

English Translation

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Financial Results for the First Quarter of the Fiscal Year Ending September 2016 [Japanese Standards] (Consolidated)

January 28, 2016

Listed company name: CyberAgent, Inc.

Listed stock exchange: TSE 1st section

Code No.: 4751

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

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Quarterly report submission date: January 29, 2016

Dividend payment start date

—

Preparation of Supplementary Materials for Quarterly Financial Results: Yes

Presentation of Quarterly Financial Results: Yes (for analysts and institutional investors)

(Amounts less than ¥1 million rounded down.)

1 Consolidated Earnings for the First Quarter of the Fiscal Year Ending September 2016

(1) Consolidated results of operations (cumulative)

(% = Year-on-Year Change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
1Q FY2016	74,030	16.7	12,986	3.6	12,814	0.9	5,913	(7.0)
1Q FY2015	63,451	45.1	12,535	194.0	12,694	193.6	6,361	207.8

(Note) Comprehensive income 1Q FY2016 ¥7,853 million (-11.2%) 1Q FY2015 ¥8,843 million (+260.6%)

	Net income per share	Diluted net income per share
1Q FY2016	¥ 94.19	¥ 93.86
1Q FY2015	101.73	101.32

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of December 2015	123,000	78,929	54.7
As of September 2015	131,188	77,702	50.8

(Reference) Equity capital: As of December 2015 ¥67,308 million As of September 2015 ¥66,706 million

2 Dividends

	Annual dividends				
	1Q	2Q	3Q	Year end	Total
FY2015	¥ —	¥ 0.00	¥ —	¥ 50.00	¥ 50.00
FY2016	—	—	—	—	—
FY2016 (Forecast)	—	0.00	—	50.00	50.00

(Note) Revisions to most recent dividend forecasts: None

3 Consolidated Earnings Forecast for the Fiscal Year Ending September 2016

(October 1, 2015 - September 30, 2016)

(% = Year-on-Year Change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
2Q of FY2016 (cumulative)	—	—	—	—	—	—	—	—	—
Full year	300,000	17.9	28,000	(14.5)	27,400	(15.2)	14,000	(5.4)	222.87

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

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*Notes

(1) Changes in Significant Subsidiaries during the Period: None

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

New companies: — (Company name: —)

Excluded companies: — (Company name: —)

(2) Application of simplified accounting methods and/or special accounting methods: None

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

i) Changes associated with revisions of accounting standards: Yes

ii) Changes other than those included in i) : None

iii) Changes in accounting estimates: None

iv) Restatements: None

(4) Number of shares issued

(1) Number of shares issued and outstanding at end of period (including treasury stock)	
1Q Fiscal Year Ending September 2016: 63,213,300 shares	Fiscal Year Ended September 2015: 63,213,300 shares
(2) Number of shares of treasury stock issued and outstanding at end of period	
1Q Fiscal Year Ending September 2016: 398,400 shares	Fiscal Year Ended September 2015: 444,800 shares
(3) Average number of shares during the period (cumulative quarterly period)	
1Q Fiscal Year Ending September 2016: 62,782,648 shares	1Q Fiscal Year Ended September 2015: 62,534,126 shares

*Matters Regarding Quarterly Review Procedures

This summary of quarterly earnings is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Review procedures for the quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed at the time of disclosure of this summary of quarterly consolidated earnings.

*Appropriate Use of Earnings Forecasts and Other Matters

Earnings forecasts are judged by management of the Group based on information available at the time of its creation. Forecasts include elements of risk and uncertainty; actual results and earnings may differ from the forecasts. For information related to earnings forecasts, see 1. Qualitative Information on Quarterly Financial Results (3) Consolidated Earnings Forecasts on page 3.

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1. Qualitative Information on Quarterly Financial Results**(1) Results of Operations**

Smartphone ownership of ordinary households in Japan reached 60.6% as of March 31, 2015 (Note 1). The scale of the smartphone ad market is estimated to steadily increase by 21.4% to 473.7 billion yen (Note 2) between 2015 and 2016. Especially, the video ad market (including PCs) is expected to grow rapidly. Its scale is estimated to be 50.6 billion yen in 2016, up 59.6% from the previous term, exceed 100 billion yen in 2017, and reach 200 billion yen by 2020 (Note 3).

