

# CyberAgent

Business Report 2013

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## Everchanging

Our 16th year marks a transition to smartphones





Turning Challenges into

# Change



# CyberAgent

## Business Report 2013

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The Internet industry entered a period of transition with the rise in popularity of smartphones. CyberAgent reacted promptly, and has successfully transformed itself into a smartphone-related Company. What allowed us to make this transformation are our ability to adapt to market trends, our approaches to new business creation, and the unique strategies through which we have been able to achieve growth without relying on mergers and acquisitions. We will continue to evolve by boldly taking up new challenges, and by using wide-ranging initiatives to drive our further evolution as a venture company.



PROOF

01

CyberAgent's  
Smartphone-related Business

# Nearing ¥100 billion from Smartphones



The rapid shift from feature phones to smartphones began with the appearance of the iPhone in 2007. This was also a major turning point for the Internet industry. In its 2013 White Paper on Information and Communications in Japan, the Ministry of Internal Affairs and Communications estimated that the smartphone penetration rate was 38% as of March 2013.

CyberAgent accepted the challenge of this new market and committed group management resources, including many human resources, to the smartphone-related business. This early growth spurt has differentiated CyberAgent from its competitors. As of the year ended September 30, 2013, sales of the Smartphone-related business account for 56% of consolidated net sales, or ¥91.5 billion, compared to ¥6.4 billion recorded 2 years ago. We are nearing the ¥100-billion mark through aggressively out-competing others in each of our business segments.





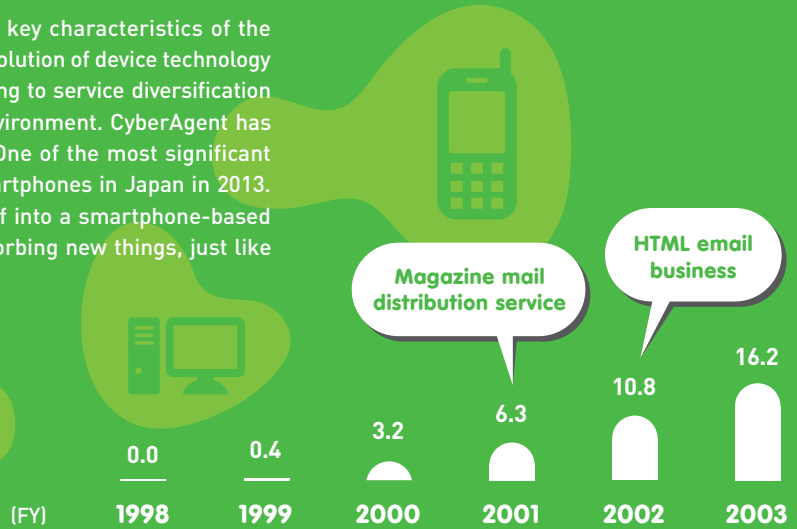
PROOF

# 02

## The CyberAgent Evolution

# Sustained Self-driven Growth Backed by Flexible Adaptation to Change

Rapid evolution and continuing market growth are key characteristics of the Internet industry. Faster transmission speeds, the evolution of device technology and a rising Internet adoption rate are all contributing to service diversification and the dizzying pace of change in the business environment. CyberAgent has continually evolved to meet changing user needs. One of the most significant changes in recent time was the rapid spread of smartphones in Japan in 2013. CyberAgent caught this wave and transformed itself into a smartphone-based company. CyberAgent will continue growing by absorbing new things, just like the ameba symbolized by our corporate logo.



### The Evolution of Services in Japan

● Yahoo! Japan	● i-mode EZweb J-Sky	● Google
	● Mobile games/Ringtones	● Wikipedia

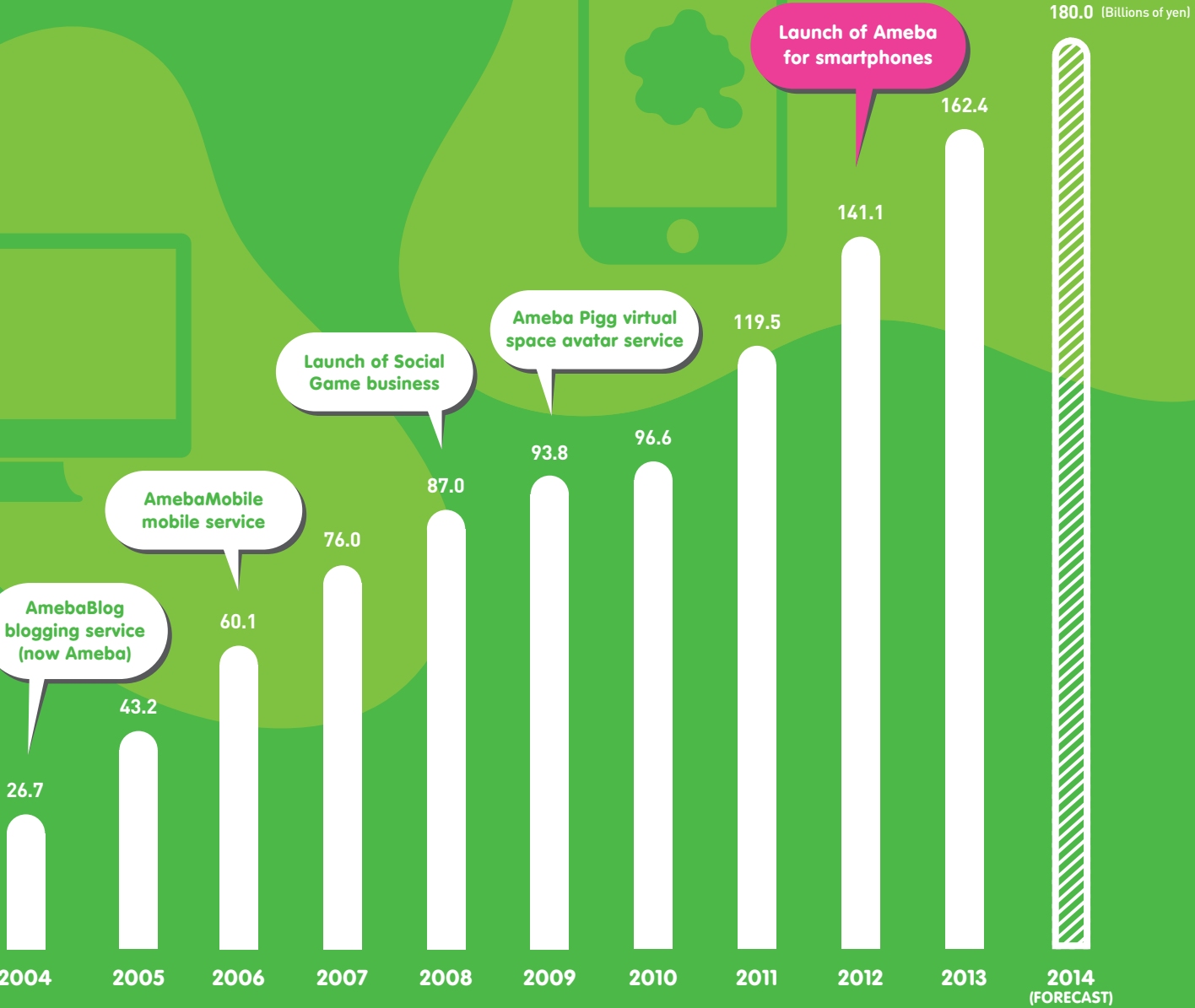
### Internet Sector Core History

<b>PC</b>	● Web	● Web 2.0
<b>Mobile</b>	● The spread of feature phones	● IP-based mobile phone service

\*Years are approximated



Consolidated Net Sales



- mixi
- GREE

- YouTube
- Mobage

- Niconico video

- Twitter

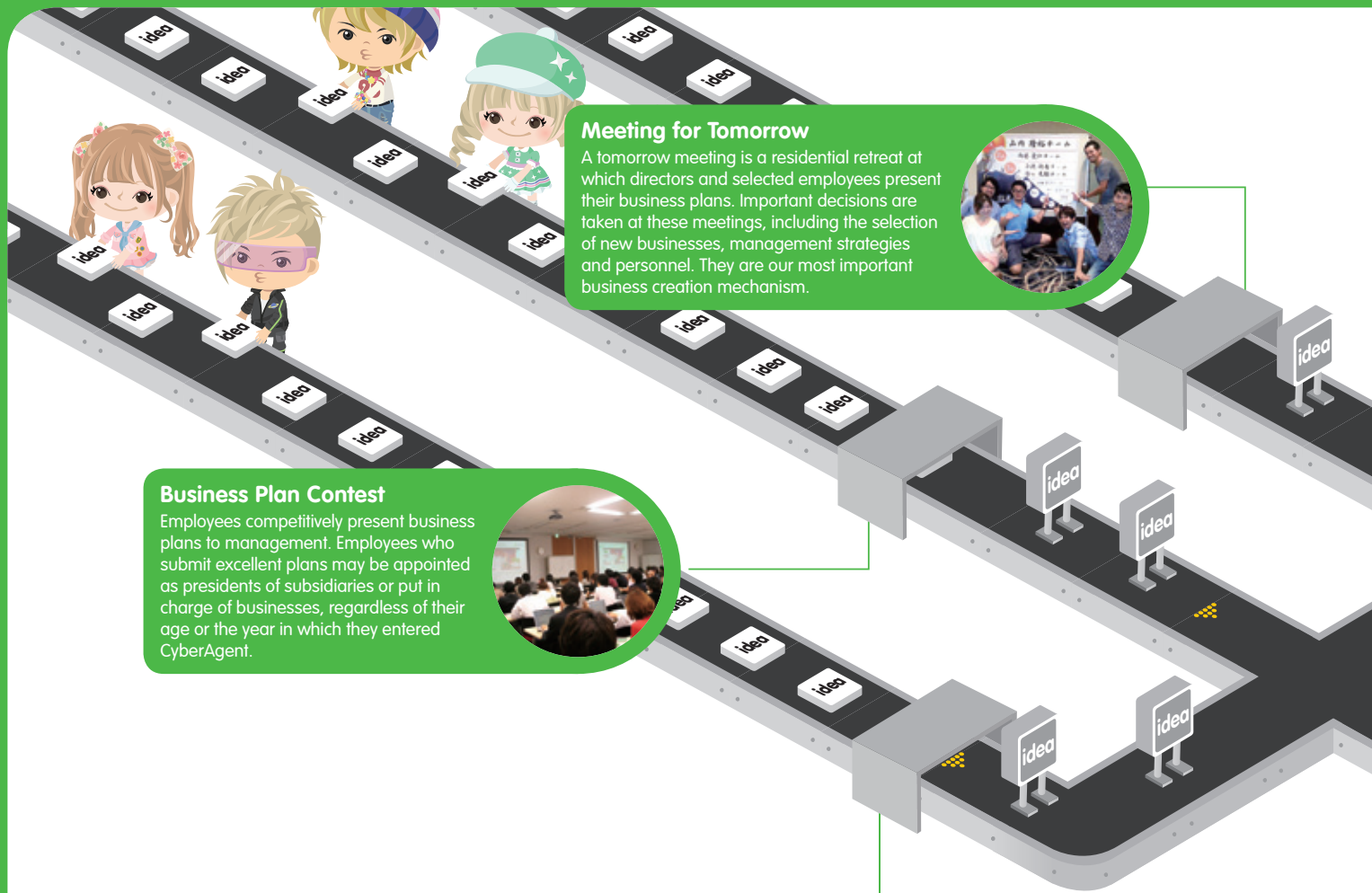
- Facebook
- Google+
- LINE

- SNS

- Social games

- The spread of smartphones





**Meeting for Tomorrow**

A tomorrow meeting is a residential retreat at which directors and selected employees present their business plans. Important decisions are taken at these meetings, including the selection of new businesses, management strategies and personnel. They are our most important business creation mechanism.



**Business Plan Contest**

Employees competitively present business plans to management. Employees who submit excellent plans may be appointed as presidents of subsidiaries or put in charge of businesses, regardless of their age or the year in which they entered CyberAgent.



**Mock Plan Contest**

This is a competition based on mock-ups of new smartphone services. Since the preparation of a mock-up is a prerequisite, this process brings together ideas with practical potential.



PROOF

03

**New Business Creation Mechanisms**

# The Secret of Our Adaptability

We have created numerous new businesses and services under our strategy of starting small and building big. Today, we realize new ideas based on current trends and our management strategies through an automatic flow system. This system, which resembles a conveyor belt, produces over 100 new services each year.

In addition to developing this business creation mechanism, we have also established clearly defined withdrawal rules. By applying these rules consistently, we are able to ensure an early withdrawal from unprofitable businesses so that development

lines can be restructured in preparation for a new start.

Even after services are provided to users, we continue to administer and modify them on a day-to-day basis. This approach contributes to business growth by allowing us to adapt our services to shifts in user trends.

Our new business creation mechanism and our commitment to service improvement through administration and modification are key advantages and important sources of adaptability for CyberAgent in the continually evolving Internet industry.

### Selection and Fine Tuning

At this stage, abstract ideas put forward at business plan contests or tomorrow meetings are developed to the level required for actual implementation. The aim is to improve the quality and completeness of new businesses and services.



### K-Point Check

Specialists assess the readiness of newly developed services and check the quality of each service using criteria that include user wait time, ease of use and photo image quality. The aim is to raise the standard of services provided.



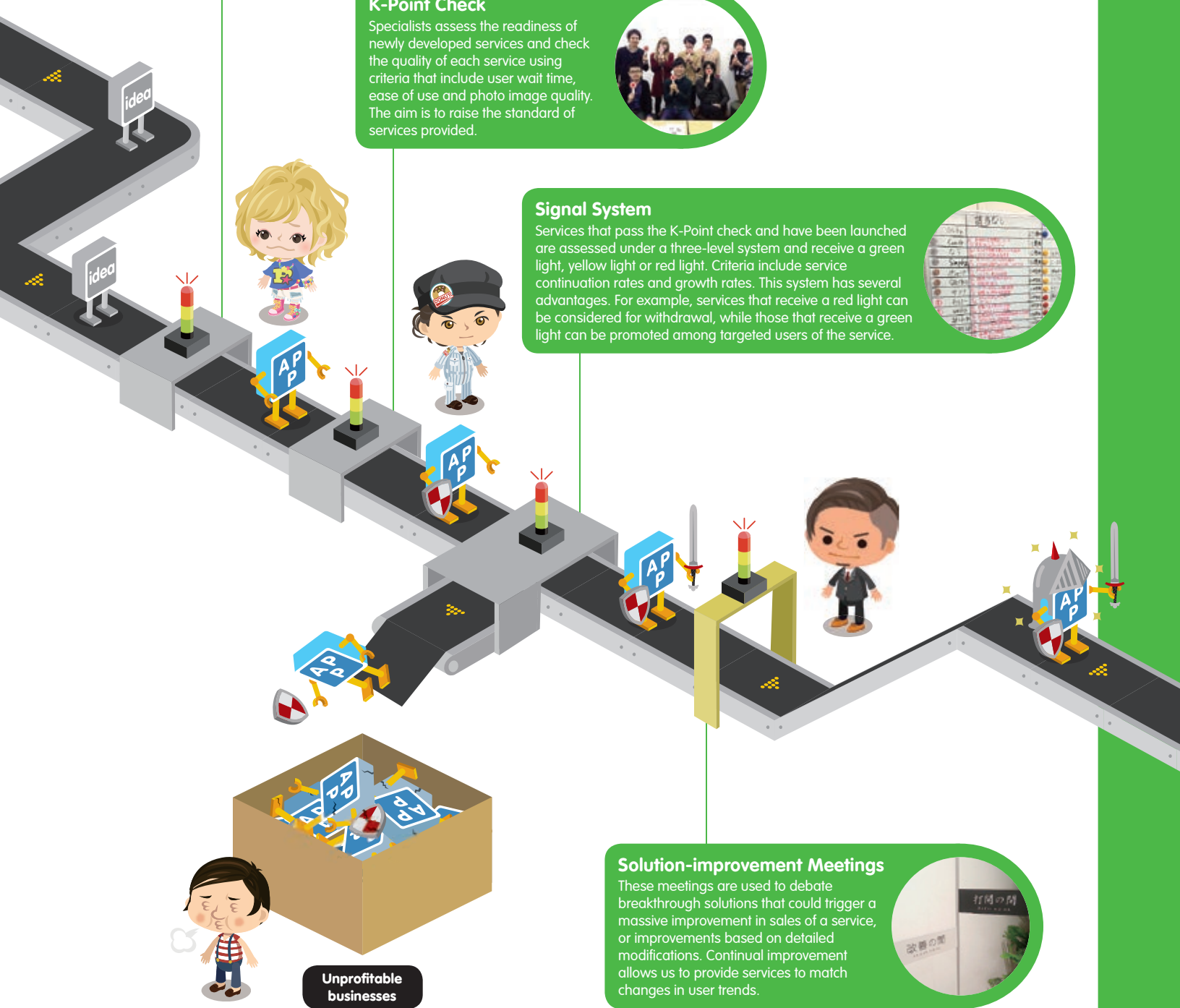
### Signal System

Services that pass the K-Point check and have been launched are assessed under a three-level system and receive a green light, yellow light or red light. Criteria include service continuation rates and growth rates. This system has several advantages. For example, services that receive a red light can be considered for withdrawal, while those that receive a green light can be promoted among targeted users of the service.



