

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.

FY2019 First Quarter Consolidated Financial Results [Japanese GAAP]

January 30, 2019

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

Inquiries: Managing Director

Go Nakayama

Tel +81-3-5459-0202

Quarterly report submission date: January 31, 2019

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 Financial Results for the First Quarter of the Fiscal Year Ending September 2019

(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	%
1Q FY2019	110,855	13.2	5,346	(35.2)	5,165	(33.7)	916	(61.2)
1Q FY2018	97,914	13.1	8,246	29.8	7,792	31.4	2,361	78.1

(Note) Comprehensive income 1Q FY2019 ¥-725 million(—%) 1Q FY2018 ¥4,773 million (53.1%)

	Basic earnings per share	Diluted earnings per share
	¥	¥
1Q FY2019	7.28	6.76
1Q FY2018	18.77	18.67

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of 1Q FY2019	214,459	104,208	35.6
As of FY2018	225,484	109,250	36.2

(Reference) Equity capital: As of 1Q FY2019 ¥76,434 million As of FY2018 ¥81,556 million

(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting"(Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) has been applied from the beginning of this first quarter. These figures include the effect of retrospective application for the previous fiscal year.

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
	¥	¥	¥	¥	¥
FY2018	—	0.00	—	32.00	32.00
FY2019	—				
FY2019 (Forecast)		0.00	—	33.00	33.00

(Note) Revisions to most recent dividend forecast: None

3. Forecast of the Consolidated Results for the Fiscal Year Ending September 2019

(October 1, 2018 - September 30, 2019)

(% = Year-on-Year Change.)

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Half year (cumulative)	—	—	—	—	—	—	—	—	—
Full year	440,000	4.9	20,000	(33.7)	19,000	(33.5)	2,000	(58.8)	15.88

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

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.

*Notes

(1) Changes in Significant Subsidiaries during the Period: Yes

(Changes in specified subsidiaries due to changes in the scope of consolidation)

New : 1 company (Zelvia Co., Ltd)

Excluded : —

(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)	
1Q FY2019: 126,426,600 shares	FY2018: 126,426,600 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
1Q FY2019: 492,342 shares	FY2018: 587,542 shares
(3) Average number of shares during the period (cumulative quarterly period)	
1Q FY2019: 125,904,736 shares	1Q FY2018: 125,793,983 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 the Quartely Financial Summary (3) Forecast” on page 3.

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.

Table of Contents

1. Qualitative Information on the Quartely Financial Summary.....	2
(1) Overview of Consolidated Financial Results.....	2
(2) Overview of Consolidated Financial Position.....	3
(3) Forecast.....	3
2. Quarterly Consolidated Financial Statements and Key Notes.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	5
(3) Notes to Quarterly Consolidated Financial Statements.....	7
(Notes Regarding the Going Concern Assumption).....	7
(Notes Regarding Significant Changes in Shareholders' Equity)	7
(Additional Information)	7
(Segment Information)	7

1. Qualitative Information on the Quartely Financial Summary

(1) Overview of Consolidated Financial Results

The scale of the internet ad market focusing on smartphones is estimated to increase steadily by 11.5% to 1,536.9 billion yen (Note 1) in 2018. Especially, the video ad market is expected to grow rapidly. Its scale is estimated to be 231.2 billion yen in 2019, up 25.4% from the previous term, and will reach 495.7 billion yen by 2024 (Note 2).

Seizing on this trend, the CyberAgent Group has taken advantage of the growth of the smartphone market. At the same time, the group has increased up-front investments in the video business, such as “AbemaTV” continuously from the previous year, to grow it in the medium to long-term mainstay.

As a result, during the cumulative consolidated first quarter, net sales grew 13.2% year on year to ¥110,855 million, and operating income amounted to ¥5,346 million (35.2% decrease). Ordinary income amounted to ¥5,165 million (33.7% decrease), and profit attributable to shareholders of parent came in at ¥916 million (61.2% decrease).

(Note 1) Source: *Yano Research Institute Ltd./ The Survey on internet ad market 2018*

(Note 2) Source: *CyberAgent/ Digital Infact, The Survey on Japanese video advertising market trends*

Earnings by business segments are discussed below.

