

English Translation

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Financial Results for the Second Quarter of the Fiscal Year Ending September 2016 [Japanese Standards] (Consolidated)

April 21, 2016

Listed company name: CyberAgent, Inc.

Listed stock exchange: TSE 1st section

Code No.: 4751

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

Representative: President

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Quarterly report submission date: April 22, 2016

Dividend payment start date —

Preparation of Supplementary Materials for Quarterly Financial Results: Yes

Presentation of Quarterly Financial Results: Yes (for analysts and institutional investors)

(Amounts less than ¥1 million rounded down.)

1 Consolidated Earnings for the Second Quarter of the Fiscal Year Ending September 2016

(1) Consolidated results of operations (cumulative)

(% = Year-on-Year Change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2Q FY2016	148,640	19.9	24,239	16.9	23,738	12.9	11,258	14.1
2Q FY2015	123,961	28.9	20,729	91.7	21,018	94.2	9,870	98.9

(Note) Comprehensive income 2Q FY2016 ¥13,564 million (1.3%) 2Q FY2015 ¥13,384 million (143.4%)

	Net income per share	Diluted net income per share
	¥	¥
2Q FY2016	179.28	178.66
2Q FY2015	157.72	157.02

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of March 2016	134,911	84,766	53.4
As of September 2015	131,188	77,702	50.8

(Reference) Equity capital: As of March 2016 ¥72,000 million As of September 2015 ¥66,706 million

2 Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
	¥	¥	¥	¥	¥
FY2015	—	0.00	—	50.00	50.00
FY2016	—	0.00	—	—	—
FY2016 (Forecast)	—	—	—	50.00	50.00

(Note) Revisions to most recent dividend forecasts: None

3 Consolidated Earnings Forecast for the Fiscal Year Ending September 2016

(October 1, 2015 - September 30, 2016)

(% = Year-on-Year Change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	300,000	17.9	28,000	(14.5)	27,400	(15.2)	14,000	(5.4)	222.87

(Note) Revisions to most recent consolidated earnings 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 companies: — (Company name: —)

Excluded companies: — (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 Fiscal Year Ending September 2016: 63,213,300 shares	Fiscal Year Ended September 2015: 63,213,300 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
2Q Fiscal Year Ending September 2016: 398,400 shares	Fiscal Year Ended September 2015: 444,800 shares
(3) Average number of shares during the period (cumulative quarterly period)	
2Q Fiscal Year Ending September 2016: 62,798,686 shares	2Q Fiscal Year Ended September 2015: 62,578,564 shares

*Matters Regarding Quarterly Review Procedures

This summary of quarterly earnings is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Review procedures for the quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed at the time of disclosure of this summary of quarterly consolidated earnings.

*Appropriate Use of Earnings Forecasts and Other Matters

Earnings forecasts are judged by management of the Group based on information available at the time of its creation. Forecasts include elements of risk and uncertainty; actual results and earnings may differ from the forecasts. For information related to earnings forecasts, see 1. Qualitative Information on Quarterly Financial Results (3) Consolidated Earnings Forecasts on page 3.

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1. Qualitative Information on Quarterly Financial Results**(1) Results of Operations**

Smartphone ownership of ordinary households in Japan reached 67.4% as of March 31, 2016 (Note 1). The scale of the smartphone ad market is estimated to steadily increase by 22.2% to 454.2 billion yen (Note 2) between 2015 and 2016. Especially, the video ad market (including PCs) is expected to grow rapidly. Its scale is estimated to be 80.0 billion yen in 2016, up 58.1% from the previous term, exceed 100 billion yen in 2017, and reach 200 billion yen by 2020 (Note 3).

Seizing on this trend, the CyberAgent Group has taken advantage of the growth of the smartphone market. As a result, during the cumulative consolidated second quarter, net sales grew 19.9% year on year to ¥148,640 million, while operating income amounted to ¥24,239 million (16.9% increase). Ordinary income amounted to ¥23,738 million (12.9% increase), and net income attribute to parent company shareholder's equity came in at ¥11,258 million (14.1% increase).

(Note 1) Source: *Economic and Social Research Institute Cabinet Office, Government of Japan, Consumer Confidence Survey, March 2016*

(Note 2) Source: CyberZ/Seed Planning, *Survey on Smartphone market trends and Smartphone Advertising Market Trends, 2016*

(Note 3) Source: CyberAgent/Seed Planning, *Survey on the market trend of video ads in Japan*

Earnings by business segment are discussed below.