Seizing on this trend, the CyberAgent Group has taken advantage of the growth of the smartphone market. As a result, during the cumulative consolidated first quarter, net sales grew 16.7% year on year to ¥74,030 million, while operating income amounted to ¥12,986 million (3.6% increase). Ordinary income amounted to ¥12,814 million (0.9% increase), and net income attribute to parent company shareholder's equity came in at ¥5,913 million (7.0% decrease).

(Note 1) Source: *Economic and Social Research Institute Cabinet Office, Government of Japan, Consumer Confidence Survey, March 2015*

(Note 2) Source: CyberZ/Seed Planning, *Survey on Smartphone market trends and Smartphone Advertising Market Trends, 2015*

(Note 3) Source: CyberAgent/Seed Planning, *Survey on the market trend of video ads in Japan*

Earnings by business segment are discussed below.

The CyberAgent Group recategorized reportable segments during the first quarter of the year. Prior-year figures used for comparison purposes have been recalculated to reflect these new segment categories.

(a) Media Business

The Media Business includes “Ameba,” and the new businesses, including video business and the talk app “755.” The Media Business reported net sales of ¥5,819 million for the period, a 4.1% year-on-year decrease. Operating income amounted to ¥683 million (115.6% increase). This is because the prior investment includes video business was started and the operation of “Ameba” improved.

(b) Game Business

The Game Business includes Cygames, Inc., Sumzap, Inc., GCREST, Inc., Applibot, Inc. and others. Native games drove quarterly revenues, with net sales amounting to ¥29,754 million, a 50.7% year-on-year increase. Operating income gained 84.9% to ¥8,836 million.

(c) Internet Advertisement Business

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

This segment recorded ¥39,293 million in net sales, up 17.8% year on year. Operating income gained 16.5%, reaching ¥3,359 million. This is because of the healthy sales of in-feed ads (Note), video ads, etc. for smartphones.

(Note) In-feed ads: Ads posted in websites, the timelines of apps, etc.

(d) Investment Development Business

The Investment Development Business consists primarily of the CyberAgent corporate venture capital business and the fund operations of CyberAgent Ventures, Inc. The goal of this segment is to invest for capital gains, finding promising Japanese and Asian ventures and others to help develop and create value.

The Investment Development Business recorded net sales of ¥367 million (93.5% year-on-year decrease) and operating income of ¥90 million (a year-on-year decrease of 98.1%). These results stem mainly from the sales

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of stock held in other companies.

(e) Other Businesses

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

This segment reported net sales of ¥4,070 million, representing a 0.1% year-on-year gain. Operating income amounted to ¥380 million (a year-on-year increase of 1,917.3%).

(2) Financial Position**(Financial position)**

Total assets at the end of the consolidated first quarter amounted to ¥123,000 million, which was a decrease of ¥8,187 million compared to the end of the prior fiscal year. This is mainly because of the decrease in cash and deposits through the payment of corporate tax, dividends, etc.

Liabilities decreased ¥9,415 million compared to the end of the prior fiscal year, reaching ¥44,070 million. This is mainly because of the decrease in accrued income tax through the payment of corporate tax, etc.

The CyberAgent Group reported net assets of ¥78,929 million at the end of the first quarter, up ¥1,227 million. This is mainly because of the increase in valuation difference on available-for-sale securities due to the rise in prices of the owned stock.

(Cash flows)

As of the end of the consolidated first quarter, cash and cash equivalents amounted to ¥25,165 million, a decrease of ¥13,551 million compared to the end of the prior consolidated fiscal year.

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

(1) Cash flow from operating activities

Net cash used in operating activities amounted to a decrease of ¥4,135 million, compared to an increase of ¥6,952 million in net cash provided by in operating activities during the same period in the prior fiscal year.

This result was mainly due to net income gains and payments of income taxes.

(2) Cash flow from investing activities

Net cash used in investing activities amounted to a decrease of ¥5,145 million, compared to a decrease of ¥8,441 million in net cash used in investing activities during the same period in the prior fiscal year. This result was mainly due to purchases of non-current assets.

(3) Cash flow from financing activities

Net cash used in financing activities amounted to a decrease of ¥4,260 million, compared to a decrease of ¥2,955 million in net cash provided by in financing activities during the same period in the prior fiscal year. This result was mainly due to dividend payments.