(a) Media Business

The Media Business includes “AbemaTV”, “Ameba” and “Tapple”, etc. While continuing the up-front investment for “AbemaTV” from the previous fiscal year, net sales grew and amounted to ¥9,528 million for the period, a 29.0% year-on-year increase. Operating loss amounted to ¥4,991 million, compared to operating loss of ¥3,298 million for the same period in the prior fiscal year.

(b) Game Business

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

Owing to active advertisement focusing on new titles, it reported net sales amounting to ¥36,363 million, a 7.8% year-on-year increase. Operating income was posted ¥3,193 million, a 43.4% year-on-year decrease.

(c) Internet Advertisement Business

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

Due to strong sales of the ads for smartphones etc., this segment recorded ¥62,840 million in net sales, up 9.7% year on year. Operating income decrease 17.1%, amounted to ¥4,543 million.

(d) Investment Development Business

The Investment Development Business consists of the CyberAgent corporate venture capital business and the fund operations of CyberAgent Capital, Inc. (January 1, 2019: CyberAgent Ventures, Inc. changed name to CyberAgent Capital, Inc.) The Investment Development Business recorded net sales of ¥3,895 million (366.6% year-on-year increase) and operating income of ¥3,396 million (a year-on-year increase of 565.5%).

(e) Other Businesses

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

This segment reported net sales of ¥4,583 million, a 13.3% year-on-year increase. Operating income amounted to ¥27 million (a year-on-year decrease of 94.9%).

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.

(2) Overview of Consolidated Financial Position

Total assets at the end of this consolidated first quarter have decreased by ¥11,025 million compared to the end of the previous fiscal year and amounted to ¥214,459 million. It is mainly due to the decrease in Cash and deposits by corporate tax and dividend paid.

Total liabilities have decreased by ¥5,983 million compared to the end of previous fiscal year and amounted to ¥110,250 million. This decrease is mainly due to a decrease in Accrued income tax with payment of corporate tax, etc.

Total net assets have decreased by ¥5,041 million compared to the end of the previous fiscal year and amounted to ¥104,208 million. It is mainly because of the decrease in Retained earnings by dividend payment.

(3) Forecast

CyberAgent accumulates the profits from Internet Advertisement and Game business and invests in Media business as a pillar of its medium to long-term strategy. At the time of the original earnings forecast announcement on October 25, we looked a new game title made a good start. However, its performance is being slower than we expected as of today. Therefore we revised the forecast of consolidated sales to 440 billion yen, up 4.9% year on year. With this change, the operating income of existing businesses such as Advertisement and Game* is revised from 50 billion yen to 40 billion yen (down 20%). Upfront Investment business (AbemaTV and other services) expects 20 billion yen loss as planned since it is in the growth phase. The consolidated operating income is also revised downwards to 20 billion yen (down 33.7%). The ordinary income and the profit attributable to shareholders of parent are expected to be below the original forecast accordingly.

*Existing businesses: Internet Advertisement, Game, Ameba in Media, Tapple, Investment Development business.

**Profit attributable to shareholders of parent is affected by the fact that AbemaTV, Inc. is exempted from consolidated tax payment, and non-controlling equity interest (minority interest) of Cygames, Inc.

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.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit: ¥ million)	
	FY2018 (As of September 30, 2018)	1Q FY2019 (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	92,381	80,724
Accounts and notes receivable-trade	49,994	50,228
Inventories	750	1,071
Sales investment securities	14,816	12,808
Other	12,712	13,975
Allowance for doubtful accounts	(243)	(235)
Total current assets	170,411	158,572
Non-current assets		
Property, plant and equipment	10,450	10,481
Intangible assets		
Goodwill	1,578	1,904
Other	27,000	28,045
Total intangible assets	28,579	29,950
Investments and other assets		
Other	16,008	15,423
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	15,991	15,406
Total non-current assets	55,021	55,837
Deferred assets	51	48
Total assets	225,484	214,459
Liabilities		
Current liabilities		
Notes and accounts payable-trade	38,340	37,175
Short-term loans payable	900	900
Income tax payable	7,069	1,876
Asset retirement obligations	—	443
Other	26,139	26,732
Total current liabilities	72,449	67,128
Non-current liabilities		
Convertible bonds	40,637	40,611
Long-term loans payable	91	143
Accrued long service rewards for employees	1,247	1,316
Asset retirement obligations	1,386	959
Other	420	89
Total non-current liabilities	43,784	43,122
Total liabilities	116,234	110,250
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	5,758	6,062
Retained earnings	63,789	60,383
Treasury stock	(622)	(521)
Total shareholders' equity	76,129	73,128
Other comprehensive income		
Valuation difference on available-for-sale securities	5,191	3,111
Foreign currency translation adjustments	235	194
Total other comprehensive income	5,427	3,306
Subscription rights to shares	988	813
Non-controlling interests	26,705	26,959
Total net assets	109,250	104,208
Total liabilities and net assets	225,484	214,459

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.