### Solution-improvement Meetings

These meetings are used to debate breakthrough solutions that could trigger a massive improvement in sales of a service, or improvements based on detailed modifications. Continual improvement allows us to provide services to match changes in user trends.



Unprofitable businesses



Since its founding in 1998, CyberAgent has achieved sustained growth through its own efforts without needing to rely on large-scale mergers or acquisitions. New business areas emerge one by one and evolve rapidly in the Internet industry. To capture new markets we aggressively establish subsidiaries in emerging areas, and we promote young employees to manage our subsidiaries. These young people, the first generation of Internet natives, are suitable for setting up new businesses because they can be creative without preconceptions and possess a sense of responsibility based on being put in charge of business. This is a key driver for maintaining our advantage as a pioneer in growth areas.

People who have been put in charge of businesses and given management experience at a young age become valuable assets for CyberAgent and will be the foundation stones for future corporate growth.

We currently have 49 consolidated subsidiaries. We are developing subsidiary management and administration structures under the CyberAgent Jigyo and Jinzai (CAJJ) Development Program (business and personnel development program), which was launched in 2004. Under this program, we divide subsidiaries and businesses into leagues according to the scale of their earnings and services. This provides clear criteria for business withdrawal or promotion decisions. Stringent rules are applied. For example, if a business is unable to achieve consistent profitability within 18 months of its launch, we either disengage from it or replace the person in charge.

Currently, 20 employees who entered CyberAgent as new graduates have gone on to become presidents. A total of 42 employees are involved in management as directors.

[As of October 1, 2013]

PROOF

04

Intensive  
Subsidiary Strategy

# Keeping a Venture Spirit, with Young Energy

## CA Beat, Inc.

Non-incentive  
advertising business,  
entered in 2009

## Delight, Inc.

Advertising media operation,  
entered in 2006

## AMoAd, Inc.

Ad network business,  
entered in 2010

## Grenge, Inc.

Social game  
development,  
entered in 2007



## CA-Reward, Inc.

Reward advertising business,  
entered in 2003

## GRIPHONE, Inc.

Social game development,  
entered in 2005

\*Presidents of consolidated subsidiaries

**CA Drive, Inc.**

Affiliate advertising business,  
entered in 2012

**CA Tech Kids, Inc.**

Serving up IT skills for  
elementary school students,  
entered in 2010

**Pashaoku, Inc.**

Auction service,  
entered in 2004

**CA ADvance, Inc.**

Management services for  
Internet advertising,  
entered in 2006

**CyberAgent Crowd Funding, Inc.**

Crowd funding business,  
entered in 2006

**7gogo, Inc.**

Media operations,  
entered in 2013

**SIROK, Inc.**

Planning and  
administration services,  
entered in 2012



**Applibot, Inc.**

Social game development,  
entered in 2010

**Amesta, Inc.**

Video-on-demand  
system operations,  
entered in 2006

**Sumzap, Inc.**

Social game development,  
entered in 2006

**App2go, Inc.**

Advertising development  
and sales,  
entered in 2004

**Directors who entered CyberAgent as new graduates**

1 year: 2	2 years: 6	3 years: 3	4 years: 4	5 years: 2	6 years: 1
7 years: 5	8 years: 9	9 years: 3	10 years: 3	11 years and longer: 4	

▶ 42



## CyberAgent VISION

# To create the 21st century's leading company

CyberAgent is expanding its business in the field of Internet, a leading industry of the 21st Century. We aim to greatly influence consumers and individuals, while at the same time, being a venture company, continue making significant growth. By advocating our vision, we intend to create the 21st century's leading company which would have people saying "we have grown by using CyberAgent's service."

## CyberAgent Mission Statement

We must not shift away from the growing Internet industry. However, we must continue to actively participate in fields related to Internet. We must strictly eliminate disadvantage of scale. We must not forget the "Team CyberAgent" spirit. A great team cannot be produced without truthful dialogue. We must commit ourselves fully to recruitment. We must create an environment where our valuable employees can stay with us throughout the years. We must promote the rise of the young. Promotion by seniority is forbidden. We must be a rule abiding and moral company. Never forget the Livedoor scandal. We must think negative, produce positive. We must think with our own heads and create originals. We must become a global company by developing the best globally compatible Internet services.

It is a basic rule for staff members to strive for our goal "to create the 21st century's leading company," CyberAgent's vision, by working together. We aim for an ambitious goal by complying with this rule and working proactively with each staff member.

## Top Message



# Through Adaptability, Evolution into a Smartphone-based Company

President  
**Susumu Fujita**





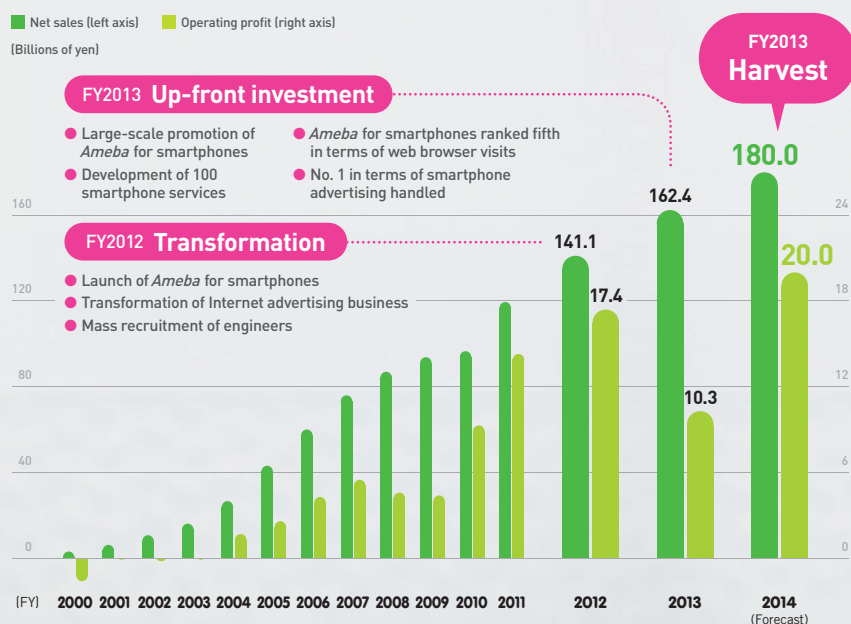
# Up-front Investment completed, it's time to gather in the harvest

I would like to begin by thanking our shareholders most sincerely for their continuing support. We have been working since 2011 to transform CyberAgent into a smartphone-based company. In the year ended September 2013 (fiscal 2013), we aggressively carried out up-front investment in a number of areas, including the full-scale launch of *Ameba* communities, games for smartphones and a large-scale promotional campaign. This was reflected in our financial results, which included consolidated net sales of ¥162.4 billion and consolidated operating profit of ¥10.3 billion. However, the contribution of smartphone-related activities to consolidated net sales has expanded from ¥6.4 billion to ¥91.5 billion in the two years since 2011, and I believe that we have successfully transformed CyberAgent into a true smartphone-based company.

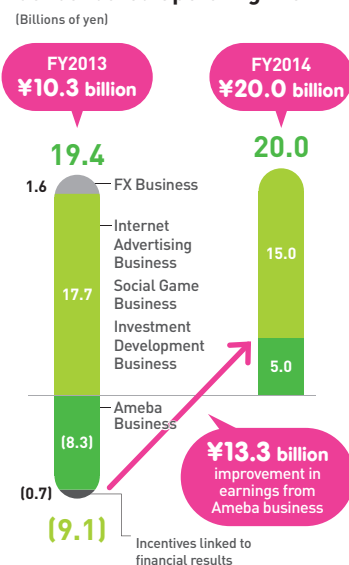
Evidence of the growth potential of the smartphone market includes the penetration ratio for smartphones (based on the number of subscribers)\*<sup>1</sup>, which reached 37% in 2013 and is expected to rise to 54% in 2015. The increasing smartphone take-up is reflected in rapid growth in the Internet advertising market\*<sup>2</sup> and social game market\*<sup>2</sup>, and we are continually expanding our business activities with the aim of establishing CyberAgent as a leading company in these markets. In the Internet advertising segment, we are No. 1 in Japan in terms of advertising handled, and we have moved far ahead of our competitors with a 27% share of the market for smartphone advertising. We have also benefited from major hits in the social game segment, including the *Ameba* game *Girlfriend (Provisional)*, as well as *Sengoku Enbu* and *Three Kingdoms*

## Forecasts for the year ending September 2014: Consolidated net sales of ¥180.0 billion (11% year-on-year increase) and consolidated operating profit of ¥20.0 billion (94% year-on-year increase)

### Consolidated Net Sales and Operating Profit



### Breakdown of Consolidated Operating Profit



*Puzzle Wars*, which are native games\*<sup>3</sup> supplied by consolidated subsidiaries. I am confident that we have successfully anticipated market trends.

We have finished laying the foundations for *Ameba* communities and games for smartphones, and we will start to gather in the harvest in the year ending September 2014. We will continue to expand our services and enhance our operations with the aim of improving our earnings by ¥13.3 billion over the previous year's level, resulting in operating income of ¥5.0 billion.

Our vision is to build CyberAgent into the 21st century's leading company through activities centering on the Internet, a company that will have a major influence on society and consumers through its activities in this new industry, and a company that will continue to achieve major growth as a venture

business. We aim to realize this vision by earning support as a company that offers high-quality, user-friendly services and is strongly committed to compliance. We look forward to your continuing support and understanding.

November 2013  
President

\*1 Source: MM Research Institute (October 2013) \*2 See Page 36.  
\*3 A game created specifically for use on smartphones, such as iPhones and Android phones, using software that can be downloaded and directly launched on these devices.



## CyberAgent's Business Portfolio

# Our business portfolio consists of four business models, centering on Ameba.

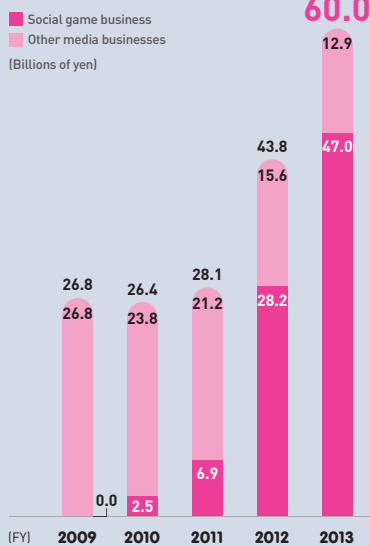
### Ameba Business —Net Sales



### Ameba Business

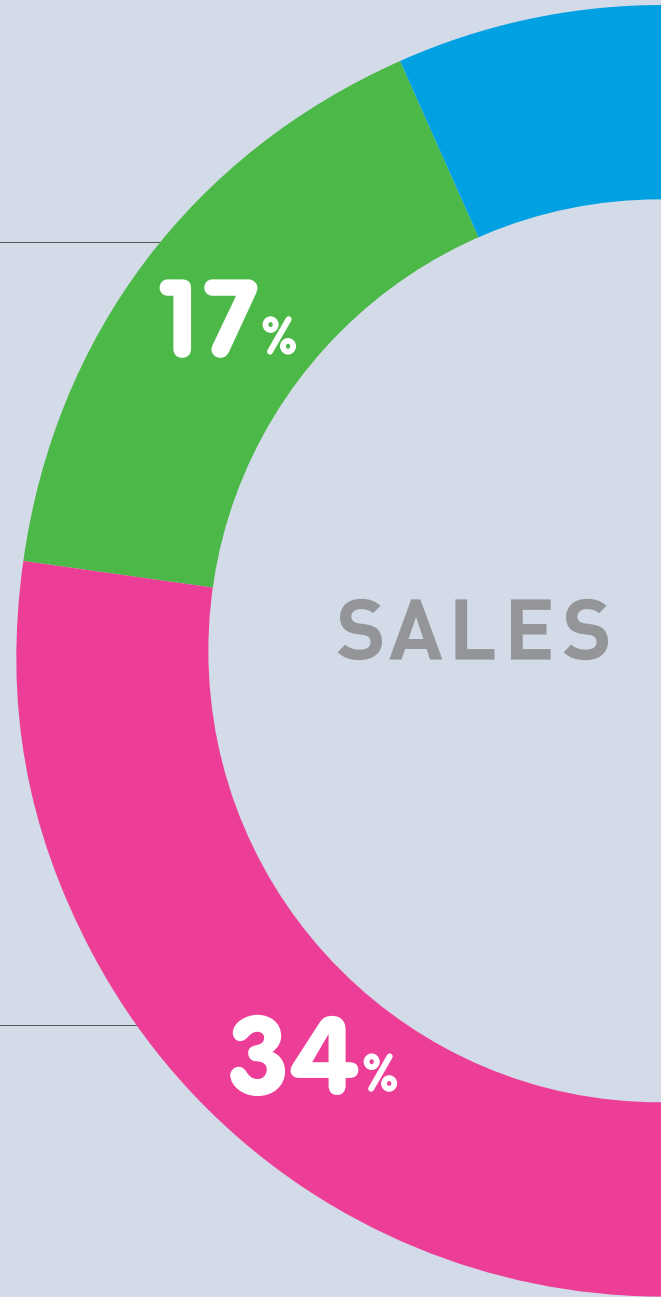
This is CyberAgent's core business segment. Launched in 2004 as a blog service, the Ameba business now centers mainly on community and game services for smartphones. The number of registered smartphone users has risen to over 10 million.

### Social Game and Other Media Businesses —Net Sales



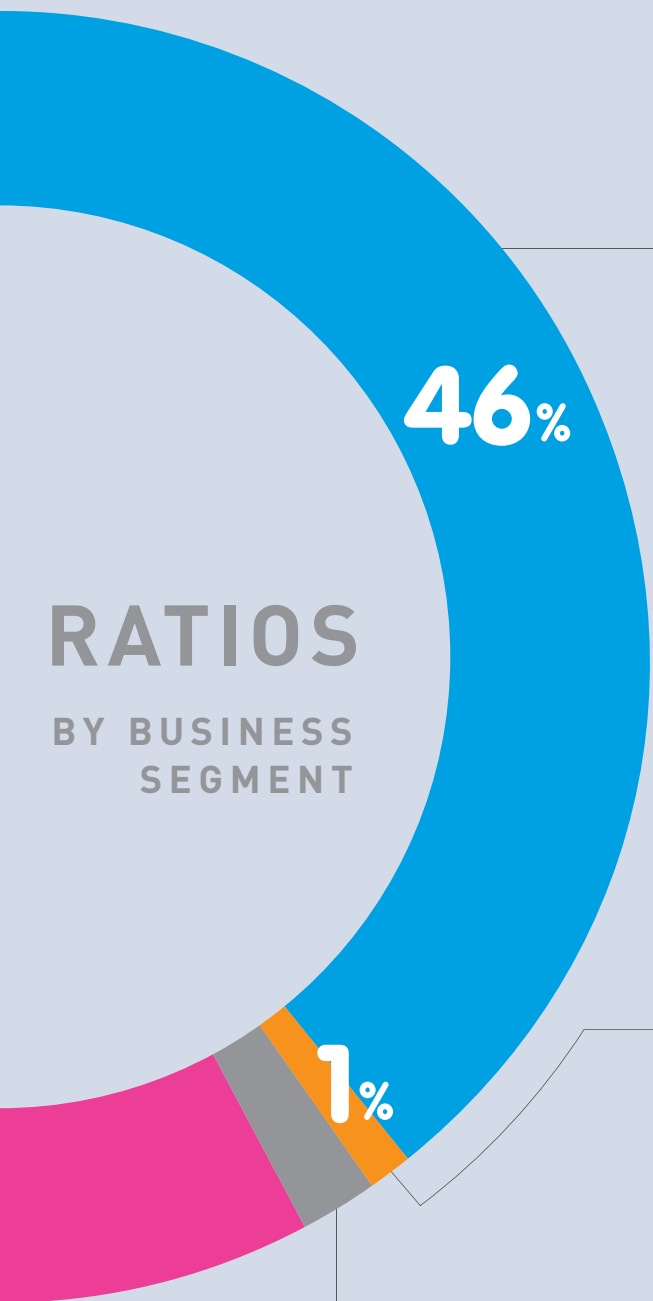
### Social Game Business

We develop native games, as well as games for *Ameba* and *Mobage*, for a number of platforms. Many of the games that we supply have earned high rankings in Japan, and we are among the top suppliers in Japan in terms of scale.



\*The sale of netprice.com, Inc. and Voyage Group, Inc., which are excluded from consolidated performance, is not included

# RATIOS BY BUSINESS SEGMENT



**FX Business 2%**

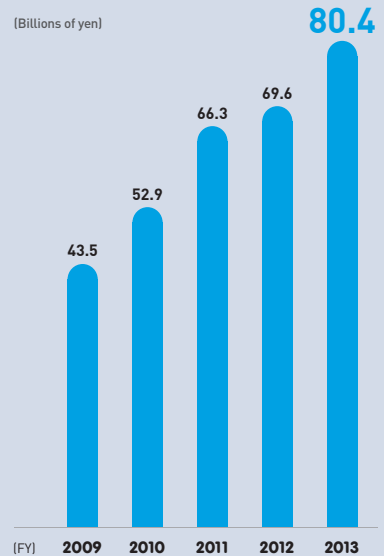
\*The FX business was sold to Yahoo Japan Corporation in the second quarter of FY2013.