The CyberAgent Group recategorized reportable segments during the first quarter of the year. Prior-year figures used for comparison purposes have been recalculated to reflect these new segment categories.

(a) Media Business

The Media Business includes "AbemaTV", "AbemaTV FRESH!", "Ameba," and "755", etc. , "AbemaTV FRESH" (launched on January 21 , 2016) and "AbemaTV" (Beta version launched on March 1, Officially launched on April 11, 2016) have started, CyberAgent will begin in earnest with its investment for video business. The Media Business reported net sales of ¥11,124 million for the period, a 7.3% year-on-year decrease. Operating income amounted to ¥719 million, a 750.3% year-on-year increase.

(b) Game Business

The Game Business includes Cygames, Inc., Sumzap, Inc., GCREST, Inc., Applibot, Inc. and others. Native games drove quarterly revenues, with net sales amounting to ¥57,421 million, a 42.9% year-on-year increase. Operating income gained 68.1% to ¥15,775 million.

(c) Internet Advertisement Business

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

This segment recorded ¥81,677 million in net sales, up 19.2% year on year. Operating income gained 13.1%, reaching ¥7,558 million. This is because of the healthy sales of in-feed ads (Note), video ads, etc. for smartphones.

(Note) In-feed ads: Ads posted in the timelines of website or apps, etc.

(d) Investment Development Business

The Investment Development Business consists primarily of the CyberAgent corporate venture capital business and the fund operations of CyberAgent Ventures, Inc. The goal of this segment is to invest for capital gains, finding promising ventures to help develop and create value.

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The Investment Development Business recorded net sales of ¥646 million (89.3% year-on-year decrease) and operating income of ¥70 million (a year-on-year decrease of 98.6%).

(e) Other Businesses

The Other Businesses segment includes CA Mobile, Ltd., Wedding Park, Ltd., and others.

This segment reported net sales of ¥8,232 million, a 1.6% year-on-year decrease. Operating income amounted to ¥842 million (a year-on-year increase of 291.5%).

(2) Financial Position**(Financial position)**

Total assets at the end of the consolidated second quarter amounted to ¥134,911 million, which was an increase of ¥3,723 million compared to the end of the prior fiscal year. This is mainly because of the increase in cash and deposits by an increase in the profit and increase in investment securities for sale. Liabilities decreased ¥3,341 million compared to the end of the prior fiscal year, reaching ¥50,144 million. This is mainly because of the decrease in accrued income tax through the payment of corporate tax, etc. The CyberAgent Group reported net assets of ¥84,766 million at the end of the second quarter, up ¥7,064 million. This is mainly because of the increase in retained earnings owing to the recording of net income attributable to shareholders of parent.

(Cash flows)

As of the end of the consolidated second quarter, cash and cash equivalents amounted to ¥39,425 million, an increase of ¥717 million compared to the end of the prior consolidated fiscal year.

The following discusses the major factors affecting cash flow for the cumulative consolidated second quarter.

(1) Cash flow from operating activities

Net cash used in operating activities amounted to an increase of ¥13,143 million, compared to an increase of ¥15,823 million during the same period in the prior fiscal year. This result was mainly due to net income gains and payments of income taxes.

(2) Cash flow from investing activities

Net cash used in investing activities amounted to a decrease of ¥8,656 million, compared to a decrease of ¥14,369 million during the same period in the prior fiscal year. This result was mainly due to purchases of non-current assets.

(3) Cash flow from financing activities

Net cash used in financing activities amounted to a decrease of ¥3,627 million, compared to a decrease of ¥2,521 million during the same period in the prior fiscal year. This result was mainly due to dividend payments.

(3) Consolidated Earnings Forecasts

The Group has not revised consolidated earnings forecasts since original publication on October 29, 2015.

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2. Summary Information (Notes)**(1) Changes in Significant Subsidiaries during the Period**

No applicable items.

(2) Application of Simplified Accounting Methods and/or Special Accounting Methods

No applicable items.

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

(Application of the Accounting Standard for Business Combination, etc.)

