

## 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.

# Financial Results for the Second Quarter of the Fiscal Year Ending September 2017 [Japanese Standards](Consolidated)

April 27, 2017

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: April 28, 2017

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 2017

(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 FY2017	179,892	21.0	14,306	(41.0)	13,346	(43.8)	2,628	(76.7)
2Q FY2016	148,640	19.9	24,239	16.9	23,738	12.9	11,258	14.1

(Note) Comprehensive income 2Q FY2017 ¥6,410 million(-52.7%) 2Q FY2016 ¥13,564 million (1.3%)

	Basic earnings per share	Diluted earnings per share
2Q FY2017	¥ 20.90	¥ 20.81
2Q FY2016	89.64	89.33

(Note) The Company conducted a 2-for-1 stock split of common stocks as of October 1, 2016. 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 FY.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of 2Q FY2017	155,372	94,670	49.2
As of FY2016	156,597	92,614	49.3

(Reference) Equity capital: As of 2Q FY2017 ¥76,504 million As of FY2016 ¥77,139 million

## 2 Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
	¥	¥	¥	¥	¥
FY2016	—	0.00	—	50.00	50.00
FY2017	—	0.00	—	—	—
FY2017 (Forecast)	—	—	—	25.00	25.00

(Note) Revisions to most recent dividend forecast: None

(Note) The Company conducted a 2-for-1 stock split of common stocks as of October 1, 2016. The year-end dividends for FY2016 are calculated using the figures before the stock split.

## 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 Consolidated Earnings Forecast for the Fiscal Year Ending September 2017

(October 1, 2016 - September 30, 2017)

(% = 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	360,000	15.9	28,000	(23.9)	26,700	(24.5)	10,000	(26.5)	79.53

(Note) Revisions to most recent consolidated earnings forecast: None

The "Basic earnings per share" is calculated based on the net profit which is "Profit attributable to shareholders of parent".

#### \*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

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

(3) Changes in accounting policies, changes in accounting estimates, restatements

(4) Number of shares issued

(1) Number of shares issued and outstanding at end of period (including treasury stock)	
2Q FY2017: 126,426,600 shares	FY2016: 126,426,600 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
2Q FY2017: 699,716 shares	FY2016: 724,400 shares
(3) Average number of shares during the period (cumulative quarterly period)	
2Q FY2017: 125,720,553 shares	2Q FY2016: 125,597,372 shares

(Note) The Company conducted a 2-for-1 stock split of common stocks as of October 1, 2016. The "Number of shares issued (common stock)" is calculated assuming that the said stock split was conducted at the beginning of the previous consolidated FY.

\*The summary of quarterly earnings is not subject to the quarterly review procedures.

#### \*Appropriate Use of Earnings Forecast and Other Matters

The earnings forecast is judged by management of the Group based on information available at the time of its creation.

The forecast includes elements of risk and uncertainty; actual results and earnings may differ from the forecast. For information related to the earnings forecast, see 1. Qualitative Information on Quarterly Financial Results (3) Consolidated Earnings 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 Quarterly Financial Results .....	2
(1) Results of Operations.....	2
(2) Financial Position.....	3
(3) Consolidated Earnings Forecasts.....	3
2. Quarterly Consolidated Financial Statements and Main Notes .....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	5
Quarterly Consolidated Statements of Income (Cumulative consolidated second quarter) .....	5
Consolidated Quarterly Statements of Comprehensive Income (Cumulative consolidated second quarter) .....	6
(3) Quarterly Consolidated Statements of Cash Flows.....	7
(4) Notes to Quarterly Consolidated Financial Statements.....	8
(Notes Regarding the Going Concern Assumption).....	8
(Notes Regarding Significant Changes in Shareholders' Equity).....	8
(Additional Information).....	8
(Segment Information) .....	8

## 1. Qualitative Information on Quarterly Financial Results

### (1) Results of Operations

Smartphone ownership of ordinary households in Japan reached 69.7% as of March 31, 2017 (Note 1). The scale of the smartphone ad market is estimated to increase steadily by 23.6% to 801.0 billion yen (Note 2) between 2016 and 2017. Especially, the video ad market (including PCs) is expected to grow rapidly. Its scale is estimated to be 117.8 billion yen in 2017, up 39.9% from the previous term, and will reach 291.8 billion yen by 2022 (Note 3). 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 upfront investments in the video business, such as "AbemaTV", to grow it in the mid- to long-term mainstay.

