes and accounts payable-trade	2,009	1,131
Increase (decrease) in accounts payable-other	809	133
Increase (decrease) in accrued consumption taxes	(227)	(245)
Other, net	1,288	365
Sub-total	13,112	8,505
Interest and dividends income received	33	14
Interest expenses paid	(14)	(15)
Income taxes paid	(4,349)	(4,619)
Net cash provided by (used in) operating activities	8,781	3,884
Cash flow from investing activities		
Payments into time deposits	(435)	(600)
Proceeds from withdrawal of time deposits	405	74
Purchase of property, plant and equipment	(1,391)	(1,326)
Purchase of intangible assets	(3,031)	(3,370)
Proceeds from sales of investment securities	179	535
Proceeds from sales of stocks of subsidiaries and affiliates	221	6,814
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	50	13,447
Other, net	(542)	(563)
Net cash provided by (used in) operating activities	(4,546)	15,012
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	—	(220)
Repayment of long-term loans payable	(709)	(501)
Redemption of bonds	(100)	(100)
Proceeds from stock issuance to minority shareholders	677	865
Purchase of treasury stock	(1,999)	(5,004)
Proceeds from disposal of treasury stock	439	71
Cash dividends paid	(2,275)	(2,257)
Proceeds from trust account for purchase of treasury stock	3,002	—
Other, net	15	(18)
Net cash provided by (used in) financing activities	(950)	(7,165)
Effect of exchange rate change on cash and cash equivalents	100	457
Net increase (decrease) in cash and cash equivalents	3,385	12,188
Cash and cash equivalents at beginning of period	18,108	19,248
Cash and cash equivalents at end of period	21,494	31,437

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(4) Notes Regarding the Premise of a Going Concern

No applicable items.

(5) Segment Information**I. Previous 2Q consolidated cumulative accounting period (Oct. 1, 2011 to Mar. 31, 2012)****1. Information Concerning Sales and Income or Loss Amount by Reporting Segment**

(Unit: ¥ million)

	Reporting Segment						Adjustment Amount	Consolidated quarterly balance sheet amount
	Ameba business	SAP and Other Media Businesses	Internet advertisement business	Investment development business	FX	Subtotal		
Net Sales								
(1) Sales to external customers	9,752	21,153	33,039	138	4,026	68,110	—	68,110
(2) Intersegment internal sales or transferred amount	2,948	581	1,221	—	—	4,752	(4,752)	—
Total	12,700	21,735	34,261	138	4,026	72,862	(4,752)	68,110
Segment income (loss)	3,131	3,104	2,970	(140)	1,997	11,064	—	11,064

2. Information concerning impairment loss for non-current assets, or goodwill, for each reporting segment

(Significant impairment loss for non-current assets)

There are no applicable items.

(Significant changes in amount of goodwill)

There are no applicable items.

(Significant gains on negative goodwill)

There are no applicable items.

II. Current 2Q consolidated cumulative accounting period (Oct. 1, 2012 to Mar. 31, 2013)**1. Information Concerning Sales and Income or Loss Amount by Reporting Segment**

(Unit: ¥ million)

	Reporting Segment						Adjustment Amount	Consolidated quarterly balance sheet amount
	Ameba business	SAP and Other Media Businesses	Internet advertisement business	Investment development business	FX	Subtotal		
Net Sales								
(1) Sales to external customers	10,417	31,000	36,451	1,405	2,916	82,192	—	82,192
(2) Intersegment internal sales or transferred amount	3,267	511	2,529	—	—	6,308	(6,308)	—
Total	13,684	31,512	38,981	1,405	2,916	88,500	(6,308)	82,192
Segment income (loss)	(4,666)	3,243	4,175	732	1,686	5,171	—	5,171

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2. Information on assets in each business segment

The assets for each business segment changed considerably in this second consolidated quarter from the last date of the previous consolidated fiscal year. Its outline is as follows:

In the first and second quarters of this consolidated fiscal year, our company transferred all shares of CyberAgent FX, Inc., which had been categorized into the “FX business,” on January 31, 2013, and excluded it from the consolidated range.

As a result, the assets of the “FX business” segment vanished.

3. Information regarding the change of business segments, etc.

The Group has been focusing operating resources on smartphone businesses since the previous year. This year also continued to focus on the success of the smartphone community and game SNS Ameba, and in order to concentrate more operating resources on smartphone businesses the division of operating resources was re-examined, including business restructuring. With this restructuring, new reporting segments were made based on the internal company results management system.

Information on the sales and profits and losses for the previous 2nd quarter consolidated reporting period based on the changed reporting segments is included in “I Previous 2nd Quarter Consolidated Period (October 1, 2011 to March 31, 2012)”.

- (1) Smartphone media new development businesses that were previously part of Comprehensive Internet Business were consolidated into Ameba Business, and the name of Comprehensive Internet Business was changed to Internet Advertisement Business.
- (2) In order to bring it in line with the reality of the expansion of the social game business, the name of Media Business was changed to SAP and Other Media Businesses.

[Old Segments]

Ameba business
Media business
Comprehensive Internet business
Investment development business
FX business

[New Segments]

Ameba business
SAP and Other Media Businesses
Internet advertisement business
Investment development business
FX business

4. Information concerning impairment loss for non-current assets, or goodwill, for each reporting segment

(Significant impairment loss for non-current assets)

For the SAP and Other Media, Ameba and Internet Advertisement segments, with a decrease in profitability of some services as well as the cancellation of services due to business restructuring the original income estimate is no longer viable, and so the impairment loss is listed as an extraordinary loss. The listed impairment loss values for the 2nd quarter consolidated reporting period are given in the table below.

SAP and Other Media Businesses	1,866 million yen
Ameba business	224 million yen
Internet advertisement business	7 million yen
Total	2,098 million yen

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(Significant changes in amount of goodwill)

There are no applicable items.

(Significant gains on negative goodwill)

There are no applicable items.

(6) Notes Regarding the Premise of a Note for Cases in Which There Has Been Significant Fluctuation of Shareholders' Equity

There are no applicable items.

(7) Important Subsequent Events

There are no applicable items.