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

Quarterly Consolidated Statements of Income (Cumulative consolidated first quarter)

(Unit: ¥ million)

	1Q FY2018 (October 1, 2017 - December 31, 2017)	1Q FY2019 (October 1, 2018 - December 31, 2018)
Net sales	97,914	110,855
Cost of sales	66,470	76,572
Gross profit	31,443	34,283
Selling, general and administrative expenses	23,197	28,936
Operating income	8,246	5,346
Non-operating income		
Interest income	4	30
Dividends received	52	52
Other	29	20
Total non-operating income	86	103
Non-operating expenses		
Interest expenses	2	2
Equity in losses of affiliates	487	219
Other	51	63
Total non-operating expenses	540	284
Ordinary income	7,792	5,165
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	8	749
Other	40	166
Total extraordinary gain	48	916
Extraordinary loss		
Relocation expenses	65	322
Impairment loss	576	193
Other	64	145
Total extraordinary loss	706	661
Income before income taxes and non-controlling interests	7,134	5,420
Income taxes-current	3,574	3,457
Income taxes-deferred	243	424
Total income tax	3,818	3,881
Net income	3,316	1,538
Profit attributable to non-controlling interests	954	622
Profit attributable to shareholders of parent	2,361	916

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.

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

(Unit: ¥ million)

	1Q FY2018 (October 1, 2017 - December 31, 2017)	1Q FY2019 (October 1, 2018 - December 31, 2018)
Net income	3,316	1,538
Other comprehensive income		
Valuation difference on available-for-sale securities	1,487	(2,193)
Foreign currency translation adjustment	(32)	(65)
Share of other comprehensive income of associates accounted for using equity method	1	(4)
Total other comprehensive income	1,457	(2,263)
Comprehensive income	4,773	(725)
(Comprehensive income attributable to)		
Shareholders of the parent	3,792	(1,204)
Non-controlling interests	980	479

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.

(3) 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.

(Additional Information)

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) has been applied from the beginning of this first quarter. Accordingly, deferred tax assets have been classified as investment and other assets, and deferred tax liabilities have been classified as non-current liabilities.

(Segment Information)

I. Cumulative First Quarter of the Fiscal Year Ended September 2018 (October 1, 2017 to December 31, 2017)

1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Adjustments*	Quarterly Consolidated Statements of Income
	Media	Game	Internet Advertisement	Investment Development	Other	Total		
Net sales								
Sales to external customers	5,741	33,603	54,105	835	3,629	97,914	—	97,914
Inter-segment sales or transfers	1,642	124	3,178	—	417	5,363	(5,363)	—
Total	7,384	33,727	57,284	835	4,046	103,277	(5,363)	97,914
Segment income (loss)	(3,298)	5,640	5,484	510	554	8,890	(644)	8,246

*Adjustment of ¥ -644 million represents corporate general and administrative expenses not allocable to a reportable segment.

II. Cumulative First Quarter of the Fiscal Year Ending September 2019 (October 1, 2018 to December 31, 2018)

1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Adjustments*	Quarterly Consolidated Statements of Income
	Media	Game	Internet Advertisement	Investment Development	Other	Total		
Net sales								
Sales to external customers	7,362	36,246	59,141	3,895	4,208	110,855	—	110,855
Inter-segment sales or transfers	2,166	116	3,698	—	374	6,355	(6,355)	—
Total	9,528	36,363	62,840	3,895	4,583	117,211	(6,355)	110,855
Segment income (loss)	(4,991)	3,193	4,543	3,396	27	6,170	(823)	5,346

*Adjustment of ¥ -823 million represents corporate general and administrative expenses not allocable to a reportable segment.