As a result, during the cumulative consolidated second quarter, net sales grew 21.0% year on year to ¥179,892 million, while operating income amounted to ¥14,306 million (41.0% decrease). Ordinary income amounted to ¥13,346 million (43.8% decrease), and profit attributable to parent company shareholders equity came in at ¥2,628 million (76.7% decrease).

(Note 1) Source: *Economic and Social Research Institute Cabinet Office, Government of Japan, Consumer Confidence Survey, March 2017*

(Note 2) Source: D2C/ cyber communications inc. *Internet Ad Market Size Estimation Survey 2016*

(Note 3) Source: CyberAgent/ Digital Infact, *The Survey on Japanese video advertising market trends*

Earnings by business segments 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", "FRESH!" and "Ameba," etc. Due to the upfront investment for video business such as "AbemaTV", it reported net sales of ¥12,341 million for the period, a 10.9% year-on-year increase. Operating loss amounted to ¥9,722 million, compared to operating income of ¥719 million for the same period in the prior fiscal year.

#### (b) Game Business

The Game Business includes Cygames, Inc. Sumzap, Inc., GCREST, Inc., Applibot, Inc. and Craft Egg, Inc. etc. A new hit came out while major existing titles remained strong, it reported net sales amounting to ¥70,514 million, a 22.8% year-on-year increase. Operating income decreased 8.9% to ¥14,370 million.

#### (c) Internet Advertisement Business

The Group's Internet Advertisement Business includes Internet Advertisement Division, CyberZ, Inc. and others. Due to strong sales of the In-feed ads\* and the video ads for smartphones etc, this segment recorded ¥101,350 million in net sales, up 20.0% year on year. Operating income gained 26.2%, reaching ¥10,040 million.

(Note) In-feed ads: Ads posted in the timelines of websites 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 Investment Development Business recorded net sales of ¥897 million (38.8% year-on-year increase) and operating income of ¥29 million (57.4% year-on-year decrease).

#### (e) Other Businesses

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

This segment reported net sales of ¥5,986 million, a 37.6% year-on-year increase. Operating income amounted to ¥773 million (a year-on-year increase of 74.6%).

## 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) Financial Position

#### (Financial position)

Total assets at the end of the consolidated second quarter amounted to ¥155,372 million, which was a decrease of ¥1,225 million compared to the prior fiscal year. This is mainly because of the decrease in cash and cash deposits by corporate tax and dividend payment.

Liabilities decreased ¥3,281 million compared to the prior fiscal year, reaching ¥60,701 million. This is mainly because of a decrease in accrued income tax through the payment of corporate tax, etc.

It reported net assets of ¥94,670 million at the end of the second quarter, up ¥2,055 million compared to the prior fiscal year. This is mainly because of an increase in the valuation difference on available-for-sale securities and the non-controlling interests.

#### (Cash flows)

As of the end of the consolidated second quarter, cash and cash equivalents amounted to ¥38,882 million, a decrease of ¥12,885 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 ¥326 million, compared to an increase of ¥13,143 million during the same period in the prior fiscal year. This result was mainly due to net income gains and payments of corporate taxes.

#### (2) Cash flow from investing activities

Net cash used in investing activities amounted to a decrease of ¥9,904 million, compared to a decrease of ¥8,656 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 ¥3,639 million, compared to a decrease of ¥3,627 million during the same period in the prior fiscal year. This result was mainly due to dividend payments.

### (3) Consolidated Earnings Forecast

Consolidated earnings forecast of FY2017 has not revised from its original publication on October 27, 2016.