## Internet Advertising Business

CyberAgent operates as an advertising agency specializing in Internet advertising. We are particularly strong in the area of smartphone advertising, and we are ranked No. 1 in terms of both earning performance and our share of the Internet advertising agency market in Japan.

### Internet Advertising Business —Net Sales

(Billions of yen)

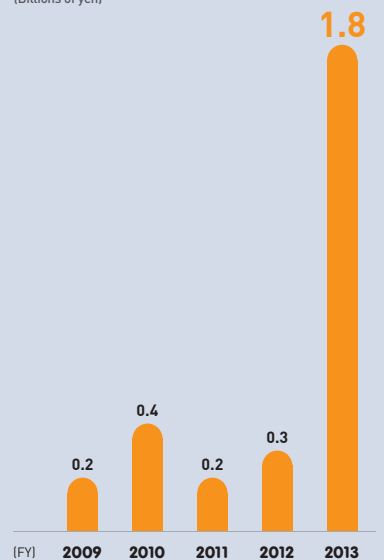


## Investment Development Business

Through our corporate venture capital business, we invest mainly in Internet-based companies. We are currently strengthening this segment to take advantage of a resurgence in the IPO market.

### Investment Development Business —Net Sales

(Billions of yen)





# Ameba Business

Since its launch in September 2004 as a blog service, *Ameba* has continually evolved in step with the ways people use the Internet. Today, we provide a wide range of communication services through the *Ameba* system.

Until around 2008, these services, especially the blog service, were funded mainly through advertising revenues. However, the contribution from virtual content revenues has risen since the launch of the *Ameba Pigg*\* Avatar Community service in 2009. In 2012, we introduced *Ameba* smartphone services. We positioned fiscal 2013 as a period for forward investment and made concerted efforts to shift the focus of the business to smartphones, with the

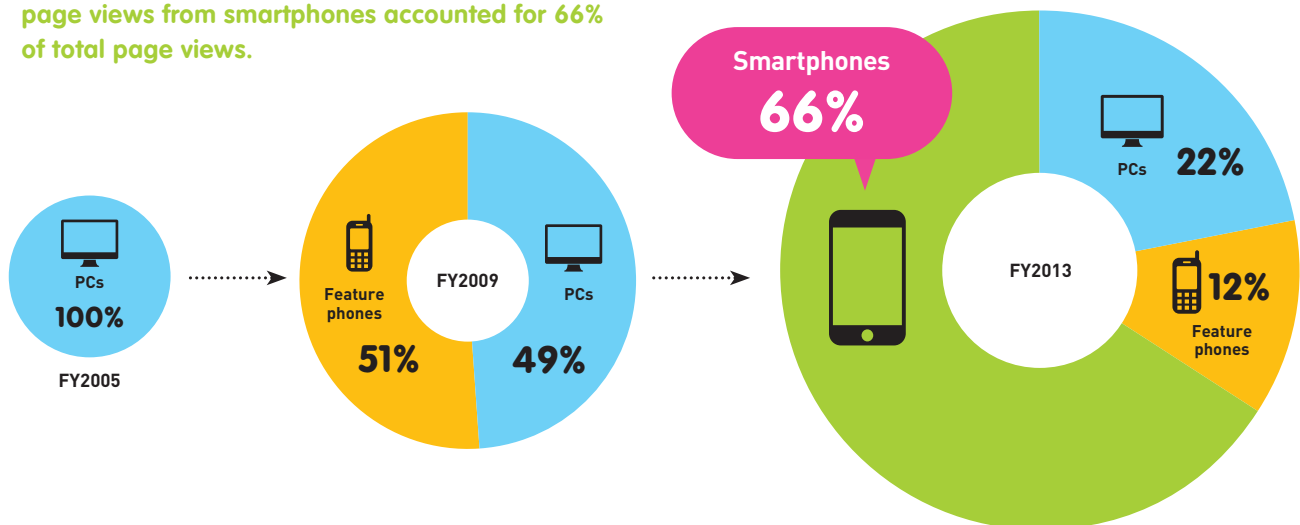
result that the number of page views rose 66%, and smartphone-related sales rose to 63% of total sales. Having laid the foundations for a major growth phase, we are now diversifying our advertising products and expanding our line-up of new smartphone games. In the year ending September 2014, we anticipate sales growth and entry into the harvest phase of the investment cycle.

\* *Ameba Pigg* is a made-up name in Japanese for avatars, or self-created animated characters, that move about and interact in the *Ameba* virtual worlds.

Ameba Business

## Page Views Per Device Category

Evidence of the shift to smartphone-based services can be found in the number of page views per device category. As of September 30, 2013, page views from smartphones accounted for 66% of total page views.



## Smartphone-related Sales

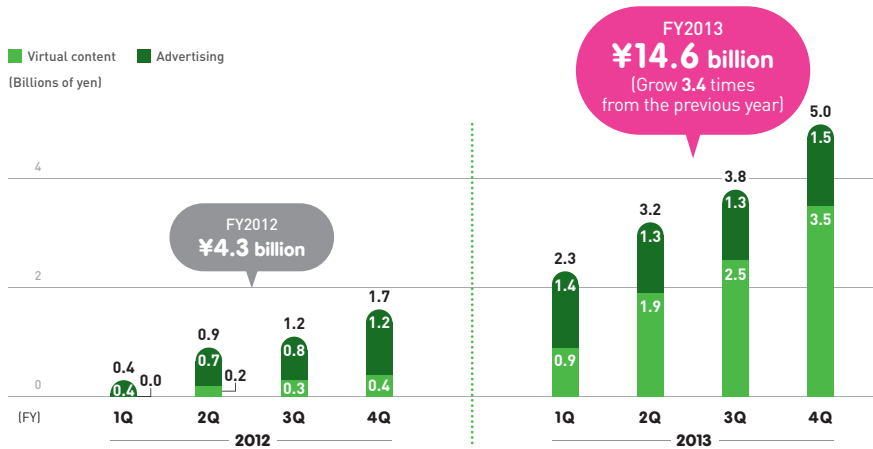
Sales for the Ameba business comprise advertising revenue and virtual content revenue.

### Advertising Revenues

Our free *Ameba* blog and community services carry advertisements, placement fees for which are the major source of revenues from the Ameba business.

### Virtual Content Revenues

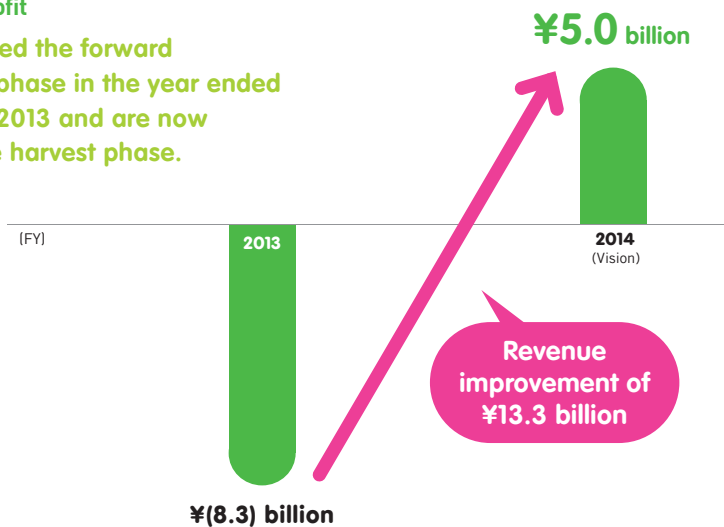
Games on the *Ameba* system are free, but within the games, some items are available on a paid basis. Users purchase virtual currency issued by *Ameba*. When that currency is spent, it becomes virtual content revenues for the Ameba business.



In the year ended September 2013 the Ameba business showed a loss of ¥8.3 billion. Our target for the year ending September 2014 is operating profit of ¥5.0 billion. We aim to achieve this target with sales growth of 10% in each quarter by controlling fixed costs, while keeping promotional costs at appropriate levels.

## Operating Profit

We completed the forward investment phase in the year ended September 2013 and are now entering the harvest phase.





## Community Services



# What is Ameba?

## Ameba for Smartphones

In August 2012, we launched an *Ameba* browser platform for smartphones. With over 10 million users, *Ameba* has the fifth-highest smartphone visitor ranking in Japan, and the user base continues to expand rapidly. Because all services are provided via a browser, users can also be brought in from services provided by other companies, such as *Google* and *Yahoo!* search engines and *Facebook*. Another key feature is the fact that the services can be used without registration. Existing services, such as the blog service and *Ameba Pigg*, are also provided via this platform. In addition, there are over 40

community services, including the *GIRLS TALK* bulletin board for women, and the *Pashatto My Pet* photo sharing community. These free blog and community services also contribute to virtual content revenues by attracting users who also access games and other paid services. The system is also open to other game suppliers. As of September 30, 2013 a total of 77 game titles were available, including 35 in-house game titles.



# Internet Advertising Business

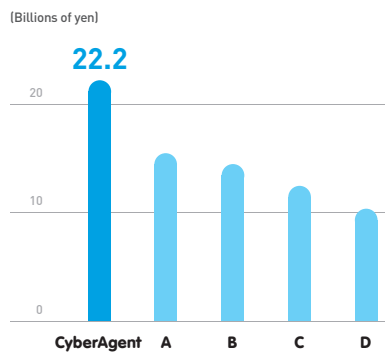
CyberAgent is Japan's top Internet advertising agency in terms of both sales and the operating profit ratio. As a pioneer in the provision of Internet promotion services to advertisers, we have continued to expand our business since the founding of CyberAgent in 1998. Even

compared with the sustained growth of the Internet advertising market as a whole, the expansion of smartphone advertising has been phenomenal. Today smartphone advertising accounts for 39% of net sales, and our market share has reached 27%.

## Net Sales and Operating Margin

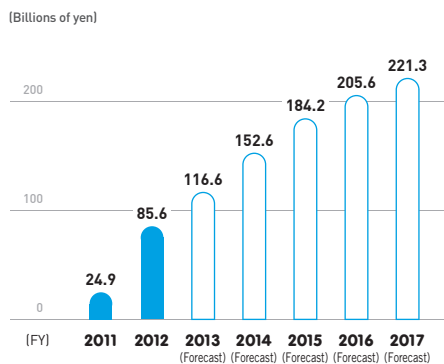


## Internet Advertising Sales Compared with Competitors\*

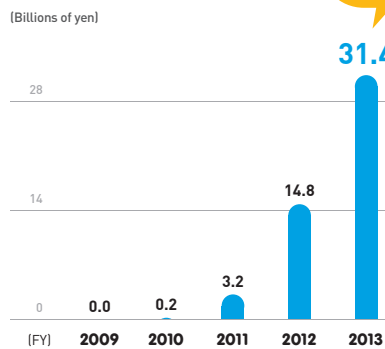


\*Based on July and September quarterly business results data released by each company.

## Smartphone Advertising Market



## Smartphone Advertising Sales



\*Source: Seed Planing (March 2013)  
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### Ad Technology—Enhancing Our Capabilities

Because targeting and effectiveness can be measured with Internet advertising, there is keen interest in the ad technologies involved. We have established the AdTech Studio, a development organization linking several subsidiaries, to strengthen our capabilities in the field of ad technology. By creating an organization consisting of approximately 200 engineers, we aim to enhance our competitiveness by improving development efficiency and further strengthening our technology.



## Dialog: An Advertising Campaign Designed for Smartphones

# Ano Hana Smile Check-in

The following dialog shows the process from initial confidential discussions concerning a new type of smartphone advertising to the realization of benefits from that advertising. The participants are Mr. Hiroshi Nakayama, the Assistant Chief in charge of New ridership development at SEIBU RAILWAY CO., LTD., and CyberAgent sales executive Mitsuru Kitamoto.

### The Plan

#### *Ano Hana* Smile Check-in O-2-0\* Campaign—Smartphone×Animation×City

CyberAgent proposed this smartphone advertising plan to SEIBU RAILWAY CO., LTD. The theme was “Creating Summer Memories for Adults.” Participants were to learn about Chichibu City, a stop on one of its lines, as they experienced featured locations, such as the area beneath the old Chichibu Bridge, used in key visuals in the cinema version of the animated TV drama *Ano Hi Mita Hana no Namae wo Bokutachi wa Mada Shiranai* [We Still Don’t Know the Name of the Flower We Saw that Day] (commonly known as *Ano Hana*). Unlike a conventional book-based tour, participants used their smartphones to check in at each location. Participants could download free screen “wallpapers” with Seibu Railway and *Ano Hana* motifs and enter lotteries to win exclusive *Ano Hana* goods. Seibu Railway used the “O-2-0” approach as a way of revitalizing Chichibu City.

\* O-2-0 is an abbreviation for “Online to Offline.” It is a method for using Internet-based relationships to move and attract customers in the real world.



#### —The TV Animated Series—

First broadcast in 2011, *Ano Hana* became the focus of intense interest because of its sensitive portrayal of innocent love, feelings of guilt, bonds and growth among young people who shared the experience of the death of a childhood friend. The production featured many actual buildings and scenes from the city of Chichibu, which was the story’s setting. It won a 2011 Japan Media Arts Festival award in the animated feature film category. Following the drama’s success, its director, Tatsuyuki Nagai, won the media art category of the 2012 Awards for New Artists.



Client:

#### Mr. Hiroshi Nakayama

Assistant Chief, New ridership development  
Smile&Smile Section  
Railroad Business  
HQ Transportation Department  
SEIBU RAILWAY CO., LTD.

## Origins of the Plan

**Nakayama** My task was to attract new passengers, both passengers from outside of our line areas, and regular passengers encouraged to use our trains for other than their regular commute. There are many scenic attractions along the Seibu lines, including Shinto shrines and Buddhist temples, so we have a high percentage of relatively older passengers. We were eager to attract young passengers in their twenties and thirties, and we saw an opportunity to contribute, as a railroad

company, to the revitalization of key tourist destinations, such as Chichibu and Kawagoe. We needed an approach that would create a new boom driven by steady visits and growth in the number of trips by younger passengers.

**Kitamoto** Since the spread of smartphones in recent years, people have been able to learn about a location’s sights without actually going there. As a result, the attraction of young visitors has become a key issue for Chichibu and many other destinations. Our aim with this campaign

was to create real-life experiences that would not be possible without smartphones.

**Nakayama** This was our first campaign using the smartphone as the main device. Railroad companies mainly use static advertising media, such as hanging advertisements in trains and posters in stations. However, people now carry smartphones that are in themselves effective tools for information, and the immediacy of smartphones means that they rapidly influence user behavior.

Recently installed Wi-Fi networks in 91 of the 92 Seibu Line stations was another reason why we thought that the time had come to use smartphones.

## Key Reasons for Choosing CyberAgent

**Nakayama** We wanted to be sure that we



Sales executive:  
**Mitsuru Kitamoto**

Chief Account Planner  
Internet Advertising  
Headquarters Sales Department  
CyberAgent, Inc.

would reach our target group and disseminate information reliably to its members. Many aspects of CyberAgent's proposal resonated well from that perspective, and much was in line with my own thinking. In addition, they were extremely enthusiastic. This campaign went from order to adoption in one week, yet the plan was extremely detailed. CyberAgent also gave us multiple proposals. They seemed more committed than their competitors, and I was impressed by how fast they worked, and now understand their reputation for speed.

We chose their plan because it was realistic, and had the potential to attract passengers using a device that everyone now carries.

When attracting young consumers, it is especially important to use the appropriate content. Their proposal combining elements of an animated drama and smartphones to link consumers to a city was an elegant solution to our problem.

**Kitamoto** Our planners approached the proposal from various angles. There are many attractive towns along the Seibu routes, but a psychological gap tends to form when people are unable to discover suitable destinations. This gap could not be bridged simply by staging flamboyant events and campaigns, and we needed to find a way to make consumers identify with these towns, to make them more familiar.

**Nakayama** Inevitably people feel apart from places they seldom visit and are outside of their normal areas of activity. We were desperate to overcome this. Mr. Kitamoto urged us to create reasons for people to visit, to get on our trains. CyberAgent's idea created touching reasons for people to use Seibu Line trains. Because young people react decisively to information on their smartphones, we felt that we would need to offer impressive content.

**Kitamoto** That was when we learned that *Ano Hana* fans were already visiting Chichibu throughout the year to see actual locations. In fact, there is a phenomenon known as "anime tourism," whereby people actually visit scenes from animated productions. We decided to use that trend and smartphones to motivate the target group. *Ano Hana* is an animated drama in which six childhood friends are reunited and renew their friendship. It earned box office returns of one billion yen and was a major hit. One of our goals was to enable people who grew up before smartphones and the Internet to renew their links with their friends in the same way as the characters in *Ano Hana*. The concept of using digital advertising to influence people in real life was fraught with uncertainties, and few companies had succeeded. That meant that we were unable to predict many aspects of the actual effects of the campaign. However, we were very

encouraged by Mr. Nakayama's belief in the concept and our partnership.

## Effects of the Campaign

**Nakayama** The campaign goal was initially for 15,000 passenger arrivals at the destination (Seibu Chichibu Station). When we first started, we were uncertain about whether advertising via smartphones would be effective. However, by making full use of a range of digital tools, including social networking services, we were able to reach our target of 15,000 passenger arrivals.

We began to observe people in age groups that had rarely been seen walking around the side streets linked to *Ano Hana*. We also became aware of a resurgence in the community, and we received many positive comments. In addition to the statistical data, the effectiveness of the campaign was confirmed by first-hand observations and the reactions of local people. The campaign was even covered on television and featured in 106 print media articles. The effects were far greater than we anticipated based on the advertising budget. I believe that the campaign also contributed to the Chichibu economy.