“*The Accounting Standard for Business Combination*” (Corporate Accounting Standards No. 21; Sep. 13, 2013; hereinafter referred to as “Business Combination Accounting Standard”), “*the Accounting Standard for Consolidated Financial Statements*” (Corporate Accounting Standards No. 22; Sep. 13, 2013; hereinafter referred to as “Consolidated Accounting Standard”), “*the Accounting Standard for Business Divestitures*” (Corporate Accounting Standards No. 7; Sep. 13, 2013; hereinafter referred to as “Business Divestiture Accounting Standard”), etc. were adopted in the first quarter of this consolidated fiscal period. Then, the difference arising out of the change in the equity of the company for subsidiaries still under control was posted as capital surplus, and the method of posting acquisition-related cost as the expense in the consolidated fiscal year was adopted. As for the business combination conducted at the beginning of the first quarter of this consolidated financial period or later, the company adopted the method of reflecting the revision to the allocation amount of acquisition cost due to the provisional adoption of accounting procedures in the quarterly consolidated financial statements for the quarter including the date of business combination. In addition, the indications of quarterly net income, etc. were changed, and minority shareholders’ equity was changed to non-controlling equity. In order to reflect the change of the indications, the quarterly consolidated financial statements of the prior cumulative consolidated second quarter and the consolidated financial statements of the prior consolidated fiscal year are reclassified.

In the quarterly consolidated statements of cash flows for the second quarter of this consolidated fiscal period, cash flows from the purchase or sales of shares of subsidiaries without change in scope of consolidation are presented in cash flows from financing activities, and cash flows relating to the acquisition-related costs of shares of subsidiaries with change in scope of consolidation and cash flows relating to the costs incurred in acquisitions or sales of shares of subsidiaries without change in scope of consolidation are presented in cash flows from operating activities.

The application of Business Combination Accounting Standard follows the transitional provisions specified in *Section 58-2 (3) of Business Combination Accounting Standard*, *Section 44-5 (3) of Consolidated Accounting Standard*, and *Section 57-4 (3) of Business Divestiture Accounting Standard*. The cumulative influence of the retroactive application of the new accounting policy to the past period as of the beginning of the first quarter of this consolidated accounting period is reflected in capital surplus and retained earnings.

As a result, at the beginning of the first quarter of this consolidated accounting period, goodwill account (3,119 million yen) and retained earnings (3,218 million yen) decreased, while capital surplus (98 million yen) increased. The effect of these changes on the operating income, ordinary income, and income before income taxes and minority interests for the second quarter of this consolidated fiscal period is minor.

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

(Unit: ¥ million)

	Prior Consolidated Fiscal Year September 30, 2015	Second Quarter, Current Consolidated Fiscal Year March 31, 2016
Assets		
Current assets		
Cash and deposits	38,723	39,432
Accounts and notes receivable-trade	38,095	38,241
Inventories	65	94
Sales investment securities	10,818	11,502
Other	5,980	6,856
Allowance for doubtful accounts	(152)	(350)
Total current assets	93,532	95,776
Non-current assets		
Property, plant and equipment	7,616	8,225
Intangible assets		
Goodwill	4,551	1,524
Other	13,403	15,247
Total intangible assets	17,955	16,771
Investments and other assets		
Other	12,222	14,504
Allowance for doubtful accounts	(138)	(365)
Total investments and other assets	12,083	14,138
Total non-current assets	37,656	39,135
Total assets	131,188	134,911
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,599	24,899
Short-term loans payable	20	593
Income tax payable	10,605	7,777
Other	16,788	15,105
Total current liabilities	52,013	48,375
Non-current liabilities		
Long-term loans payable	130	149
Allowance for continuous service	530	691
Asset retirement obligations	710	824
Other	100	102
Total non-current liabilities	1,472	1,769
Total liabilities	53,486	50,144
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	2,549	2,380
Retained earnings	55,788	61,276
Treasury stock	(940)	(842)
Total shareholders' equity	64,601	70,018
Other comprehensive income		
Valuation difference on available-for-sale securities	1,678	1,668
Foreign currency translation adjustment	426	314
Total other comprehensive income	2,105	1,982
Subscription rights to shares	234	403
Non-controlling interests	10,761	12,362
Total net assets	77,702	84,766
Total liabilities and net assets	131,188	134,911

