

English Translation

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FY2020 First Quarter Consolidated Financial Results [Japanese GAAP]

January 29, 2020

Listed company name: CyberAgent, Inc.

Listed stock exchange: TSE 1st section

Code No.: 4751

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

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Quarterly report submission date: January 30, 2020

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 First Quarter of the Fiscal Year Ending September 2020

(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 FY2020	115,681	4.4	7,733	44.6	7,724	49.5	1,456	58.9
1Q FY2019	110,855	13.2	5,346	(35.2)	5,165	(33.7)	916	(61.2)

(Note) Comprehensive income 1Q FY2020¥4,209 million(—%) 1Q FY2019 ¥-725 million (—%)

	Basic earnings per share	Diluted earnings per share
	¥	¥
1Q FY2020	11.55	10.82
1Q FY2019	7.28	6.76

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of 1Q FY2020	226,195	111,489	35.0
As of FY2019	224,876	110,352	35.2

(Reference) Equity capital: As of 1Q FY2020 ¥79,212 million As of FY2019 ¥79,169 million

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
	¥	¥	¥	¥	¥
FY2019	—	0.00	—	33.00	33.00
FY2020	—				
FY2020 (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 2020

(October 1, 2019 - September 30, 2020)

(% = 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	465,000	2.5	28,000 ~32,000	(9.2) ~3.8	28,000 ~32,000	(8.2) ~4.9	8,000 ~10,000	372.1 ~490.1	63.48 ~79.35

(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 : — (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)	
1Q FY2020: 126,426,600 shares	FY2019: 126,426,600 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
1Q FY2020: 402,742 shares	FY2019: 434,142 shares
(3) Average number of shares during the period (cumulative quarterly period)	
1Q FY2020: 126,008,582 shares	1Q FY2019: 125,904,736 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 Quarterly Financial Summary (3) Forecast” on page 2.

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1. Qualitative Information on the Quarterly Financial Summary

(1) Overview of Consolidated Financial Results

The scale of the video ad market focusing on smartphones is estimated to increase steadily by 26.9% to 328.9 billion yen in 2020, and will reach 506.5 billion yen by 2023 (Note).

Seizing on this trend, the CyberAgent Group has taken advantage of the growth of the smartphone market. At the same time, the group has been investing in "AbemaTV", to grow it in the medium to long-term mainstay.

As a result, during the cumulative consolidated first quarter, net sales grew 4.4% year on year to ¥115,681 million, and operating income amounted to ¥7,733 million (44.6% increase). Ordinary income amounted to ¥7,724 million (49.5% increase), and profit attributable to shareholders of parent came in at ¥1,456 million (58.9% increase).

(Note) Source: CyberAgent/ Digital Infact, The Survey on Japanese video advertising market trends
Earnings by business segments are discussed below.

As of the first 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) Media Business

The Media Business includes "AbemaTV", "Ameba" and "tapple", etc. While investing in "Abema TV", net sales grew and amounted to ¥12,229 million for the period, a 6.9% year-on-year increase. Operating loss amounted to ¥5,050 million, compared to operating loss of ¥4,683 million for the same period in the prior fiscal year.

(b) Game Business

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

Major existing titles remain strong and driven by new hit titles, it reported net sales amounting to ¥35,251 million, a 3.1% year-on-year decrease. Operating income was ¥5,118 million, a 60.3% year-on-year increase.

(c) Internet Advertisement Business

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

Focusing on increasing advertising billings for newly developed advertisers, this segment recorded ¥67,322 million in net sales, up 8.1% year on year. Operating income gained 33.7%, reaching ¥5,662 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. The Investment Development Business recorded net sales of ¥2,953 million (24.2% year-on-year decrease) and operating income of ¥2,665 million (a year-on-year decrease of 21.5%).

(e) Other Businesses

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

This segment reported net sales of ¥4,643 million, a 1.3% year-on-year increase. Operating income amounted to ¥288 million (a year-on-year increase of 932.1%).

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(2) Overview of Consolidated Financial Position

Total assets at the end of this consolidated first quarter have increased by ¥1,318 million compared to the end of the previous fiscal year and amounted to ¥226,195 million. It is mainly due to the increase in Software.

Total liabilities have increased by ¥182 million compared to the end of previous fiscal year and amounted to ¥114,705 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 ¥1,136 million compared to the end of the previous fiscal year and amounted to ¥111,489 million. It is mainly due to increase in valuation difference on available-for-sale securities and non-controlling interests.

(3) Forecast

Forecast of FY2020 has not been revised from its original publication on October 30, 2019.