## Expectations toward CyberAgent

**Nakayama** We respect CyberAgent's uniquely flexible ability to sense trends. We have high hopes for our relationships with them as our net-media partner, and we look forward to new campaigns that will spark the public's imagination and increase our passenger traffic. We are also looking forward to campaigns based on CyberAgent's own media, such as *Ameba*.

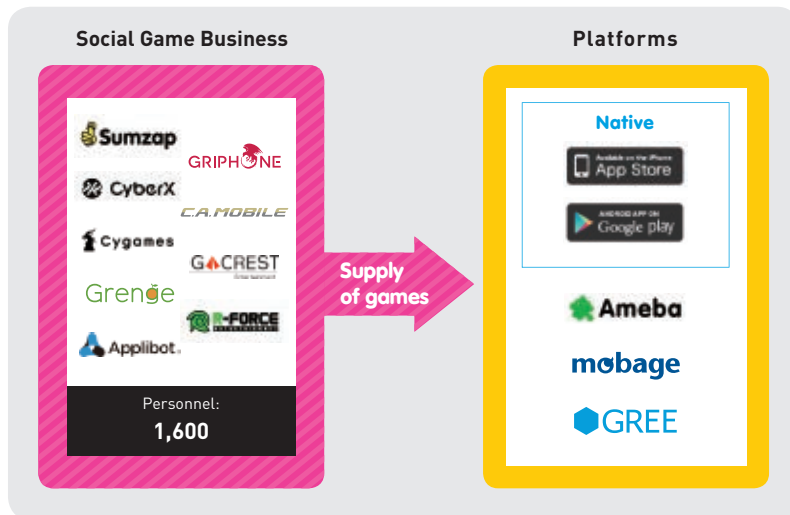
Our brand image is another key area of focus, so we look forward to working with CyberAgent on media strategies as well. They have strategies, expertise and knowledge needed to achieve our goals, and we hope that they will continue to work with us.



# Social Game Business

CyberAgent first moved into the Social Game business in 2008. We have since developed native games supplied through the App Store and Google Play for use on smartphones, as

well as games based on other platforms, such as *Ameba* and *Mobage*, through nine consolidated subsidiaries. We currently have 1,491 personnel\* assigned to the Social Game business. As of September 30, 2013, we were supplying 39 game titles. With net sales of ¥47.0 billion in the year ended September 2013, we are one of the biggest players in the Japanese market.



\*The percentage of social game development personnel employed on a limited-term basis is high at 67%. This allows us to adjust the size of the work force in step with business volatility based on whether or not there are hit games.

Social Game Business

## Sales of Native Games for Smartphones

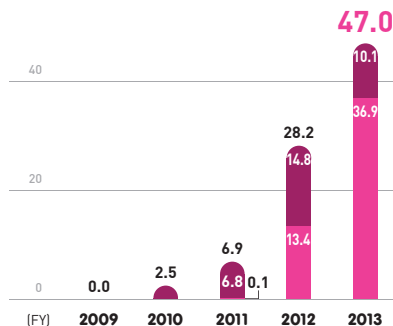
As of March 2013, Japan's smartphone penetration ratio stood at 38%\*1. Sales from smartphone games are by far our biggest category, accounting for 85%\*2 of the Social Game segment. We have focused on the development of games that are specifically designed for smartphones, and we have made the development of native (system-specific) games a particular priority. In fiscal 2013, revenue from native games quadrupled over the previous year's level to ¥15.7 billion and accounted for 33% of Social Game segment sales.

\*1 Source: Ministry of Internal Affairs and Communications, 2013 White Paper on Information and Communications in Japan

\*2 For fourth quarter ended September 30, 2013

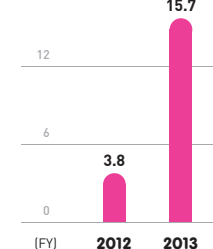
## Sales

■ Smartphones ■ PCs and feature phones  
(Billions of yen)



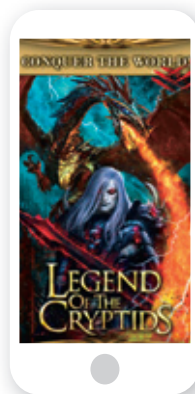
## Sales of Native Smartphone Games

(Billions of yen)



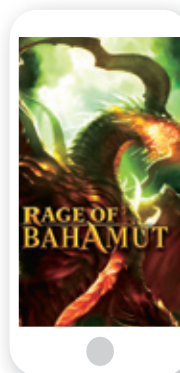
**Native Smartphone Games  
—Hit Titles**

We gained a foothold in the market with *Rage of Bahamut*, which was No. 1 in the United States for 28 weeks from May 2012. The CyberAgent Group has since produced a string of other hits, including *Legend of the Cryptids*, *Gang Road* and *Sengoku Enbu*.



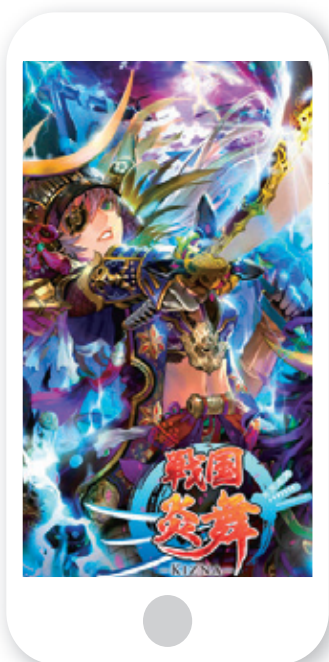
**Legend of the Cryptids**

**No. 2** U.S. App Store  
Top gross ranking  
(2012/Sep.)



**Rage of Bahamut**

**No. 1** U.S. Google Play  
Top gross ranking  
(2012/Nov.)  
**No. 1** U.S. App Store  
Top gross ranking  
(2012/June)



**Sengoku Enbu**

**No. 3** Japan App Store  
Top gross ranking  
(2013/Nov.)



**Three Kingdoms Puzzle Wars**

**No. 5** Japan Google Play  
Top gross ranking  
(2013/Nov.)



**Gang Road**

**No. 1** Japan App Store  
Top gross ranking  
(2012/Dec.)



**Chaos Drive**

Launched August 2013

UPCOMING

In the Social Game business segment, we plan to launch **27 games** by March 2014, and **20 out of 27 will be native games**. Our goal is to make hit titles centered on the Japanese market, which has already embraced *Rage of Bahamut* and *Three Kingdoms Puzzle Wars* created by our consolidated subsidiary Cygames, Inc. Cygames is now developing **DRAGON QUEST MONSTERS SUPER LIGHT**, which is supplied by SQUARE ENIX CO., LTD.

In 2008 CyberAgent entered the social game segment. Since then we have grown into the biggest Japanese player in the social game market, producing many hit titles in this rapidly expanding market. Of particular significance was the launch of *Legend of the Cryptids* in overseas markets, including the U.S. market, in May 2012. This product reached the No. 1 spot in the games category in the U.S. App Store.

We spoke with the founders of Applibot, the consolidated subsidiary which developed *Legend of the Cryptids*. Shogo Takeda is in charge of creative operations, while Koki Ukita is the company's core strategist.



Applibot, Inc. was established in 2010 to develop native smartphone games. Its three then- 25-year-old directors entered the company as new graduates. In the year ended September 2013, net sales reached ¥6.5 billion and operating profit expanded to ¥260 million.

# MAKING MEGA HITS !!

## Global Challenge for Game Creators



### Koki Ukita

Director  
Applibot, Inc.  
(Entered in 2011  
as a new graduate)



### Shogo Takeda

Director and CCO  
Applibot, Inc.  
(Entered in 2010  
as a new graduate)

>>> How did a company with a management team consisting of three directors who were new graduates with no practical experience create an international blockbuster?

### We strive to create world-class products.


**Takeda:** Applibot's vision is to create services that reach users all around the world. We found success by contracting work from the best creators around the world, rather than just within Japan. Even within the same card game, there is significant variation in the designs preferred in different countries and regions. In Japan two-dimensional works such as anime are mainstream, whereas overseas there is a deep-rooted cultural preference for three-dimensional representations of space and color. When we

create games for the world market, we need to apply a variety of creative benchmarks that are supported in other countries so that we can create high-quality visual content.

### Dynamism and speed are the keys to success.

**Ukita:** From the perspective of business operations, it was important that we continued to base our actions on a straightforward approach, after first studying the marketing statistics. After deciding that a concept had potential, we would pursue it with tenacity and sense of urgency. When we launched Applibot America, President Urabe traveled to the United States himself in order to facilitate local marketing efforts. I believe this commitment to thoroughness, dynamic action and speed has been one of the keys to our success.





>>> Two years after its founding, Applibot had achieved No. 1 App Store rankings in several countries. However, its know-how infrastructure is based in Japan, and it was also producing hits in the Japanese market, including *Gang Road*. What is the secret to producing hits overseas and in Japan?

## We are always focused on users.

**Takeda:** In card games the cards themselves must be of high quality. We had no experience in game development, but carried out in-depth research to discover what would be popular with and accepted by users. We never learn if we do things by half-measures, so I spent day after day studying popular cartoons and artwork until I had cultivated the ability to identify which artists' work would be successful. In retrospect, I think that it was our lack of

skill in this area that allowed us to take this approach to marketing. Because we were able to take trends on board without resistance, we were also able to respond flexibly to user needs.

**Ukita:** We aren't really interested in creating images or games for our own satisfaction. We consider what is best for the users, and then we carry that concept through to its conclusion through in-depth marketing and analysis from the user's perspective. Analysis allows us to identify images that users will like, and that leads in turn to profit. This holds true both in Japan and overseas.

>>> Their vision is clear from their comments in this interview. It is also clear from the narrative that the management team is working toward its goals on the basis of shared perceptions and clearly defined roles.

## A company that will shake the world

**Ukita:** As soon as the company was established, we three directors began to talk about competing in the overseas smartphone market, and building a company that would shake the world.

We are all different types of people with clearly defined areas of specialty. I see that as one of the reasons for our growth as a company. Our strategist, President Urabe, has an incredible ability to discern the realities of things. Takeda is naturally very creative, a true right-brainer, and has great people skills. For example, most of our subordinates are older than us, and sometimes things don't work when President Urabe or I give orders, but when

Takeda provides instructions things go more smoothly. Takeda is the type of person who convinces people with his aura rather than with words.

**Takeda:** From my point of view, President Urabe and Ukita are both brilliant. Ukita in particular combines strategic perspectives with management skills. Neither President Urabe nor myself can match his ability to process information in parallel. Because of the capabilities that they bring to the company, I can focus on production.

## Synergy benefits within the CyberAgent Group

**Ukita:** We have excellent cooperative relationships within the CyberAgent Group, and that is reflected in synergy benefits. Much of our present success is attributable to the fact that we can share knowledge with and learn from other companies involved in the social game business, such as Sumzap, Inc., CyberX, Inc., Grence, Inc. and Cygames, Inc., and the fact that our senior colleagues are always ready to help us.

>>> The Final question is about the company's future potential based on its accumulated knowledge and expertise.

## We will use the power of Japanese technology to create world-class mega hits.

**Ukita:** We are currently developing around five games in Japan, and the number is even greater if we include products that we are taking into overseas markets. We excel in card games, and we can strengthen our revenue base by introducing new card games from time to time. We are determined to create not only "Card Battle," but also other games. I want to create a mega hit like *Puzzle & Dragons*, something that will succeed in multiple markets with both male and female users. Our basic policy is to use the power of Japanese technology to take hit games from the Japanese market into overseas markets.

**Takeda:** My goal is to produce the best fastest. In the future, when I travel overseas, I want to see the person in the next seat using our services. That's why I'm determined to create global mega hits.

# Investment Development Business

Japan's market for initial public offerings (IPOs) is becoming increasingly active, and in 2013 the number of IPOs is expected to increase by 45% year on year to 70. We will respond to the rising level of support for growth businesses by further strengthening our investment development business.

Currently our investment development business is handled by the Investment Business Division of CyberAgent, Inc. and CyberAgent Ventures, Inc., a consolidated subsidiary. The main targets for investment

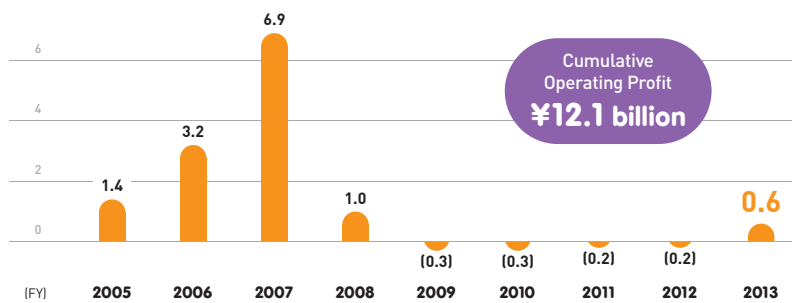
are Internet companies. The Investment Business Division is involved primarily in middle/late-stage ownership investment, while CyberAgent Ventures invests in start-up companies in Japan and overseas. In addition to our eight offices in Asia, we also have an office in San Francisco.

We began to build the investment development business in the year ended September 2004. We have built a significant track record, including mixi, Inc. (securities code: 2121), which was listed in September 2006, and Drecom Co., Ltd. (securities code: 3793), which was listed in February 2006. The cumulative total of operating income is now in excess of ¥12.1 billion.

In October 2013, we invested in several companies, including URX, Inc. and BASE Inc. URX, Inc. is originally from Y Combinator, an advertising company specializing in dynamic retargeting. BASE Inc. provides free Internet shop management services. As of the end of September 2013, we had invested in 110 companies, and the balance of investment in securities for sale stood at ¥5.6 billion. We will continue to use our extensive experience in Internet-based businesses to realize the value of the companies in which we invest.

## Operating Profit

(Billions of yen)



## IPO Track Record



## Social Initiatives



### CA Tech Kids: Serving up IT Skills for Elementary Students

Japan needs to train highly skilled programmers in order to create employment and maintain its competitiveness in the IT industry. CyberAgent recognizes that providing this training from a young age is of importance to society, and our consolidated subsidiary, CA Tech Kids, Inc., regularly holds programming workshops for elementary school children. In addition to teaching the children about programming through the development of iPhone apps and 2D games, these workshops also help to foster imagination. The aim of this initiative is to develop a pool of talented programmers for the future.

### Support for Women Providing Childcare —Cloud Sourcing Services for Mothers

We are using *Ameba* services to develop a range of services for mothers with young children. In September 2013, we launched the *Ameba mama Blog*, a dedicated blog community for mothers. Participants can use the blog to find friends based on their communities or the ages of their children. We plan to introduce a variety of cloud sourcing services for women providing childcare. Our aim is to help women to combine childcare with work by providing systems and services that will create opportunities for mothers to work at home via the Internet while caring for their children.





## CyberAgent Board Members CA8

# CA8

CyberAgent's Board of Directors consists of eight members. In the constantly changing Internet industry, CyberAgent replaces one to three directors every two years, determining the composition of its directors according to its business strategy.

Managing Director

### Go Nakayama

Entered CyberAgent in 1999. After heading up the Media Business and serving as chief of Management division, became director in charge of head office functions in 2004. Devised the CAJJ Program and other original management methods. Became managing director in 2006, coordinates 49 consolidated subsidiaries, and is engaged in business administration and IR.  
No. of shares held: 1,237



Executive Manager for Head Office Functions

Vice President

### Yusuke Hidaka

Established CyberAgent in 1998 together with Susumu Fujita. After working in the Commerce Business and Media Business, launched the Social Game business in 2009 and developed the CyberAgent Group's Social Game business into one of the industry's largest. After serving as a director, became vice president in 2010.  
No. of shares held: 6,341

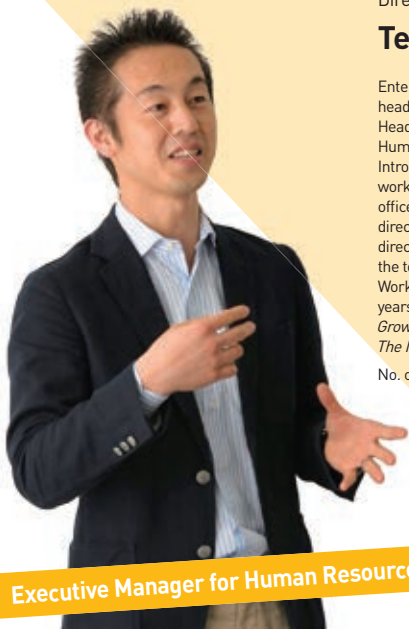


Executive Manager for the Social Game Business

Director

### Tetsuhito Soyama

Entered CyberAgent in 1999. After heading up the Internet Advertising Headquarters, became chief of Human Resources Headquarters. Introduced new HR systems and worked to vitalize the company's office environment. Became a director in 2008. Under his direction, CyberAgent, ranked in the top ten as a "Great Place to Work" list for four consecutive years. Author of *Maneuvers for Growing the CyberAgent Way* and *The Most Powerful No. 2*.  
No. of shares held: 481



Executive Manager for Human Resources



Managing Director

### Yasuo Okamoto

Entered CyberAgent in 2000, a member of the first group of college graduate new hires. After serving as president of an SEM subsidiary and chief of the Internet Advertising Headquarters, became a director in 2008. Built CyberAgent's position as Japan's top Internet advertising agency. Became a managing director in 2010.  
No. of shares held: 144



Executive Manager for the Internet Advertising Business

\*The number of shares held (As of September 30, 2013)

President

## Susumu Fujita

After graduating from university, entered Intelligence, Ltd. in 1997. Resigned from Intelligence and established CyberAgent in 1998. Became the youngest person (at that time) to list a company on the Mothers section of Tokyo Stock Exchange in 2000, at the age of 26. Active as a director of the Japan Association of New Economy. Author of books including *Confessions of a President Working in Shibuya*, *Fujita Susumu's Workology*, and *Entrepreneur*.