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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)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year October 1, 2014 - March 31, 2015	Cumulative Second Quarter, Current Consolidated Fiscal Year October 1, 2015 - March 31, 2016
Net sales	123,961	148,640
Cost of sales	77,061	92,619
Gross profit	46,899	56,020
Selling, general and administrative expenses	26,169	31,780
Operating income	20,729	24,239
Non-operating income		
Interest income	1	6
Dividends received	—	50
Equity in earnings of affiliates	166	—
Foreign exchange gains	60	—
Other	97	43
Total non-operating income	326	99
Non-operating expenses		
Interest expenses	2	4
Equity in losses of affiliates	—	498
Other	35	98
Total non-operating expenses	37	600
Ordinary income	21,018	23,738
Extraordinary income		
Gain on sales of non-current assets	—	64
Gain on sales of investment securities	0	1,669
Other	200	42
Total extraordinary gain	200	1,776
Extraordinary loss		
Impairment loss	1,785	2,545
Other	706	447
Total extraordinary loss	2,492	2,992
Income before income taxes and minority interests	18,727	22,522
Income taxes-current	7,618	8,151
Income taxes-deferred	37	569
Total income tax	7,656	8,721
Net income	11,070	13,800
Profit attributable to non-controlling interests	1,199	2,541
Profit attributable to shareholders of parent	9,870	11,258

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

	(Unit: ¥ million)	
	Cumulative Second Quarter, Prior Consolidated Fiscal Year October 1, 2014 - March 31, 2015	Cumulative Second Quarter, Current Consolidated Fiscal Year October 1, 2015 - March 31, 2016
Income before minority interests	11,070	13,800
Other comprehensive income		
Valuation difference on available-for-sale securities	2,191	(3)
Foreign currency translation adjustment	15	(176)
Share of other comprehensive income of associates	107	(56)
Total other comprehensive income	2,314	(236)
Comprehensive income	13,384	13,564
(Comprehensive income attributable to)		
Shareholders of the parent	11,847	11,135
Non-controlling interests	1,537	2,428

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(3) Quarterly Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year October 1, 2014 - March 31, 2015	Cumulative Second Quarter, Current Consolidated Fiscal Year October 1, 2015 - March 31, 2016
Cash flow from operating activities		
Income before income taxes and minority interests	18,727	22,522
Depreciation	2,669	3,181
Amortization of goodwill	240	117
Impairment loss	1,785	2,545
Gain and loss on sale of investment securities (increase)	(0)	(1,669)
Decrease (increase) in notes and accounts receivable-trade	(3,070)	110
Decrease (increase) in investment securities for sale	46	(396)
Increase (decrease) in notes and accounts payable- trade	2,178	68
Increase (decrease) in accounts payable-other	(1,718)	(1,766)
Increase (decrease) in accrued consumption taxes	(702)	(955)
Other, net	347	294
Sub-total	20,501	24,052
Interest and dividends income received	0	96
Interest expenses paid	(2)	(4)
Income taxes paid	(4,677)	(11,001)
Net cash provided by (used in) operating activities	15,823	13,143
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,002)	(1,271)
Purchase of intangible assets	(4,776)	(6,609)
Proceeds from sales of investment securities	87	1,771
Purchase of investment securities	(3,542)	(465)
Purchase of stocks of subsidiaries and affiliates	(1,455)	(832)
Payments for loans	(71)	(1,021)
Payment of the outstanding balance from the previous term for purchasing investments in subsidiaries and affiliates resulting in change in scope of consolidation	(927)	—
Purchase of treasury stocks of subsidiaries in consolidation	(1,999)	—
Other, net	(681)	(226)
Net cash provided by (used in) investing activities	(14,369)	(8,656)
Cash flow from financing activities		
Proceeds from disposal of treasury stock	413	123
Purchase of treasury shares of subsidiaries	—	(1,202)
Cash dividends paid	(3,746)	(3,139)
Other, net	812	590
Net cash provided by (used in) financing activities	(2,521)	(3,627)
Effect of exchange rate change on cash and cash equivalents	225	(141)
Net increase (decrease) in cash and cash equivalents	(841)	717
Cash and cash equivalents at beginning of period	31,439	38,716
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(8)
Cash and cash equivalents at end of period	30,598	39,425

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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.

(Segment Information)

I. Cumulative Second Quarter of the Fiscal Year Ended September 2015 (October 1, 2014 to March 31, 2015)**1. Sales and Income (Loss) by Reportable Segment**

(Unit: ¥ million)

	Reportable Segment						Adjustments*	Quarterly Consolidated Statement of Income
	Media Business	Game Business	Internet Advertisement Business	Investment Development Business	Other Business	Total		
Net sales								
Sales to external customers	5,752	39,620	65,003	6,026	7,557	123,961	—	123,961
Inter-segment sales or transfers	6,252	568	3,507	—	810	11,139	(11,139)	—
Total	12,004	40,189	68,511	6,026	8,368	135,100	(11,139)	123,961
Segment income (loss)	84	9,385	6,684	4,880	215	21,250	(521)	20,729

*Adjustment of -¥521 million represents corporate general and administrative expenses not allocable to a reportable segment.