## 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 Main Notes

#### (1) Quarterly Consolidated Balance Sheets

	(Unit: ¥ million)	
	FY2016 (As of September 30, 2016)	2Q FY2017 (As of March 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	51,774	38,884
Accounts and notes receivable-trade	42,572	48,123
Inventories	192	330
Sales investment securities	12,591	12,631
Other	7,703	10,179
Allowance for doubtful accounts	(187)	(130)
<b>Total current assets</b>	<b>114,647</b>	<b>110,017</b>
Non-current assets		
Property, plant and equipment	8,633	8,800
Intangible assets		
Goodwill	1,821	1,719
Other	18,607	20,990
<b>Total intangible assets</b>	<b>20,429</b>	<b>22,709</b>
Investments and other assets		
Other	13,394	14,359
Allowance for doubtful accounts	(506)	(514)
<b>Total investments and other assets</b>	<b>12,888</b>	<b>13,844</b>
<b>Total non-current assets</b>	<b>41,950</b>	<b>45,354</b>
<b>Total assets</b>	<b>156,597</b>	<b>155,372</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	27,601	32,856
Short-term loans payable	854	895
Income tax payable	11,169	6,924
Other	22,512	17,819
<b>Total current liabilities</b>	<b>62,137</b>	<b>58,495</b>
Non-current liabilities		
Long-term loans payable	91	173
Allowance for continuous service	762	923
Asset retirement obligations	890	966
Other	101	144
<b>Total non-current liabilities</b>	<b>1,845</b>	<b>2,206</b>
<b>Total liabilities</b>	<b>63,983</b>	<b>60,701</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	4,780	4,789
Retained earnings	63,573	62,222
Treasury stock	(765)	(740)
<b>Total shareholders' equity</b>	<b>74,791</b>	<b>73,473</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	2,440	2,938
Foreign currency translation adjustment	(91)	91
<b>Total other comprehensive income</b>	<b>2,348</b>	<b>3,030</b>
Subscription rights to shares	516	644
Non-controlling interests	14,957	17,521
<b>Total net assets</b>	<b>92,614</b>	<b>94,670</b>
<b>Total liabilities and net assets</b>	<b>156,597</b>	<b>155,372</b>

## 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 second quarter)

(Unit: ¥ million)

	2Q FY2016 (October 1, 2015 - March 31 2016)	2Q FY2017 (October 1, 2016 - March 31, 2017)
Net sales	148,640	179,892
Cost of sales	92,619	119,908
Gross profit	56,020	59,984
Selling, general and administrative expenses	31,780	45,677
Operating income	24,239	14,306
Non-operating income		
Interest income	6	7
Dividends received	50	53
Foreign exchange gains	—	154
Other	43	58
Total non-operating income	99	274
Non-operating expenses		
Interest expenses	4	7
Equity in losses of affiliates	498	1,181
Other	98	46
Total non-operating expenses	600	1,234
Ordinary income	23,738	13,346
Extraordinary income		
Gain on sales of non-current assets	64	269
Gain on sales of investment securities	1,669	—
Other	42	51
Total extraordinary gain	1,776	320
Extraordinary loss		
Impairment loss	2,545	1,086
Other	447	428
Total extraordinary loss	2,992	1,515
Income before income taxes and non-controlling interests	22,522	12,151
Income taxes-current	8,151	7,357
Income taxes-deferred	569	(686)
Total income tax	8,721	6,671
Net income	13,800	5,480
Profit attributable to non-controlling interests	2,541	2,851
Profit attributable to shareholders of parent	11,258	2,628

## 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.

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

(Unit: ¥ million)

	2Q FY2016 (October 1, 2015 - March 31, 2016)	2Q FY2017 (October 1, 2016 - March 31, 2017)
Net income	13,800	5,480
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	512
Foreign currency translation adjustment	(176)	344
Share of other comprehensive income of associates accounted for using equity method	(56)	73
Total other comprehensive income	(236)	930
Comprehensive income	13,564	6,410
(Comprehensive income attributable to)		
Shareholders of the parent	11,135	3,310
Non-controlling interests	2,428	3,099



## 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) Quarterly Consolidated Statements of Cash Flows

(Unit: ¥ million)