No. of shares held: 150,972



President



Director

## Masahide Koike

Entered CyberAgent in 2001. After heading up the Media Business Development Division, engaged in the start-up of *Ameba* as general manager of the Ameba Business. Became director and executive manager for the Ameba Business in 2012. Currently working on monetization of *Ameba* for smartphones.

No. of shares held: 31



Executive Manager for the Ameba Business

Director

## Takahito Naito

Entered CyberAgent in 2001. After heading up the Internet Advertising Business, became a director in 2010. Engaged in the establishment of smartphone network business subsidiary AMoAd, Inc. in 2012. Currently concentrating on the Internet advertising ad technology field.

No. of shares held: 60



Executive Manager for the Ad Technology Business

Director

## Takahiro Yamauchi

Entered CyberAgent in 2006. Established specialist smartphone advertising agency CyberZ, Inc. in 2009 and became president. Highly rated for his performance in the smartphone advertising business, became a director in 2012. Currently engaged in increasing sales of smartphone advertising for the Group.

No. of shares held: 1



Executive Manager for the Smartphone Advertising Business

## Interview with Standing Corporate Auditor

### Interview

# For Medium- long-term Growth

I focus on supporting  
down-to-earth healthy management

Toko Shiotsuki



#### What are your current priorities as a Corporate Auditor?

We endeavor to select our priority audit items flexibly according to the risk environment. Over the past few years, CyberAgent has made a major shift from the advertising business to the media business. In particular, there has been a rise in the importance of the Ameba Business, and we are therefore focusing our audit activities on that area. Specifically, we have direct meetings with the executives in charge in front-line operations. We also check the appropriateness of risk countermeasures and customer support systems, the state of the control structures for charging systems, and compliance with laws, regulations and rules established by industry organizations.



#### How would you sum up CyberAgent's characteristics as a company from your perspective as standing auditor?

I was appointed as standing auditor immediately after CyberAgent was listed on the stock exchange 13 years ago. The scale of the company's business activities and workforce have continued to expand in the years since then, and the management structures are now far more robust than when the company was first established. However, the management team still works closely with employees, and CyberAgent seems to have retained the free and open culture that we associate with venture companies. The CA8 system is truly innovative, and the management team always approaches its management tasks very seriously. The experience of

surviving through difficult times, including the collapse of the IT bubble and the Livedoor scandal, has left them with a keen awareness of the importance of sound organizational management.

The management team's stance is also apparent from the information that they disseminate on a day-to-day basis through blogs and other means.



#### What innovations have you introduced as standing auditor?

I believe that the most important aspect of my day-to-day audit activities is the collection of information, and I take a proactive approach to that task. For example, I attend important meetings, including meetings of full-time directors, and I have continual on-line access to key documents, including executive approval records, account books and contracts. In



## Auditor Profiles

In addition, I participate in mailing lists used to communicate within the company. As someone who has passed the second-tier CPA qualification exams, my specialist field is accounting. I focus in particular on the auditing of accounting processes, such as the treatment of unusual transactions in the accounts, decisions on the scope of the consolidation, the valuation of fixed assets, the accuracy with which net sales and the cost of sales are identified in the accounts, and the development and administration of accounting systems.

I have built good relationships with the company's staff and executives in the course of my day-to-day activities, but I am always careful to maintain an appropriate sense of distance in my dealings with the management team as befits my role as auditor. I share information with the external corporate auditors in the course of our day-to-day activities, as well as at meetings of the Board of Auditors. Sometimes they raise some quite challenging issues, but we have developed a very good relationship.



### What are your aspirations for the future as standing auditor?

As a corporate auditor, I believe that my role is to be the last bastion to prevent the company from moving in an unhealthy direction. CyberAgent has continued to evolve and achieve growth in the fiercely competitiveness environment of the Internet sector. To ensure its growth and success over the medium- and long-term future, it needs sound management by people with their feet firmly on the ground. As a corporate auditor delegated by the shareholders, I will continue to support CyberAgent's efforts to realize its vision of becoming the 21st century's leading company. I will also continue my efforts to strengthen the company's governance structure.



Standing Corporate Auditor

### Toko Shitsuki

**April 1996**

Entered Japan Airlines Co., Ltd.

**October 1999**

Passed the second exam for certified public accountants

**July 2000**

Appointed as corporate auditor of CyberAgent (current post)



Corporate Auditor

### Masao Horiuchi

**April 1992**

Entered Nippon Investment & Finance Co., Ltd. (now Daiwa Corporate Investment Co., Ltd.)

**April 1995**

Joined Intelligence, Ltd.

**March 1998**

Appointed as corporate auditor of CyberAgent (current post)

**April 2009**

Appointed as Head of Coordination for the Office of the President of USEN CORPORATION

**December 2010**

Appointed as Director and Head of Administration of U-NEXT Co., Ltd. (current post)



Corporate Auditor Independent Director

### Isao Numata

**April 1988**

Entered Daiwa Securities Co. Ltd.

**July 2000**

Appointed as Representative Director of Five Eyes Network, Inc. (current post)

**December 2000**

Appointed as Corporate Auditor of CyberAgent (current post)

**December 2009**

Appointed as Representative Director of Security Business Laboratory Co., Ltd. (current post)

# Corporate Governance

## Basic Policy on Corporate Governance

Our vision is to build the CyberAgent Group into the 21st century's leading company by developing business activities centering on the Internet, and by influencing consumers and society significantly through our activities in this new industry. All members of the CyberAgent organization, including executives and employees, are required to comply with the CyberAgent Mission Statement, which stipulates that we must respect the positions of all stakeholders and fulfill our social responsibilities as a business corporation by complying with laws and regulations, by establishing corporate ethics, and by maintaining high moral standards.

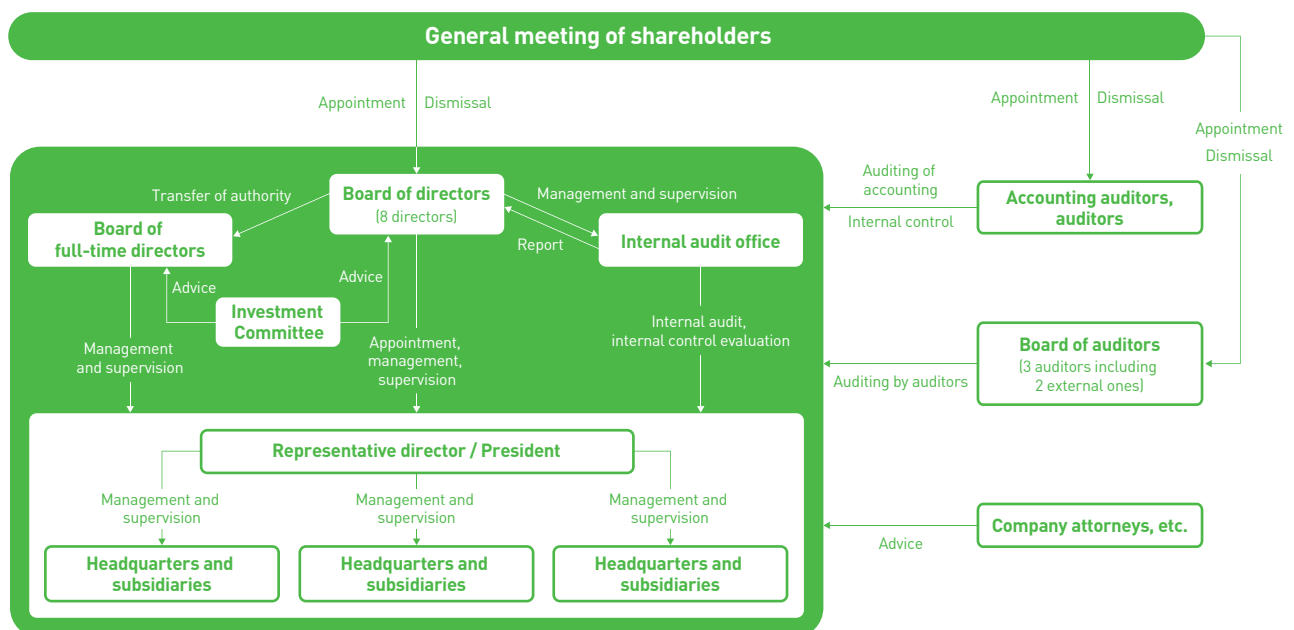
We have also established a group-wide structure, the Group Meeting, made up of the executives responsible for subsidiaries and key business areas. This organization, which convenes each month to receive reports and check compliance, plays an important role in our efforts to strengthen corporate governance. We provide shareholders and investors with fair and timely access to information and ensure management transparency by actively and promptly disclosing information.

## Overview of the Current Corporate Governance System

CyberAgent is structured as a company with auditors. The Corporate Auditors effectively audit the performance of executive duties by the directors. Two highly independent external Corporate Auditors attend meetings of the Board of Directors and actively provide input and apply checks and balances to ensure fair decision-making. Decisions pertaining to the performance of business operations, including matters of particularly high importance, must be taken in accordance with laws, regulations and the corporate articles, and after careful deliberation by the Board of Directors, which consists of eight directors, with the external Corporate Auditors in attendance.

In addition to its regular meetings each month, the Board of Directors also holds extraordinary meetings as required. In the year under review, the Board met a total of 17 times. Decisions on matters other than items requiring resolutions of the Board of Directors are taken after exhaustive discussions at meetings of the Board of Full-time Directors, which consists of the eight full-time directors and one standing Corporate Auditor. The Board of Full-time Directors normally meets on a weekly basis. To ensure appropriate decision-making on important investment

## Corporate Governance Structure



matters, such matters are first thoroughly examined by the Investment Committee, which reports its findings to the Board of Directors and the Board of Full-time Directors.

The Corporate Auditors attend all important meetings, including meetings of the Board of Directors, to audit the legality of executive actions by the Directors. If necessary, they also obtain reports and seek explanations from company officers and examine the operations of major subsidiaries and offices. In addition to its regular monthly meetings, the Board of Auditors also holds extraordinary meetings as required. In the year under review, there were 13 meetings.

Internal audits are the responsibility of the Internal Audit Office, which audits the company's divisions and subsidiaries in cooperation with the Corporate Auditors. The Internal Audit Office reports its findings to the Board of Directors every quarter.

### Reasons for the Adoption of the Current Corporate Governance Structure

CyberAgent recognizes the development and maintenance of corporate governance structures and the appropriate implementation of essential measures as one of the most important management priorities. In the CyberAgent Group, audits are conducted by two highly independent external Corporate Auditors, who effectively oversee management and provide advice. We believe that this process ensures objectivity and impartiality, and for that reason we do not appoint external directors.

We have adopted our alternative structure, the CA8 system, which ensures the constructive functioning of the Board of Directors by stipulating, in principle, that there must be eight directors, and that between one and three directors must, in principle, be replaced every two years. We introduced the CA8 system in 2008 with the aim of expanding our business performance by creating a robust corporate structure with a management team made up of a wide range of people with skills that match our business strategies.

### Stock Options

Stock options are used to strengthen the motivation and raise the morale of the directors and employees of CyberAgent and its subsidiaries and encourage them to improve the financial performance of the CyberAgent Group. The number of stock options issued and outstanding as of September 30, 2013 was 9,145. This is equivalent to 1.4% of the total number of shares issued and outstanding, including treasury stock. The assumed total paid-up value is ¥2,225,299,800.

### Anti-takeover Measures

CyberAgent has adopted anti-takeover measures to prevent large-scale purchasing of its shares.

When certain events occur, such as a bid to acquire large numbers of shares, the buyer or the proposer of the purchase is required to submit information about the purchase, etc., in advance, so that the Company has time to gather and consider information about the purchase, etc. Other processes stipulated under our system include measures to inform shareholders about plans and alternative proposals put forward by management, and negotiation with the bidder and others. If it is deemed that a bid or other action by a purchaser or other party could harm our corporate value or the common interests of shareholders, such as when a bidder or other party attempts to carry out a purchase or other action without following the stipulated procedures, the Company will set conditions for the exercise of rights, which prevent the purchaser or other party from exercising rights, and we will issue stock options without contribution to all shareholders at that time on condition that the Company will acquire those options from all parties other than the bidder in exchange for CyberAgent shares.

To prevent the CyberAgent Board of Directors from making arbitrary decisions about whether or not to issue options without contribution, such decisions will be made by an independent committee consisting solely of persons who are independent from the management of CyberAgent, in accordance with the independent committee regulations. If necessary, such decisions will be referred to all shareholders by convening a general meeting of shareholders.

We ensure transparency through the timely disclosure of information to all shareholders. These measures to prevent large-scale purchasing of CyberAgent shares (anti-takeover measures) will remain in force until the conclusion of the regular general meeting of shareholders for the business year ending on September 30, 2014.



# Financial Section

## Financial Results

By the end of March 2013, the penetration ratio for smartphones in Japan had reached 37% (based on the number of subscribers). By 2015, smartphone users are expected to be in the majority with a ratio of 54%. The smartphone market continues to grow rapidly, as evidenced by the fact that the value of transactions conducted via smartphones and feature phones reached ¥4.2 trillion in the current year, an increase of 71% over the previous year's figure of ¥2.4 trillion.

The market for Internet advertising is also expanding. In 2012 the value of the market increased by 8% year-on-year to ¥868.0 billion, while the market for smartphone advertising surged by 3.4 times over the previous year's level.

In this environment, the CyberAgent Group fully launched its *Ameba* smartphone service. We allocated substantial

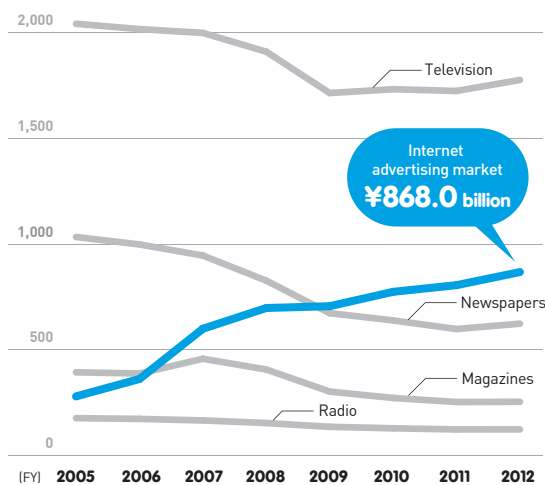
management resources to initiatives for smartphone-related activities, including large-scale promotions through television advertising and advertising in transportation facilities. Our other priorities were the reinforcement of our Internet advertising business, and the expansion of our Social game business, which centers on the development of social games. We also implemented business restructuring measures, including the sale of the FX Business.

These efforts were reflected in our results for the consolidated accounting year ended September 30, 2013. Net sales increased by 15% year-on-year to ¥162,493 million, while operating profit was 41% lower at ¥10,318 million. Ordinary profit declined by 38% to ¥10,570 million, but net profit was 23% higher year-on-year at ¥10,504 million.

### Reference

#### The Japanese Advertising Market

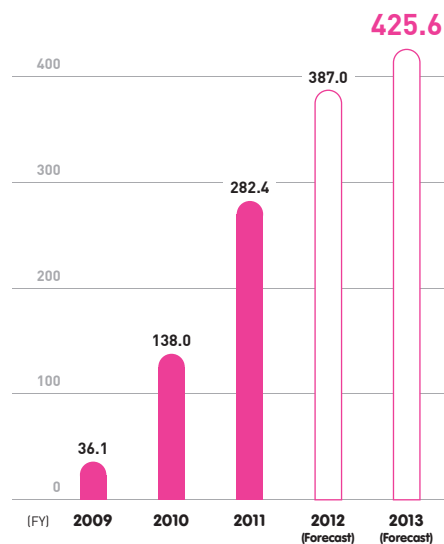
(Billions of yen)



Source: Dentsu (February 2013)

#### The Japanese Social Game Market

(Billions of yen)



Source: Yano Research Institute (December 2012)

## Consolidated Financial Highlights 5-year Summary

(Unit: Millions of yen)

Fiscal Years Ended September 30 (October 1—September 30)	2009	2010	2011	2012	2013
<b>Consolidated Performance</b>					
Net sales	93,897	96,650	119,578	141,111	162,493
Operating income	4,483	9,337	14,349	17,410	10,318
Operating income ratio (%)	4.8	9.7	12.0	12.3	6.4
Ordinary income	4,347	9,225	14,114	17,146	10,570
Net income	1,268	5,493	7,323	8,522	10,504
<b>Consolidated Financial Position</b>					
Total assets	67,291	83,723	111,689	136,366	81,425
Net assets	31,579	33,464	38,677	43,594	50,587
Shareholders' equity ratio (%)	38.2	36.0	33.0	30.6	56.0
<b>Consolidated Cash Flows</b>					
Cash flow from operating activities	4,760	10,969	8,268	13,627	4,980
Cash flow from investing activities	(1,597)	(7,796)	(8,564)	(10,913)	10,837
Cash flow from financing activities	376	(954)	(1,665)	(1,548)	(7,081)
Cash and cash equivalents at end of the period	17,982	20,134	18,108	19,248	28,448
<b>Per Share Data (Yen)</b>					
Net income per share	19.55	84.73	112.81	131.62	166.41
Net assets per share	396.87	465.11	564.99	645.18	731.86

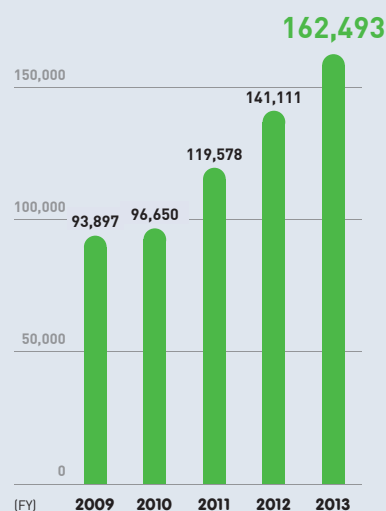
\*The Company conducted a 1:100 stock split of common stocks as of October 1, 2013.