2. Information concerning Impairment Loss for Non-Current Assets or Goodwill, by Reportable Segment

(Significant impairment loss for non-current assets)

For Media, Game, Internet Advertisement, Other and Entire Company segments, the original income estimate and cost reduction are no longer viable with a decrease in profitability of some services as well as the cancellation of services, etc. and so the impairment loss is listed in an extraordinary loss category. The listed impairment loss values for the second quarter consolidated reporting period are given in the table below.

Media	135 million yen
Game	1,185 million yen
Internet Advertisement	93 million yen
Other	365 million yen
Entire Company	6 million yen
Total	1,785 million yen

(Significant changes in goodwill)

No applicable items.

(Significant changes in negative goodwill)

No applicable items.

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II. Cumulative Second Quarter of the Fiscal Year Ending September 2016 (October 1, 2015 to March 31, 2016)**1. Sales and Income (Loss) by Reportable Segment**

(Unit: ¥ million)

	Reportable Segment						Adjustments*	Quarterly Consolidated Statements of Income
	Media Business	Game Business	Internet Advertisement Business	Investment Development Business	Other Business	Total		
Net sales								
Sales to external customers	6,457	56,938	77,804	646	6,793	148,640	—	148,640
Inter-segment sales or transfers	4,666	483	3,873	—	1,439	10,462	(10,462)	—
Total	11,124	57,421	81,677	646	8,232	159,102	(10,462)	148,640
Segment income (loss)	719	15,775	7,558	70	842	24,966	(726)	24,239

*Adjustment of -¥726 million represents corporate general and administrative expenses not allocable to a reportable segment.

2. Items regarding the changes to segments to be reported, etc.**(Changes to segments)**

The company renewed the logo of *Ameba* for growing further and polishing creativity, and is unifying its brands. The company decided to enhance the up-front investment in video business for developing the Media Business, mainly *Ameba*, in the mid to long term, and revised the allocation of managerial resources through reorganization and business restructuring.

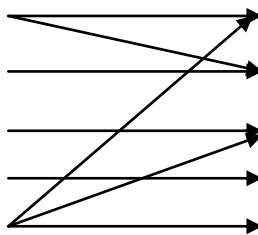
Because of the reorganization and business restructuring, the new segments tabulated below, which are based on in-company performance management systems, were adopted in the first quarter of this consolidated accounting period.

The segment information for the previous second quarter of the consolidated period was produced with the new segments.

- (1) The game section that had belonged to the Ameba Business was integrated into the Game Business.
- (2) The video and community business that had belonged to the Media and Other Businesses was integrated into the Ameba Business, and the video ad business, etc. were integrated into the Internet Advertisement Business.
- (3) After the above integrations, the Ameba Business was renamed the Media Business while the Media and Other Businesses was renamed Other Business.

[Old Segments]

Ameba Business
Game Business
Internet Advertisement Business
Investment Development Business
Media and Other Businesses

**[New Segments]**

Media Business
Game Business
Internet Advertisement Business
Investment Development Business
Other Business

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3. Information concerning Impairment Loss for Non-Current Assets or Goodwill, by Reportable Segment

(Significant impairment loss for non-current assets)

For Media, Game, Internet Advertisement, and Other segments, the original income estimate and cost reduction are no longer viable with a decrease in profitability of some services as well as the cancellation of services, etc. and so the impairment loss is listed in an extraordinary loss category. The listed impairment loss values for the second quarter consolidated reporting period are given in the table below.

Media	40 million yen
Game	2,285 million yen
Internet Advertisement	76 million yen
Other	142 million yen
Total	2,545 million yen

(Significant changes in goodwill)

As indicated in 2. *Summary Information (Notes) (3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements*, the new accounting policy is retroactively applied. The decreases in the amount of goodwill due to this event are as follows:

Game	524 million yen
Internet Advertisement	94 million yen
Other	2,499 million yen
Total	3,119 million yen

(Significant changes in negative goodwill)

No applicable items.

(Significant Subsequent Events)

No applicable items.