

## English Translation

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# FY2017 Third Quarter Consolidated Financial Results [Japanese GAAP]

July 27, 2017

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: July 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 Third 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	%
3Q FY2017	269,486	19.7	20,888	(35.9)	19,404	(39.0)	3,009	(75.5)
3Q FY2016	225,048	21.6	32,569	20.7	31,800	16.6	12,294	0.1

(Note) Comprehensive income 3Q FY2017 ¥9,091 million(-38.1%) 3Q FY2016 ¥14,683 million (-11.5%)

	Basic earnings per share	Diluted earnings per share
3Q FY2017	¥ 23.93	¥ 23.82
3Q FY2016	97.88	97.50

(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 3Q FY2017	148,812	96,841	52.0
As of FY2016	156,597	92,614	49.3

(Reference) Equity capital: As of 3Q FY2017 ¥77,354 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

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.

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### 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

##### (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)	
3Q FY2017: 126,426,600 shares	FY2016: 126,426,600 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
3Q FY2017: 692,316 shares	FY2016: 724,400 shares
(3) Average number of shares during the period (cumulative quarterly period)	
3Q FY2017: 125,724,425 shares	3Q FY2016: 125,609,980 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.

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### 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 23.7% 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 third quarter, net sales grew 19.7% year on year to ¥269,486 million, while operating income amounted to ¥20,888 million (35.9% decrease). Ordinary income amounted to ¥19,404 million (39.0% decrease), and profit attributable shareholders of parent came in at ¥3,009 million (75.5% 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 ¥18,810 million for the period, a 16.2% year-on-year increase. The operating loss amounted to ¥14,423 million, compared to operating loss of ¥2,395 million for the same period in the prior fiscal year.

#### (b) Game Business

The Game Business includes Cygames, Inc., Sumzap, Inc., Craft Egg, Inc., Applibot, Inc., GCREST, Inc. and etc. A new hit came out while major existing titles remained strong, it reported net sales amounting to ¥103,968 million, a 18.1% year-on-year increase. Operating income decreased 11.7% to ¥21,266 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 ¥152,421 million in net sales, up 19.5% year on year. Operating income gained 21.1%, reaching ¥14,175 million.

#### (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 ¥1,756 million (161.9% year-on-year increase) and operating income of ¥694 million (operating loss of ¥179 million for the same period in the prior fiscal year).

#### (e) Other Businesses

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

This segment reported net sales of ¥9,387 million, a 34.8% year-on-year increase. Operating income amounted to ¥1,249 million (a year-on-year increase of 66.2%).

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### (2) Financial Position

#### (Financial position)

Total assets at the end of the consolidated third quarter amounted to ¥148,812 million, which was a decrease of ¥7,784 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 ¥12,011 million compared to the prior fiscal year, reaching ¥51,971 million. This is mainly because of a decrease in accrued income tax through the payment of corporate tax, etc.

It reported net assets of ¥96,841 million at the end of the third quarter, up ¥4,226 million compared to the prior fiscal year. This is mainly because of an increase in the valuation difference on available-for-sale securities and non-controlling interests.

#### (Cash flows)

As of the end of the consolidated third quarter, cash and cash equivalents amounted to ¥37,053 million, a decrease of ¥14,714 million, compared to the end of the prior consolidated fiscal year.

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

#### (1) Cash flow from operating activities

Net cash used in operating activities amounted to an increase of ¥4,678 million, compared to an increase of ¥15,642 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 ¥15,498 million, compared to a decrease of ¥13,774 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 ¥4,220 million, compared to an increase of ¥312 million during the same period in the prior fiscal year. This result was mainly due to dividend payments.

### (3) Consolidated Earnings Forecast

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

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### 2. Quarterly Consolidated Financial Statements and Main Notes

#### (1) Quarterly Consolidated Balance Sheets

	(Unit: ¥ million)	
	FY2016 (As of September 30, 2016)	3Q FY2017 (As of June 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	51,774	37,055
Accounts and notes receivable-trade	42,572	41,183
Inventories	192	359
Sales investment securities	12,591	13,293
Other	7,703	10,253
Allowance for doubtful accounts	(187)	(227)
<b>Total current assets</b>	<b>114,647</b>	<b>101,917</b>
Non-current assets		
Property, plant and equipment	8,633	8,713
Intangible assets		
Goodwill	1,821	1,707
Other	18,607	22,524
<b>Total intangible assets</b>	<b>20,429</b>	<b>24,232</b>
Investments and other assets		
Other	13,394	14,606
Allowance for doubtful accounts	(506)	(656)
<b>Total investments and other assets</b>	<b>12,888</b>	<b>13,949</b>
<b>Total non-current assets</b>	<b>41,950</b>	<b>46,895</b>
<b>Total assets</b>	<b>156,597</b>	<b>148,812</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	27,601	29,581
Short-term loans payable	854	945
Income tax payable	11,169	2,203
Other	22,512	16,975
<b>Total current liabilities</b>	<b>62,137</b>	<b>49,705</b>
Non-current liabilities		
Long-term loans payable	91	169
Allowance for continuous service	762	972
Asset retirement obligations	890	968
Other	101	155
<b>Total non-current liabilities</b>	<b>1,845</b>	<b>2,265</b>
<b>Total liabilities</b>	<b>63,983</b>	<b>51,971</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	4,780	4,799
Retained earnings	63,573	62,602
Treasury stock	(765)	(732)
<b>Total shareholders' equity</b>	<b>74,791</b>	<b>73,872</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	2,440	3,380
Foreign currency translation adjustment	(91)	100
<b>Total other comprehensive income</b>	<b>2,348</b>	<b>3,481</b>
Subscription rights to shares	516	708
Non-controlling interests	14,957	18,778
<b>Total net assets</b>	<b>92,614</b>	<b>96,841</b>
<b>Total liabilities and net assets</b>	<b>156,597</b>	<b>148,812</b>