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2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: ¥ million)

	FY2019 (As of September 30, 2019)	1Q FY2020 (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	84,565	82,508
Accounts and notes receivable-trade	54,917	55,470
Inventories	924	1,164
Sales investment securities	14,239	15,134
Other	14,093	13,946
Allowance for doubtful accounts	(77)	(74)
Total current assets	168,662	168,150
Non-current assets		
Property, plant and equipment	12,998	13,164
Intangible assets		
Goodwill	1,196	1,151
Other	23,192	24,055
Total intangible assets	24,388	25,206
Investments and other assets		
Other	18,806	19,638
Allowance for doubtful accounts	(20)	(16)
Total investments and other assets	18,785	19,622
Total non-current assets	56,172	57,993
Deferred assets	41	51
Total assets	224,876	226,195
Liabilities		
Current liabilities		
Notes and accounts payable-trade	38,151	39,712
Short-term loans payable	940	930
Income tax payable	7,014	2,555
Other	24,643	27,393
Total current liabilities	70,749	70,591
Non-current liabilities		
Convertible bonds	40,434	40,408
Long-term loans payable	83	77
Accrued long service rewards for employees	1,409	1,450
Asset retirement obligations	1,795	1,796
Other	50	380
Total non-current liabilities	43,774	44,113
Total liabilities	114,523	114,705
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	6,181	7,791
Retained earnings	61,090	58,389
Treasury stock	(459)	(426)
Total shareholders' equity	74,015	72,958
Other comprehensive income		
Valuation difference on available-for-sale securities	5,000	6,073
Foreign currency translation adjustments	152	181
Total other comprehensive income	5,153	6,254
Subscription rights to shares	925	943
Non-controlling interests	30,258	31,334
Total net assets	110,352	111,489
Total liabilities and net assets	224,876	226,195

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(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 FY2019 (October 1, 2018 - December 31, 2018)	1Q FY2020 (October 1, 2019 - December 31, 2019)
Net sales	110,855	115,681
Cost of sales	76,572	81,616
Gross profit	34,283	34,064
Selling, general and administrative expenses	28,936	26,331
Operating income	5,346	7,733
Non-operating income		
Interest income	30	36
Dividends received	52	58
Other	20	29
Total non-operating income	103	123
Non-operating expenses		
Interest expenses	2	4
Equity in losses of affiliates	219	113
Other	63	15
Total non-operating expenses	284	133
Ordinary income	5,165	7,724
Extraordinary income		
Gain on sales of property	135	1
Other	780	0
Total extraordinary gain	916	1
Extraordinary loss		
Impairment loss	193	640
Loss on withdrawal from business	—	225
Other	467	85
Total extraordinary loss	661	951
Income before income taxes and non-controlling interests	5,420	6,774
Income taxes-current	3,457	3,075
Income taxes-deferred	424	599
Total income tax	3,881	3,675
Net income	1,538	3,099
Profit attributable to non-controlling interests	622	1,643
Profit attributable to shareholders of parent	916	1,456

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

(Unit: ¥ million)

	1Q FY2019 (October 1, 2018 - December 31, 2018)	1Q FY2020 (October 1, 2019 - December 31, 2019)
Net income	1,538	3,099
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,193)	729
Foreign currency translation adjustment	(65)	44
Share of other comprehensive income of associates accounted for using equity method	(4)	337
Total other comprehensive income	(2,263)	1,110
Comprehensive income	(725)	4,209
(Comprehensive income attributable to)		
Shareholders of the parent	(1,204)	2,557
Non-controlling interests	479	1,652

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(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.

(Segment Information)

I. Cumulative First Quarter of the Fiscal Year Ended 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	8,711	36,246	57,792	3,895	4,208	110,855	—	110,855
Inter-segment sales or transfers	2,728	116	4,467	—	374	7,686	(7,686)	—
Total	11,439	36,363	62,259	3,895	4,583	118,541	(7,686)	110,855
Segment income (loss)	(4,683)	3,193	4,236	3,396	27	6,170	(823)	5,346

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

II. Cumulative First Quarter of the Fiscal Year Ending September 2020 (October 1, 2019 to December 31, 2019)

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	10,200	35,179	63,067	2,953	4,280	115,681	—	115,681
Inter-segment sales or transfers	2,028	72	4,255	—	362	6,719	(6,719)	—
Total	12,229	35,251	67,322	2,953	4,643	122,400	(6,719)	115,681
Segment income (loss)	(5,050)	5,118	5,662	2,665	288	8,684	(951)	7,733

*Adjustment of ¥ -951 million represents corporate general and administrative expenses not allocable to a reportable segment.

2. Matters Concerning Changes of Reporting Segment

(Change of segment category)

From the first quarter of this consolidated fiscal year, we transferred a part of the businesses from "Internet Advertisement business" to "Media business" to describe the actual management approach and business conditions of the Group.

As for the segment information for the first quarter of the previous consolidated fiscal year, the figures are calculated based on the new segment category.