Per share data are calculated assuming that the said stock split were conducted at the beginning of the previous consolidated Fiscal Year.

\*The shares of CyberAgent FX, Inc. were transferred in 2Q 2013. Net assets of the FX business were ¥77,542 million, as of December 31, 2012.

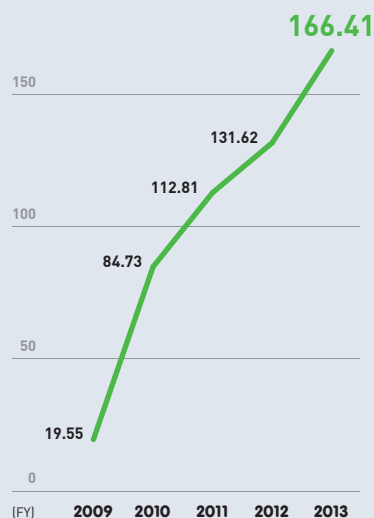
### Consolidated Net Sales

(Millions of yen)



### Net Income per Share

(Yen)



### Net Assets per Share

(Yen)



## Consolidated Balance Sheets

(Unit: Millions of yen)

Fiscal Years Ended September 30 (October 1—September 30)	2009	2010	2011	2012	2013
<b>Assets</b>					
<b>Current assets</b>					
Cash and deposits	18,965	21,428	20,755	20,925	28,455
Accounts and notes receivable—trade	10,728	12,531	14,917	21,192	22,881
Inventories	581	231	184	92	164
Sales investment securities	2,638	2,216	3,069	3,638	5,619
Foreign exchange dealings cash segregated as deposits for customers	13,816	22,924	34,023	51,644	—
Foreign exchange dealings variation margin paid for customers	5,467	8,370	14,170	12,252	—
Deferred tax assets	743	1,409	1,538	1,326	1,581
Other	3,660	3,230	8,807	5,243	2,260
Allowance for doubtful accounts	(52)	(71)	(53)	(46)	(47)
Total current assets	56,549	72,272	97,414	116,268	60,916
<b>Non-current assets</b>					
Property, plant and equipment					
Buildings and structures	997	845	1,378	1,987	2,150
Accumulated depreciation	(521)	(364)	(603)	(510)	(635)
Buildings and structures, net	475	481	775	1,476	1,514
Tools, furniture and fixtures	3,502	3,562	4,386	5,888	6,791
Accumulated depreciation	(2,405)	(2,409)	(2,977)	(3,702)	(4,229)
Tools, furniture and fixtures, net	1,096	1,153	1,409	2,186	2,561
Construction in progress	44	12	—	148	261
Other	8	25	19	13	8
Total property, plant and equipment	1,625	1,673	2,204	3,825	4,346
Intangible assets					
Goodwill	1,061	2,308	3,102	2,991	2,812
Software	1,684	2,240	2,507	4,981	4,812
Other	377	383	945	2,046	2,792
Total intangible assets	3,123	4,932	6,555	10,019	10,417
Investments and other assets					
Investment securities	2,659	3,153	3,693	2,740	2,613
Long-term loans receivable	32	38	8	12	8
Deferred tax assets	902	267	382	898	1,233
Other	2,921	1,478	1,506	2,653	1,908
Allowance for doubtful accounts	(523)	(93)	(77)	(53)	(19)
Total investments and other assets	5,993	4,845	5,514	6,252	5,744
Total non-current assets	10,741	11,451	14,274	20,097	20,509
<b>Total assets</b>	<b>67,291</b>	<b>83,723</b>	<b>111,689</b>	<b>136,366</b>	<b>81,425</b>

\*Certain prior year amounts have been reclassified to conform to the presentations as of September 30, 2013.

\*The shares of CyberAgent FX, Inc. were transferred in 2Q 2013. Net assets of the FX business were ¥77,542 million, as of December 31, 2012.



(Unit: Millions of yen)

Fiscal Years Ended September 30 (October 1—September 30)	2009	2010	2011	2012	2013
<b>Liabilities</b>					
<b>Current liabilities</b>					
Notes and accounts payable—trade	6,682	7,632	8,594	12,226	14,268
Notes and accounts payable—other	1,771	2,847	3,536	6,608	5,076
Income tax payable	1,137	3,141	4,353	4,711	6,971
Foreign exchange dealings deposits from customers	19,534	30,782	47,896	63,468	—
Other	5,137	4,992	6,306	4,563	3,545
Total current liabilities	34,263	49,396	70,686	91,579	29,861
<b>Non-current liabilities</b>					
Bonds payable	900	500	300	100	—
Long-term loans payable	352	309	1,515	315	47
Accrued long service rewards for employees	—	—	0	122	267
Asset retirement obligation	—	0	364	624	658
Other	196	52	139	24	3
Total non-current liabilities	1,449	862	2,319	1,187	976
<b>Reserves under the special laws</b>					
Total reserves under the special laws	—	—	5	4	—
<b>Total liabilities</b>	<b>35,712</b>	<b>50,259</b>	<b>73,011</b>	<b>92,771</b>	<b>30,837</b>
<b>Net assets</b>					
<b>Shareholders' equity</b>					
Capital stock	6,771	6,771	7,177	7,203	7,203
Capital surplus	5,106	5,106	5,512	5,400	2,289
Retained earnings	13,536	18,374	24,268	30,379	37,439
Treasury stock	—	—	0	(1,388)	(1,933)
Total shareholders' equity	25,415	30,252	36,958	41,595	44,999
<b>Other comprehensive income</b>					
Valuation difference on available-for-sale securities	436	24	76	310	436
Foreign currency translation adjustments	(120)	(121)	(183)	(138)	157
Total other comprehensive income	316	(96)	(107)	171	594
<b>Subscription rights to shares</b>	<b>13</b>	<b>27</b>	<b>64</b>	<b>121</b>	<b>152</b>
<b>Minority interests</b>	<b>5,834</b>	<b>3,281</b>	<b>1,761</b>	<b>1,705</b>	<b>4,840</b>
<b>Total net assets</b>	<b>31,579</b>	<b>33,464</b>	<b>38,677</b>	<b>43,594</b>	<b>50,587</b>
<b>Total liabilities and net assets</b>	<b>67,291</b>	<b>83,723</b>	<b>111,689</b>	<b>136,366</b>	<b>81,425</b>

## Consolidated Statements of Changes in Shareholders' Equity

(Unit: Millions of yen)

Fiscal Years Ended September 30 (October 1—September 30)	2009	2010	2011	2012	2013
<b>Shareholders' equity</b>					
Capital stock					
Balance at the beginning of current period	6,771	6,771	6,771	7,177	7,203
Changes of items during the period					
Issuance of new shares	—	—	406	25	—
Total changes of items during the period	—	—	406	25	—
Balance at the end of current period	6,771	6,771	7,177	7,203	7,203
Capital surplus					
Balance at the beginning of current period	5,106	5,106	5,106	5,512	5,400
Changes of items during the period					
Cancellation of treasury stock	—	—	—	—	(4,305)
Disposal of treasury stock	—	—	—	(137)	(9)
Issuance of new shares	—	—	406	25	—
Transfer to capital surplus from retained earnings	—	—	—	—	1,203
Total changes of items during the period	—	—	406	(111)	(3,110)
Balance at the end of current period	5,106	5,106	5,512	5,400	2,289
Retained earnings					
Balance at the beginning of current period	12,535	13,536	18,374	24,268	30,379
Changes of items during the period					
Dividends from surplus	(453)	(648)	(1,426)	(2,282)	(2,265)
Transfer to capital surplus from retained earnings	—	—	—	—	(1,203)
Increase of retained earnings by increase of consolidated subsidiaries	270	—	—	—	—
Decrease of retained earnings by increase of consolidated subsidiaries	(9)	—	(3)	—	—
Increase of retained earnings by decrease of consolidated subsidiaries	—	6	—	—	—
Decrease of retained earnings by decrease of consolidated subsidiaries	(74)	(14)	—	(128)	—
Change of scope of equity method	—	—	—	—	24
Net income	1,268	5,493	7,323	8,522	10,504
Total changes of items during the period	1,001	4,837	5,893	6,111	7,060
Balance at the end of current period	13,536	18,374	24,268	30,379	37,439
Treasury stock					
Balance at the beginning of current period	—	—	—	—	(1,388)
Changes of items during the period					
Purchase of treasury stock	—	—	—	(1,999)	(4,999)
Cancellation of treasury stock	—	—	—	—	4,305
Disposal of treasury stock	—	—	—	611	149
Total changes of items during the period	—	—	—	(1,388)	(545)
Balance at the end of current period	—	—	—	(1,388)	(1,933)
Total shareholders' equity					
Balance at the beginning of current period	24,413	25,415	30,252	36,958	41,595
Changes of items during the period					
Issuance of new shares	—	—	812	51	—
Dividends from surplus	(453)	(648)	(1,426)	(2,282)	(2,265)
Purchase of treasury stock	—	—	—	(1,999)	(4,999)
Disposal of treasury stock	—	—	—	611	140
Decrease of capital surplus by disposal of treasury stock	—	—	—	(137)	—
Increase of retained earnings by increase of consolidated subsidiaries	270	—	—	—	—
Decrease of retained earnings by increase of consolidated subsidiaries	(9)	—	(3)	—	—
Increase of retained earnings by decrease of consolidated subsidiaries	—	6	—	—	—
Decrease of retained earnings by decrease of consolidated subsidiaries	(74)	(14)	—	(128)	—
Change of scope of equity method	—	—	—	—	24
Net income	1,268	5,493	7,323	8,522	10,504
Total changes of items during the period	1,001	4,837	6,706	4,636	3,404
Balance at the end of current period	25,415	30,252	36,958	41,595	44,999

\*Certain prior year amounts have been reclassified to conform to the presentations for the year ended September 30, 2013.

(Unit: Millions of yen)

	2009	2010	2011	2012	2013
<b>Other comprehensive income</b>					
Valuation difference on available-for-sale securities					
Balance at the beginning of current period	(180)	436	24	76	310
Changes of items during the period					
Net changes of items other than shareholders' equity	616	(411)	51	233	126
Total changes of items during the period	616	(411)	51	233	126
Balance at the end of current period	436	24	76	310	436
Foreign currency translation adjustments					
Balance at the beginning of current period	(39)	(120)	(121)	(183)	(138)
Changes of items during the period					
Net changes of items other than shareholders' equity	(80)	(1)	(61)	44	296
Total changes of items during the period	(80)	(1)	(61)	44	296
Balance at the end of current period	(120)	(121)	(183)	(138)	157
Total other comprehensive income					
Balance at the beginning of current period	(219)	316	(96)	(107)	171
Changes of items during the period					
Net changes of items other than shareholders' equity	535	(413)	(10)	278	422
Total changes of items during the period	535	(413)	(10)	278	422
Balance at the end of current period	316	(96)	(107)	171	594
<b>New share subscription rights</b>					
Balance at the beginning of current period	5	13	27	64	121
Changes of items during the period					
Net changes of items other than shareholders' equity	7	14	36	57	30
Total changes of items during the period	7	14	36	57	30
Balance at the end of current period	13	27	64	121	152
<b>Minority interests</b>					
Balance at the beginning of current period	5,946	5,834	3,281	1,761	1,705
Changes of items during the period					
Net changes of items other than shareholders' equity	(111)	(2,553)	(1,519)	(56)	3,135
Total changes of items during the period	(111)	(2,553)	(1,519)	(56)	3,135
Balance at the end of current period	5,834	3,281	1,761	1,705	4,840
<b>Total net assets</b>					
Balance at the beginning of current period	30,146	31,579	33,464	38,677	43,594
Changes of items during the period					
Dividends from surplus	(453)	(648)	(1,426)	(2,282)	(2,265)
Purchase of treasury stock	—	—	—	(1,999)	(4,999)
Disposal of treasury stock	—	—	—	474	140
Issuance of new shares	—	—	812	51	—
Increase of retained earnings by increase of consolidated subsidiaries	270	—	—	—	—
Decrease of retained earnings by increase of consolidated subsidiaries	(9)	—	(3)	—	—
Increase of retained earnings by decrease of consolidated subsidiaries	—	6	—	—	—
Decrease of retained earnings by decrease of consolidated subsidiaries	(74)	(14)	—	(128)	—
Change of scope of equity method	—	—	—	—	24
Net income	1,268	5,493	7,323	8,522	10,504
Net changes of items other than shareholders' equity	431	(2,952)	(1,493)	279	3,588
Total changes of items during the period	1,432	1,885	5,213	4,916	6,992
Balance at the end of current period	31,579	33,464	38,677	43,594	50,587



## Consolidated Statements of Income

(Unit: Millions of yen)

Fiscal Years Ended September 30 (October 1—September 30)	2009	2010	2011	2012	2013
<b>Net sales</b>	93,897	96,650	119,578	141,111	162,493
<b>Cost of sales</b>	60,335	61,177	73,767	84,301	104,907
<b>Gross profit</b>	33,562	35,473	45,810	56,810	57,585
<b>Selling, general and administrative expenses</b>	29,078	26,136	31,461	39,399	47,266
<b>Operating income</b>	4,483	9,337	14,349	17,410	10,318
<b>Non-operating income</b>					
Interest income	41	40	27	39	9
Equity in earnings of affiliates	35	—	—	—	18
Gain on valuation of investment securities	—	6	11	8	39
Foreign exchange gains	—	—	—	—	205
Other	116	66	62	73	98
Total non-operating income	193	113	100	121	371
<b>Non-operating expenses</b>					
Interest expenses	31	30	45	29	21
Consumption tax adjustments	132	105	101	124	45
Foreign exchange losses	43	33	61	15	—
Other	122	55	126	216	51
Total non-operating expenses	329	225	335	385	119
<b>Ordinary income</b>	4,347	9,225	14,114	17,146	10,570
<b>Extraordinary income</b>					
Gain on sales of subsidiaries and affiliates' stocks	810	447	593	1,081	16,661
Other	136	1,095	466	67	290
Total extraordinary gain	947	1,542	1,059	1,148	16,952
<b>Extraordinary loss</b>					
Impairment loss	872	508	960	1,436	3,835
Loss on withdrawal from business	—	4	4	34	1,807
Other	1,834	840	753	553	906
Total extraordinary loss	2,707	1,352	1,718	2,024	6,549
<b>Income before income taxes and minority interests</b>	2,587	9,415	13,455	16,270	20,973
Income taxes—current	1,829	3,809	6,179	7,971	10,482
Income taxes—deferred	(721)	(104)	(285)	(467)	(873)
Total income tax	1,107	3,705	5,893	7,503	9,608
<b>Income before minority interests</b>	1,479	5,709	7,562	8,767	11,364
<b>Minority interests in net income</b>	211	215	239	244	860
<b>Net income</b>	1,268	5,493	7,323	8,522	10,504

\*Certain prior year amounts have been reclassified to conform to the presentations for the year ended September 30, 2013.

## Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

Fiscal Years Ended September 30 (October 1—September 30)	2009	2010	2011	2012	2013
<b>Income before minority interests</b>	1,479	5,709	7,562	8,767	11,364
<b>Other comprehensive income</b>					
Valuation difference on available-for-sale securities	—	—	76	231	58
Foreign currency translation adjustment	—	—	(56)	28	185
Share of other comprehensive income of associates accounted for using equity method	—	—	(3)	13	196
Total other comprehensive income	—	—	17	273	441
<b>Comprehensive income</b>	1,479	5,709	7,579	9,040	11,806
(Comprehensive income attributable to)					
Owners of the parent	—	—	7,312	8,801	10,927
Minority interests	—	—	267	238	878

\*Certain prior year amounts have been reclassified to conform to the presentations for the year ended September 30, 2013.