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

#### Quarterly Consolidated Statements of Income (Cumulative consolidated third quarter)

(Unit: ¥ million)

	3Q FY2016 (October 1, 2015 - June 30 2016)	3Q FY2017 (October 1, 2016 - June 30, 2017)
Net sales	225,048	269,486
Cost of sales	141,944	181,300
Gross profit	83,104	88,185
Selling, general and administrative expenses	50,534	67,297
Operating income	32,569	20,888
Non-operating income		
Interest income	8	10
Dividends received	100	104
Foreign exchange gains	—	123
Other	87	83
Total non-operating income	196	322
Non-operating expenses		
Interest expenses	8	11
Equity in losses of affiliates	778	1,684
Other	179	111
Total non-operating expenses	966	1,806
Ordinary income	31,800	19,404
Extraordinary income		
Gain on sales of non-current assets	64	269
Gain on sales of investment securities	1,669	251
Other	42	55
Total extraordinary gain	1,776	576
Extraordinary loss		
Impairment loss	3,840	1,164
Other	1,002	1,049
Total extraordinary loss	4,843	2,213
Income before income taxes and non-controlling interests	28,733	17,767
Income taxes-current	11,822	10,089
Income taxes-deferred	831	(40)
Total income tax	12,653	10,049
Net income	16,079	7,717
Profit attributable to non-controlling interests	3,784	4,708
Profit attributable to shareholders of parent	12,294	3,009

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

	(Unit: ¥ million)	
	3Q FY2016 (October 1, 2015 - June 30, 2016)	3Q FY2017 (October 1, 2016 - June 30, 2017)
Net income	16,079	7,717
Other comprehensive income		
Valuation difference on available-for-sale securities	(548)	943
Foreign currency translation adjustment	(694)	358
Share of other comprehensive income of associates accounted for using equity method	(153)	72
Total other comprehensive income	(1,396)	1,374
Comprehensive income	14,683	9,091
(Comprehensive income attributable to)		
Shareholders of the parent	11,243	4,143
Non-controlling interests	3,439	4,948



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### (3) Quarterly Consolidated Statements of Cash Flows

(Unit: ¥ million)

	3Q FY2016 (October 1, 2015 - June 30, 2016)	3Q FY2017 (October 1, 2016 - June 30, 2017)
<b>Cash flow from operating activities</b>		
Income before income taxes and non-controlling interests	28,733	17,767
Depreciation	4,851	6,131
Impairment loss	3,840	1,164
Gain and loss on sale of investment securities (increase)	(1,305)	(255)
Decrease (increase) in notes and accounts receivable-trade	(1)	1,460
Decrease (increase) in investment securities for sale	(684)	462
Increase (decrease) in notes and accounts payable-trade	(2,141)	2,360
Increase (decrease) in accounts payable-other	(2,193)	(4,470)
Increase (decrease) in accrued consumption taxes	(540)	(944)
Other, net	2,166	(163)
Sub-total	32,725	23,513
Interest and dividends income received	149	107
Interest expenses paid	(8)	(11)
Income taxes paid	(17,223)	(18,930)
Net cash provided by (used in) operating activities	15,642	4,678
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(2,069)	(2,184)
Purchase of intangible assets	(9,735)	(10,608)
Proceeds from sales of investment securities	1,788	134
Purchase of investment securities	(481)	(14)
Purchase of stocks of subsidiaries and affiliates	(922)	(474)
Payments for loans	(1,278)	(1,831)
Other, net	(1,075)	(519)
Net cash provided by (used in) investing activities	(13,774)	(15,498)
<b>Cash flow from financing activities</b>		
Purchase of treasury shares of subsidiaries	(1,202)	—
Cash dividends paid	(3,134)	(3,138)
Payments of dividends to investment partners	(234)	(1,060)
Proceeds from the sales of subsidiaries' shares without a change in the scope of consolidation	3,402	—
Other, net	1,481	(21)
Net cash provided by (used in) financing activities	312	(4,220)
Effect of exchange rate change on cash and cash equivalents	(333)	270
Net increase (decrease) in cash and cash equivalents	1,847	(14,769)
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	40,554	37,053

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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.

#### (Additional Information)

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

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### (Segment Information)

#### I. Cumulative Third Quarter of the Fiscal Year Ended September 2016 (October 1, 2015 to June 30, 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	9,675	87,356	120,944	670	6,401	225,048	—	225,048
Inter-segment sales or transfers	6,519	693	6,554	—	561	14,328	(14,328)	—
Total	16,194	88,050	127,499	670	6,962	239,377	(14,328)	225,048
Segment income (loss)	(2,395)	24,093	11,708	(179)	751	33,977	(1,407)	32,569

\*Adjustment of ¥ -1,407 million represents corporate general and administrative expenses not allocable to a reportable segment.

#### II. Cumulative Third Quarter of the Fiscal Year Ending September 2017 (October 1, 2016 to June 30, 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	13,804	103,557	141,918	1,756	8,449	269,486	—	269,486
Inter-segment sales or transfers	5,005	411	10,503	—	937	16,857	(16,857)	—
Total	18,810	103,968	152,421	1,756	9,387	286,343	(16,857)	269,486
Segment income (loss)	(14,423)	21,266	14,175	694	1,249	22,961	(2,073)	20,888

\*Adjustment of ¥ -2,073 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)

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 third quarter was produced in accordance with the revised classification method.