	2Q FY2016 (October 1, 2015 - March 31, 2016)	2Q FY2017 (October 1, 2016 - March 31, 2017)
<b>Cash flow from operating activities</b>		
Income before income taxes and non-controlling interests	22,522	12,151
Depreciation	3,181	4,050
Impairment loss	2,545	1,086
Gain and loss on sale of investment securities (increase)	(1,669)	(3)
Decrease (increase) in notes and accounts receivable-trade	110	(5,496)
Decrease (increase) in investment securities for sale	(396)	397
Increase (decrease) in notes and accounts payable-trade	68	5,468
Increase (decrease) in accounts payable-other	(1,766)	(3,185)
Increase (decrease) in accrued consumption taxes	(955)	(1,593)
Other, net	412	(1,170)
Sub-total	24,052	11,706
Interest and dividends income received	96	61
Interest expenses paid	(4)	(7)
Income taxes paid	(11,001)	(11,433)
Net cash provided by (used in) operating activities	13,143	326
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(1,271)	(1,481)
Purchase of intangible assets	(6,609)	(6,861)
Proceeds from sales of investment securities	1,771	62
Purchase of investment securities	(465)	—
Purchase of stocks of subsidiaries and affiliates	(832)	(345)
Payments for loans	(1,021)	(1,291)
Other, net	(226)	12
Net cash provided by (used in) investing activities	(8,656)	(9,904)
<b>Cash flow from financing activities</b>		
Purchase of treasury shares of subsidiaries	(1,202)	—
Cash dividends paid	(3,139)	(3,136)
Payments of dividends to investment partners	(234)	(441)
Other, net	948	(61)
Net cash provided by (used in) financing activities	(3,627)	(3,639)
Effect of exchange rate change on cash and cash equivalents	(141)	277
Net increase (decrease) in cash and cash equivalents	717	(12,940)
Cash and cash equivalents at beginning of period	38,716	51,767
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(8)	55
Cash and cash equivalents at the end of period	39,425	38,882

## 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.

### (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.

(Additional Information)

"Application guidelines on recoverability of deferred tax assets" (Corporate Accounting Standards No. 26; Mar. 28, 2016) is applied from this first quarter of the consolidated fiscal period.

(Segment Information)

#### I. Cumulative Second Quarter of the Fiscal Year Ended September 2016 (October 1, 2015 to March 31, 2016)

##### 1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Adjustments*	Quarterly Consolidated Statement of Income
	Media	Game	Internet Advertisement	Investment Development	Other	Total		
Net sales								
Sales to external customers	6,457	56,938	80,590	646	4,006	148,640	—	148,640
Inter-segment sales or transfers	4,666	483	3,835	—	342	9,327	(9,327)	—
Total	11,124	57,421	84,425	646	4,349	157,967	(9,327)	148,640
Segment income (loss)	719	15,775	7,958	70	442	24,967	(727)	24,239

\*Adjustment of ¥ -727 million represents corporate general and administrative expenses not allocable to a reportable segment.

#### II. Cumulative Second Quarter of the Fiscal Year Ending September 2017 (October 1, 2016 to March 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	8,947	70,221	94,415	897	5,410	179,892	—	179,892
Inter-segment sales or transfers	3,393	292	6,934	—	576	11,197	(11,197)	—
Total	12,341	70,514	101,350	897	5,986	191,090	(11,197)	179,892
Segment income (loss)	(9,722)	14,370	10,040	29	773	15,492	(1,185)	14,306

\*Adjustment of ¥ -1,185 million represents corporate general and administrative expenses not allocable to a reportable segment.

## 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. Items regarding the changes to segments to be reported, etc.

#### (Changes to segments)

In the consolidated first quarter, the CyberAgent Group conducted corporate restructuring and business reorganization for the purpose of further expanding and improving the Internet Advertising Business. Accordingly, considering the business situation, the group transferred the advertising business of CA MOBILE, LTD., which had been categorized into Other Businesses, to Internet Advertising Business.

Information on segments in the previous consolidated second quarter was produced in accordance with the revised classification method.