## Quarterly Segment Information

(Unit: Millions of yen)

	2012/1Q	2012/2Q	2012/3Q	2012/4Q	2013/1Q	2013/2Q	2013/3Q	2013/4Q
<b>Sales</b>								
Ameba business	6,080	6,620	6,212	6,528	6,561	7,123	6,951	8,270
Social game and Other media businesses	9,512	12,222	11,227	15,077	15,750	15,762	14,160	14,331
Internet advertising business	16,648	17,612	16,745	18,675	18,876	20,104	19,265	22,252
Investment development business	53	85	164	49	889	515	155	240
FX business (Excluded from the consolidation in February 2013)	2,027	1,999	1,843	1,610	1,896	1,020	—	—
Subtotal	34,323	38,539	36,192	41,940	43,974	44,526	40,532	45,093
Adjustment amount	(2,177)	(2,575)	(2,400)	(2,731)	(3,148)	(3,160)	(2,470)	(2,856)
Total	32,146	35,964	33,792	39,209	40,825	41,366	38,062	42,239
<b>Gross margin rate</b>								
Ameba business (%)	65.5	64.9	55.3	43.6	35.2	32.4	33.7	34.6
Social game and Other media businesses (%)	46.7	52.4	49.0	43.6	42.5	46.9	51.5	51.9
Internet advertising business (%)	19.8	21.0	20.2	21.9	20.8	21.1	19.7	20.6
Investment development business (%)	49.5	29.1	81.6	(4.1)	83.5	40.5	55.6	69.5
FX business (Excluded from the consolidation in February 2013) (%)	79.1	78.3	77.7	75.5	80.3	83.3	—	—
<b>Operating income</b>								
Ameba business	1,749	1,381	102	(434)	(3,102)	(1,564)	(2,808)	(1,241)
Social game and Other media businesses	909	2,194	1,252	652	1,011	2,231	2,933	2,624
Internet advertising business	1,227	1,743	1,154	2,047	1,931	2,244	1,576	2,098
Investment development business	(69)	(70)	24	(103)	628	103	(54)	19
FX business (Excluded from the consolidation in February 2013)	1,097	900	958	691	1,074	612	—	—
Total	4,915	6,148	3,942	2,853	1,543	3,628	1,646	3,500

\*From the year ended September 30, 2013, the segment was changed.

MicroAd, Inc and CyberBuzz, Inc. were moved into the Internet advertising business from the Ameba business.

The Smartphone new development department of Internet advertising business was moved into Ameba business.

## Consolidated Statements of Cash Flows

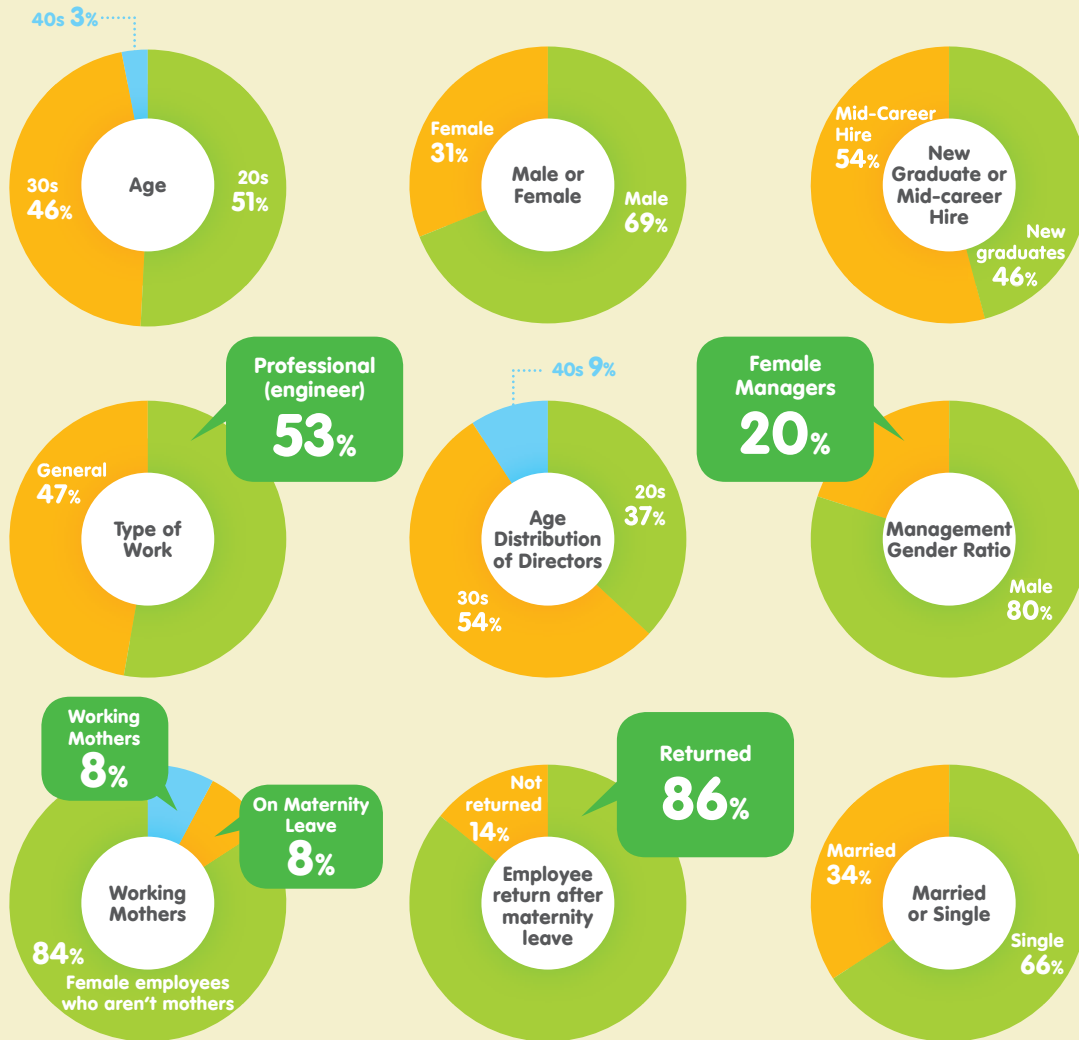
(Unit: Millions of yen)

Fiscal Years Ended September 30 (October 1—September 30)	2009	2010	2011	2012	2013
<b>Cash flow from operating activities</b>					
Income before income taxes and minority interests	2,587	9,415	13,455	16,270	20,973
Depreciation	1,758	1,913	2,345	3,334	4,276
Impairment loss	872	508	960	1,436	3,835
Amortization of goodwill	351	300	322	376	418
Decrease (increase) in notes and accounts receivable—trade	41	(3,042)	(2,701)	(7,103)	(1,710)
Increase (decrease) in notes and accounts payable—trade	(126)	1,921	1,098	3,959	2,133
Loss (gain) on sales of stocks of subsidiaries and affiliates	(810)	(296)	(584)	(1,081)	(16,606)
Loss on withdrawal from business	—	4	4	34	1,807
Increase (decrease) in accounts payable—other	(1,724)	673	1,393	3,065	(1,410)
Increase (decrease) in accrued consumption taxes	(108)	216	245	(190)	(76)
Decrease (increase) in investment securities for sale	167	216	(938)	(347)	(1,735)
Decrease (increase) in margin requirement for foreign exchange transactions	—	—	(1,550)	1,199	1,549
Net decrease (increase) in outstanding amount of foreign exchange transactions	—	—	(819)	(241)	208
Other, net	3,487	566	4	419	(968)
Sub-total	6,497	12,396	13,235	21,131	12,695
Interest and dividends income received	51	52	24	33	9
Interest expenses paid	(32)	(27)	(50)	(29)	(21)
Income taxes paid	(1,791)	(1,451)	(4,942)	(7,507)	(7,703)
Other revenues	35	0	—	—	—
Net cash provided by operating activities	4,760	10,969	8,268	13,627	4,980
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment	(982)	(1,238)	(1,329)	(2,898)	(2,273)
Purchase of intangible assets	(1,654)	(2,404)	(3,199)	(6,963)	(6,693)
Payments into time deposits	(1,610)	(1,601)	(2,155)	(836)	(600)
Proceeds from withdrawal of time deposits	1,040	981	850	405	75
Proceeds from sales of stocks of subsidiaries and affiliates	2,188	—	3	289	7,065
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	—	542	595	13,647
Other, net	(578)	(3,533)	(3,277)	(1,504)	(383)
Net cash used in investing activities	(1,597)	(7,796)	(8,564)	(10,913)	10,837
<b>Cash flow from financing activities</b>					
Repayment of long-term loans payable	(264)	(1,328)	(1,212)	(1,231)	(1,003)
Redemption of bonds	(300)	(200)	(200)	(200)	(200)
Purchase of treasury stock	—	—	—	(1,999)	(5,004)
Cash dividends paid	(458)	(653)	(1,429)	(2,280)	(2,263)
Net increase (decrease) in short-term loans payable	867	(150)	—	—	(220)
Proceeds from stock issuance to minority shareholders	4	95	201	687	1,518
Proceeds from disposal of treasury stock	—	—	—	462	95
Payments made to trust account for purchase of treasury stock	—	—	(3,002)	—	—
Proceeds from trust account for purchase of treasury stock	—	—	—	3,002	—
Other, net	527	1,282	3,977	9	(4)
Net cash provided by (used in) financing activities	376	(954)	(1,665)	(1,548)	(7,081)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(57)	(66)	(89)	(26)	464
<b>Net increase (decrease) in cash and cash equivalents</b>	3,482	2,152	(2,051)	1,139	9,200
<b>Cash and cash equivalents at beginning of period</b>	14,487	17,982	20,134	18,108	19,248
<b>Increase in cash and cash equivalents resulting from change of scope of consolidation</b>	12	0	25	—	—
<b>Cash and cash equivalents at end of period</b>	17,982	20,134	18,108	19,248	28,448

\*Certain prior year amounts have been reclassified to conform to the presentations for the year ended September 30, 2013.

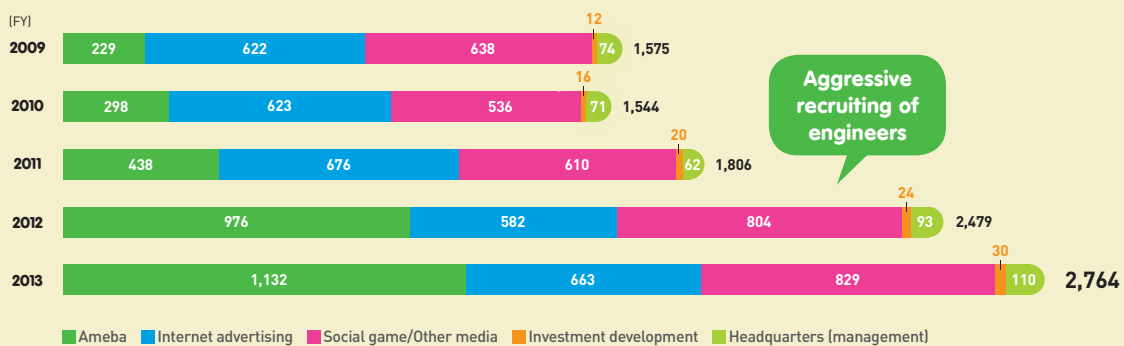
# Employee Profile

## CyberAgent Employees by the Numbers



\*Figures are based on the aggregate number of employees (1,498) on September 30, 2013.

## Number of Employees in Consolidated Company





## Risk Analysis

Described below are the main risk factors that could affect the business activities of CyberAgent. In line with our commitment to active information disclosure, we have also included information with a significant bearing on investment decisions. Based on our perception of the likelihood of risks, we take steps to prevent their occurrence and to deal with any contingencies that may arise.

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### (1) Industry Trends

The business performance and financial position of the CyberAgent Group could be affected if a situation arises that could hinder the growth of the Internet media market, or if the Internet advertising market is affected by an economic downturn.

### (2) Fluctuations in Financial Performance

Forecasts of financial results are based on our estimates, and the accuracy of such information is not guaranteed. Actual financial performance and results may differ from forecasts for various reasons. CyberAgent's business performance and financial position could be affected in the future if there are major changes in accounting standards and taxation systems.

### (3) Laws and Regulations, etc.

In accordance with laws and regulations, we strive to ensure regulatory compliance by our users, and to inform users about moral standards as we encourage compliance. We are also taking steps to strengthen measures against unauthorized access and leakage of information. CyberAgent's business performance and financial position could be affected by the establishment of new laws or the tightening of existing regulations relating to Internet businesses, such as the July 1, 2013 amendment of the enforcement guidelines for the Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation. In addition, lawsuits could be brought against the CyberAgent Group as the service administrator by third parties who have suffered damages or losses as a result of illegal actions involving services administered by CyberAgent.

### (4) Internal Control Systems

CyberAgent regards the improvement of corporate governance as its most important management priority in relation to the maximization of corporate value, and we implement a variety of measures for this purpose. However, if the development of adequate internal control systems fails to keep pace with rapid business expansion or other changes, CyberAgent's business performance and financial position could be affected by the resulting inability to administer business operations appropriately.

### (5) Risks Associated with Reliance on Particular Managers or Personnel Recruitment

The business performance and future business development of the CyberAgent Group could be affected if the required talent cannot be recruited, or if company officers, such as directors,

including representative directors, and executives with specialized knowledge, technology or experience resign or retire and replacements cannot be found.

### (6) Risks Relating to Information Security

The business performance and future business development of the CyberAgent Group could be affected by claims for damages by third parties, damage to the reputation of the CyberAgent Group or other situation resulting from various contingencies, such as losses caused by leaks of important data or tampering with computer programs as a result of computer system malfunctions, computer viruses, unauthorized external access to computers by unlawful means, negligence by company officers or partner businesses, natural disasters, sudden concentrated access to networks or other factors.

### (7) Risks Relating to the Management of Personal Information

CyberAgent holds personal information obtained through its Internet media business and other activities. Such information is controlled in accordance with the provisions of the Act on the Protection of Personal Information (enforced in April 2005). However, the business performance and future business development of the CyberAgent Group could be affected if there are claims for damages against CyberAgent or damage to CyberAgent's reputation if personal information is leaked due to information security risks or other factors, or if problems occur during the process of gathering such information.

### (8) Risks Relating to Intellectual Property Rights

We have strengthened internal control systems for intellectual property. However, the business performance and future business development of the CyberAgent Group could be affected if third parties bring lawsuits against the CyberAgent Group for infringements of intellectual property rights, or apply for injunctions to prevent the use of intellectual property rights, discrepancies in the interpretation of contract terms or other factors.

### (9) Risks Relating to Natural Disasters, etc.

Various contingencies, such as earthquakes, typhoons or other natural disasters, unknown computer viruses or terrorist attacks, could affect CyberAgent, and there is no guarantee that we will be able to mitigate the effects of such events. Furthermore, since CyberAgent's offices and computer network infrastructure are concentrated in particular locations, there is a

possibility that natural disasters and other events in those locations would cause major losses, which could affect the business performance and future business development of the CyberAgent Group.

#### **(10) Risks Pertaining to the Future Development of Business Activities**

The CyberAgent Group provides services for general consumers and is therefore exposed to the possibility of unforeseen reputational risks. In addition, the CyberAgent Group may be unable to deal with potential risks associated with overseas business expansion, including risks relating to laws, regulations, political and social situations, currency fluctuations and competitive environments in various countries.

#### **(11) Risks Pertaining to the Internet Media Business**

CyberAgent Group is involved in the provision of services, including blogs, social media and social games, via the Internet. Our policy is to attract and maintain a user base by maintaining stable operations. However, the business performance and future business development of the CyberAgent Group could be affected if we are unable to provide attractive services that will be supported by a wide range of users.

CyberAgent implements various initiatives in collaboration with platform providers and other related organizations with the aim of supporting the sound development of the social game usage environment. We will continue to implement measures as required to maintain and improve the soundness of social games. However, the business performance and future business development of the CyberAgent Group could be affected under certain circumstances, such as the adaptation of systems or the reinforcement of structures to reflect these measures, or by other unforeseen situations. Furthermore, the CyberAgent Group is involved in the provision of services under contracts with card companies, providers of smartphones, social media and other platforms, telecommunications carriers and other organizations. The business performance and future business development of the CyberAgent Group could be affected if unforeseen circumstances arise, such as changes to technical specifications or contract terms, or the cancellation of contracts.

#### **(12) Risks Pertaining to the Internet Advertising Agency Business**

Internet advertising may be affected by economic trends, and advertisers may reduce their advertising budgets. There is also the possibility that we will be unable to recover advertising charges and will be required to meet payment obligations to media companies and other organizations due to various factors, such as the deterioration of an advertiser's financial position, or errors in the distribution of advertising. Our business performance could also be affected if we are unable to maintain business relationships with media companies, preventing us from procuring advertising space or products.

#### **(13) Risks Pertaining to the Investment Development Business**

Where the companies in which we invest are publicly traded, there is a possibility that valuation gains will be reduced, that valuation losses will increase or that impairment losses will be incurred as a result of share price movements. In addition, the income of the CyberAgent Group could be affected by the business performance of the companies in which we invest.

Investment funds managed by a consolidated subsidiary of CyberAgent invest in multiple non-public companies. There are numerous uncertainties concerning the future outlook for these non-public companies, and it is possible that CyberAgent's business performance, financial position and future business development could be affected by deterioration in the business performance of such companies due to both external factors, such as technological advances and market conditions, and internal factors, such as management and control structures.

#### **(14) Risks Pertaining to the EC Business**

CyberAgent is involved in areas of the electronic commerce (EC) business. While we take all appropriate steps concerning merchandise management systems and contracts with suppliers, CyberAgent could be liable for claims for losses resulting from regulatory violations, defects, safety problems or other issues affecting items sold.

## Policy on Returns to Shareholders

The policy on returns to shareholders is for rising share prices and dividends in the medium-to-long term.

### Policy on Returns to Shareholders

We regard the return of earnings to shareholders as a vital management priority. Our policy is to achieve long-term growth in our stock price, primarily through business expansion and the improvement of capital efficiency, and to maintain dividend continuity.

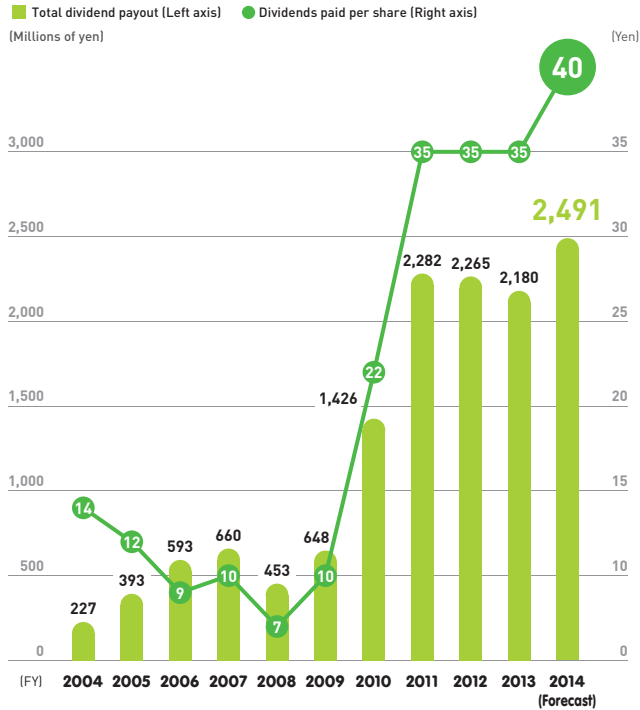
### Dividend Policy

Decisions on dividend payments are based on a comprehensive analysis of a range of factors, including our consolidated financial results, our financial soundness as indicated by the non-consolidated cash flow position and other factors, and the amount of retained earnings required for future business development.

### Dividends

We plan to pay a dividend of ¥40 per share for the year ended September 30, 2014. This is 14% higher than the previous year's dividend and represents a payout ratio of 25%, compared with the previous year's figure of 21%.

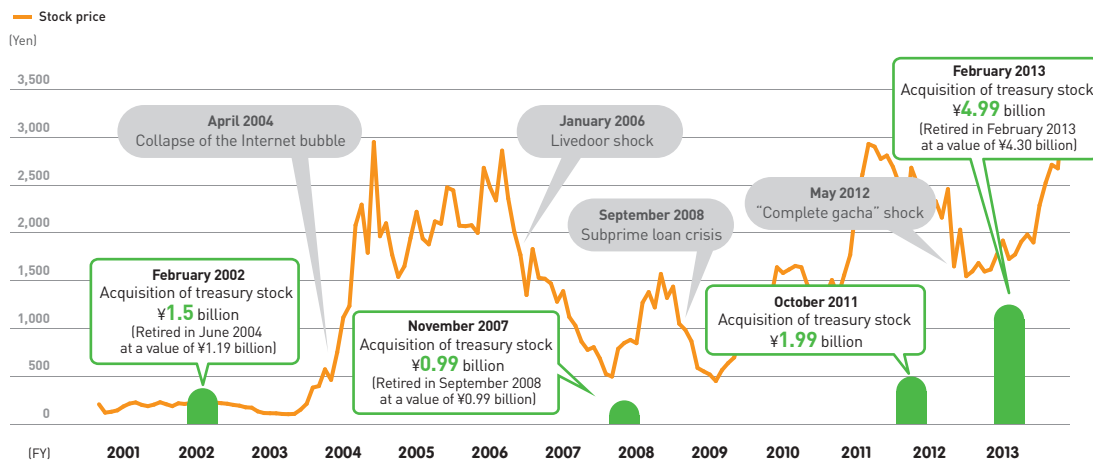
### Total Dividend Payout and Dividends Paid per Share



\*The share trading unit was changed to 100 shares in October 1, 2013.  
Dividends paid reflect stock splits.

### Acquisition and Cancellation of Treasury Stock

We implemented four share buy-back and cancellation schemes.



\*The share trading unit was changed to 100 shares in October 1, 2013.  
Stock price reflect stock splits.

## Stock Overview (As of September 30, 2013)

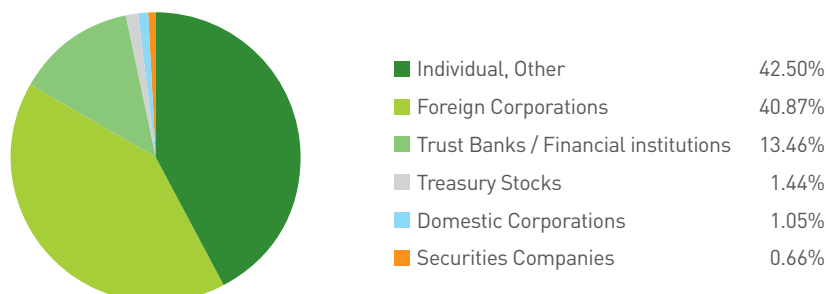
Security Code	4751
Listed Market	TSE Mothers
Fiscal Year	From October 1st to September 30th
Full-year Dividend Receiving Shareholder Fix Date	Every September
General Shareholders' Meeting	Every December
Shareholder Registry Administrator	Sumitomo Mitsui Trust Bank, Limited
Trading Unit	100 shares <small>*On October 1, 2013, stock split of 1:100 and at the same time, we adopted a Share Unit System which defines 100 shares as one trading unit.</small>
Number of Issued Shares	Total number of issued shares: 632,133 shares <small>*Each of the Company's common shares held by shareholders, whose names are recorded in the latest Registry of Shareholders on September 30, 2013 as the record date, was split into 100 shares.</small>
Number of Shareholders	19,907
Public Announcements	Public notices from the Company shall be given by way of electronic public notice; provided, however, that in cases where it is unable to give public notice by way of electronic public notice due to an accident or other unavoidable circumstances, public notices from the Company shall be given by publication in the Nihon Keizai Shimbun.

### Main Shareholders (As of September 30, 2013)

Shareholders' Name	Share Holdings	Share Holding Ratio (%)
Susumu Fujita	150,972	23.88
TAIYO FUND, L.P.	42,732	6.76
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	30,825	4.88
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,669	4.06
Japan Trustees Services Bank, Ltd. (Trust Account)	25,151	3.98
MELLON BANK, N.A. TREATY CLIENT OMNIBUS	19,382	3.07
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	17,003	2.69
BBH FOR OPPENHEIMER GLOBAL OPPORTUNITIES FUND	13,000	2.06
GOLDMAN SACHS INTERNATIONAL	9,945	1.57
CyberAgent, Inc.	9,145	1.45

\*Stock holding ratio above is calculated to three decimal places and rounded up to two decimal places.

### Distribution By Shareholder Type (As of September 30, 2013)





# IR Activities

## IR Activities Via the Internet

In addition to updating our investor information site, we also actively disclose information via the Internet, including blogs, Facebook and Twitter.

### The Blog of President Susumu Fujita



[www.ameblo.jp/shibuya](http://www.ameblo.jp/shibuya)

### The Official Blog of the Persons in Charge in Corporate Information and Investor Relations



[www.ameblo.jp/cair](http://www.ameblo.jp/cair)

### Smartphone IR site



[www.cyberagent.co.jp](http://www.cyberagent.co.jp)



Facebook

[www.facebook.com/CyberAgent.Inc](http://www.facebook.com/CyberAgent.Inc)



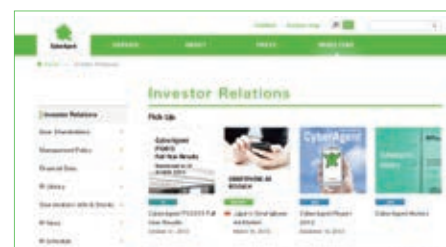
Twitter

[www.twitter.com/CyberAgentInc](http://www.twitter.com/CyberAgentInc)



## Expansion of English IR Information

By the end of September 2013, the shareholdings of foreign corporations and other foreign investors had risen to 41%. CyberAgent aims to provide prompt access to information for overseas investors as well as those in Japan, and we endeavor to disclose information in English, including translations of quarterly financial results, and financial presentation documents and videos.



## Third Party Recognition for Our IR Activities

2013 Award for Excellence in Corporate Disclosure by an Emerging Market Company

In 2013, the Securities Analysts Association of Japan (SAAJ) presented CyberAgent with its fifth Award for Excellence in Corporate Disclosure by an Emerging Market Company. This award was in recognition of “the extremely high standard of information disclosure on the website, which provides a clear analysis of large amounts of information,” and of “the prompt disclosure of information relating to risks and financial performance trends, which is of particular importance to investors, as well as the care taken to avoid unfairness and confusion.”

Institutional Investor Magazine (U.S.A.)  
“2013 All-Japan Executive Team Best IR Professionals”

CyberAgent was ranked first in the software and business category.

No. 1

## Glossary

### A

#### Ad technology

Technology that allows data to be used to enhance or measure the effectiveness of Internet advertising.

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#### Affiliate advertising

Internet advertising in which payment is based on results: advertising materials for which charges are levied according to the results, such as product purchases or requests for information.

### B

#### Browser game

A game that can be used anywhere there is an Internet connection, without the need to download special game software (Most smartphone games provided through *Ameba* are browser games.)

### D

#### DSP

An abbreviation for “demand side platform,” a mechanism used by advertisers to manage an RTB system to achieve efficient advertising by automatically ensuring that each ad transmitted is optimized from the advertiser’s perspective (MicroAd, Inc. , a consolidated subsidiary of CyberAgent, is the biggest DSP operator in Japan.)

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#### Device

A generic term for terminals that can be used to view websites or communicate across networks, such as PCs, feature phones, smartphones and tablets.

### F

#### Feature phone

An earlier form of mobile phone that preceded the smartphone (also known in Japan as a “garakee”).

### M

#### Mock-up

A prototype similar to an actual product that is created during service development to check whether the functions developed match user needs.

### N

#### Native game

A game created specifically for use on smartphones, such as iPhones and Android phones, using software that can be downloaded and directly launched on these devices.

### R

#### Reward advertising

An advertising method whereby incentives are provided in response to user actions, such as the installation of an application or user registration, and charges are based on results.

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#### RTB

An abbreviation for “real-time bidding,” which is a system for selling Internet advertising through bids for each ad impression based on an analysis of user attributes each time a page is accessed.

### S

#### SAP

An abbreviation for “social application provider,” a generic term for businesses involved in the development and supply of social games.

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#### SSP

An abbreviation for “supply side platform,” which is a platform used by a media company to manage an RTB system to achieve benefits that include the maximization of advertising sales and advertising revenues.

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#### Smartphone

A sophisticated multifunction mobile handset, such as an iPhone or Android phone, modeled on a PC.

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#### Social game

Online games designed for multi-user play through communications systems rather than solo play.

## Company Information (As of September 30, 2013)

Company Name	CyberAgent, Inc.
Head Office	1-12 Dogenzaka 1-chome, Shibuya-ku, Tokyo 150-0043
Representative	Susumu Fujita (President)
Founded	March 18, 1998
Capital	¥7,203 million
Consolidated Subsidiaries	49
Consolidated Employees	2,764
Accounting Auditor	Deloitte Touche Tohmatsu LLC
Business Portfolio	Ameba Business/Internet Advertising Business/Social Game and Other Media Businesses/ Investment Development Business

## Main Industry Affiliations



### Japan Association of New Economy (JANE)

JANE is an organization dedicated to the realization of Japan's future growth strategy. It works to accelerate the development of various new industries, with a particular focus on healthy growth and the increased use of e-business and IT.



### Japan Social Game Association (JASGA)

JASGA is working to create an environment in which social gamers can enjoy games safely and with confidence, primarily by formulating voluntary rules for social games, by undertaking educational and awareness activities for children and young people, and by working to improve the quality of customer support.



### Content Evaluation and Monitoring Association (EMA)

EMA was established in April 2008 as an independent organization with a mission to ensure and promote the sound development of mobile content and protect children and young people from illegal and harmful information. CyberAgent's *Ameba* site has been approved by EMA.


















### Japan Internet Safety Promotion Association (JISPA)

JISPA was established on February 27, 2009 as an organization for users, businesses, educators and other parties with an interest in the development of a healthy environment for Internet use.

## Main Subsidiaries

The CyberAgent Group consists of 49 consolidated subsidiaries.

We established specialized subsidiaries in each business domain and actively develop business activities in growth markets.

Ameba Business		
 AMoAd	AMoAd, Inc.	Smartphone ad network business
 amesta	Amesta, Inc.	Management of Ameba Studio
 Pashaoku	Pashaoku, Inc.	Smartphone auction service business
 SIROK	SIROK, Inc.	Planning and administration of Internet-based information services
(And 5 other companies)		
Internet Advertising Business		
 CyberZ	CyberZ, Inc.	Smartphone advertising sales
 MicroAd	MicroAd, Inc.	RTB business (DSP, SSP)
 CA Reward	CA-Reward, Inc.	Smartphone reward advertising
 CA Drive	CA Drive, Inc.	Smartphone video affiliate advertising
(And 8 other companies)		
Social Game and Other Media Businesses		
 Cygames	Cygames, Inc.	Social game development (signature product: <i>Rage of Bahamut</i> )
 C.A. MOBILE	CA MOBILE, LTD.	Smartphone advertising and charging, etc.
 Sumzap	Sumzap, Inc.	Social game development (signature product: <i>Sengoku Enbu</i> )
 Applibot	Applibot, Inc.	Social game development (signature product: <i>Legend of the Cryptids</i> )
 GACREST Entertainment	GCREST, Inc.	Development of social games for PCs and smartphones
 Wedding Park	Wedding Park, LTD.	Planning and administration of information sharing site for people preparing for weddings
(And 15 other companies)		
Investment Development Business		
 CyberAgent Ventures	CyberAgent Ventures, Inc.	Venture capital business
(And 6 other companies)		



## History

### 1998

- Mar.** Founding of CyberAgent, Inc.
- Aug.** Launch of *CyberClick*, an advertising product developed by CyberAgent

### 1999

- Dec.** "Venture of the Year" award for 1999

### 2000

- Mar.** CyberAgent listed on the Tokyo Stock Exchange Mothers market

### 2003

- Sep.** Entry into online foreign exchange margin transaction business with the establishment of CyberAgent FX, Inc. (formerly CA Capital)

### 2004

- Sep.** *Ameba Blog* blogging service (now *Ameba*) launched  
Positive annual results, commencement of dividend payments

### 2006

- Mar.** Number of registered *Ameba* users in excess of 1 million
- Apr.** Development of corporate venture capital business with the establishment of CyberAgent Ventures, Inc. (formerly CyberAgent Investment, Inc.)
- May** Start of mid-career recruitment of engineers
- Sep.** *Ameba Mobile* service launched

### 2007

- Jul.** Entry into the ad network business with the establishment of MicroAd, Inc.

### 2008

- Apr.** First intake of newly graduated engineers
- May** Entry into the social game business with the establishment of CyberX, Inc.

### 2009

- Feb.** Launch of *Ameba Pigg* virtual space avatar service
- Apr.** CyberZ, Inc. established to strengthen the smartphone advertising business
- Sep.** Positive quarterly financial results for *Ameba*

### 2010

- Jul.** Number of registered *Ameba* users in excess of 10 million  
Entry into the smartphone native game business with the establishment of Applibot, Inc.

### 2011

- Apr.** AMoAd, Inc. established through a merger with DeNA Co., Ltd. to strengthen the smartphone ad network business
- May** Expansion of Mobage-based social games accelerated through the establishment of CyGames, Inc.
- Sep.** Consolidated net sales in excess of ¥100 billion
- Oct.** Creation of new business development division for the Internet advertising business
- Dec.** Number of registered *Ameba* users in excess of 20 million  
Recruitment of engineers reinforced

### 2012

- Apr.** *Rage of Bahamut* the No. 1 social game in the United States
- Jun.** Launch of *Ameba* for smartphones  
Engineering work force in excess of 40% of the total work force
- Oct.** Launch of *Girlfriend (Provisional)* an *Ameba* smartphone game developed in-house
- Nov.** Large-scale promotion for smartphone version of *Ameba*

### 2013

- Jan.** CyberAgent FX, Inc. sold to Yahoo Japan Corporation
- Mar.** Cumulative total of registered social game users in excess of 30 million
- Jun.** Entry into programming business for elementary school children with the establishment of CA Tech Kids, Inc.
- Aug.** Number of registered *Ameba* users in excess of 30 million
- Sep.** Number of registered users of *Girlfriend(Provisional)* in excess of 3 million  
Net sales from smartphone-related business in excess of ¥90 billion
- Oct.** Ad Tech Division created as a dedicated unit specializing in the ad technology field

Detailed financial information can be found in the September 2013 financial statements, which have been audited by the audit corporation. The latest financial information is available from the following website.

**[www.cyberagent.co.jp/en/ir/library/](http://www.cyberagent.co.jp/en/ir/library/)**

**Important Information Concerning Forward-looking Statements**

All opinions and forward-looking statements in this document are based on judgments made by the company at the time of writing, and no guarantee is provided concerning the accuracy of this information.

Readers should be aware that actual financial results and outcomes may differ from these opinions and forward-looking statements for a variety of reasons.



# CyberAgent

[www.cyberagent.co.jp](http://www.cyberagent.co.jp)