(3) Consolidated Earnings Forecasts

The Group has not revised consolidated earnings forecasts since original publication on October 29, 2015.

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2. Summary Information (Notes)**(1) Changes in Significant Subsidiaries during the Period**

No applicable items.

(2) Application of Simplified Accounting Methods and/or Special Accounting Methods

No applicable items.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

(Application of the Accounting Standard for Business Combination, etc.)

“*The Accounting Standard for Business Combination*” (Corporate Accounting Standards No. 21; Sep. 13, 2013; hereinafter referred to as “Business Combination Accounting Standard”), “*the Accounting Standard for Consolidated Financial Statements*” (Corporate Accounting Standards No. 22; Sep. 13, 2013; hereinafter referred to as “Consolidated Accounting Standard”), “*the Accounting Standard for Business Divestitures*” (Corporate Accounting Standards No. 7; Sep. 13, 2013; hereinafter referred to as “Business Divestiture Accounting Standard”), etc. were adopted in the first quarter of this consolidated fiscal period. Then, the difference arising out of the change in the equity of the company for subsidiaries still under control was posted as capital surplus, and the method of posting acquisition-related cost as the expense in the consolidated fiscal year was adopted. As for the business combination conducted at the beginning of the first quarter of this consolidated financial period or later, the company adopted the method of reflecting the revision to the allocation amount of acquisition cost due to the provisional adoption of accounting procedures in the quarterly consolidated financial statements for the quarter including the date of business combination. In addition, the indications of quarterly net income, etc. were changed, and minority shareholders’ equity was changed to non-controlling equity. In order to reflect the change of the indications, the quarterly consolidated financial statements of the prior cumulative consolidated first quarter and the consolidated financial statements of the prior consolidated fiscal year are reclassified.

In the quarterly consolidated statements of cash flows for the first quarter of this consolidated fiscal period, cash flows from the purchase or sales of shares of subsidiaries without change in scope of consolidation are presented in cash flows from financing activities, and cash flows relating to the acquisition-related costs of shares of subsidiaries with change in scope of consolidation and cash flows relating to the costs incurred in acquisitions or sales of shares of subsidiaries without change in scope of consolidation are presented in cash flows from operating activities.

The application of Business Combination Accounting Standard follows the transitional provisions specified in *Section 58-2 (3) of Business Combination Accounting Standard*, *Section 44-5 (3) of Consolidated Accounting Standard*, and *Section 57-4 (3) of Business Divestiture Accounting Standard*. The cumulative influence of the retroactive application of the new accounting policy to the past period as of the beginning of the first quarter of this consolidated accounting period is reflected in capital surplus and retained earnings.

As a result, at the beginning of the first quarter of this consolidated accounting period, goodwill account (3,119 million yen) and retained earnings (3,218 million yen) decreased, while capital surplus (98 million yen) increased. The effect of these changes on the operating income, ordinary income, and income before income taxes and minority interests for the first quarter of this consolidated fiscal period is minor.

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3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: ¥ million)

	Prior Consolidated Fiscal Year September 30, 2015	First Quarter, Current Consolidated Fiscal Year December 31, 2015
Assets		
Current assets		
Cash and deposits	38,723	25,172
Accounts and notes receivable-trade	38,095	42,773
Inventories	65	80
Sales investment securities	10,818	11,105
Other	5,980	6,339
Allowance for doubtful accounts	(152)	(327)
Total current assets	93,532	85,143
Non-current assets		
Property, plant and equipment	7,616	7,546
Intangible assets		
Goodwill	4,551	1,524
Other	13,403	14,498
Total intangible assets	17,955	16,022
Investments and other assets		
Other	12,222	14,670
Allowance for doubtful accounts	(138)	(382)
Total investments and other assets	12,083	14,288
Total non-current assets	37,656	37,856
Total assets	131,188	123,000
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,599	23,460
Short-term loans payable	20	131
Income tax payable	10,605	2,634
Other	16,788	16,095
Total current liabilities	52,013	42,321
Non-current liabilities		
Long-term loans payable	130	223
Allowance for continuous service	530	635
Asset retirement obligations	710	787
Other	100	102
Total non-current liabilities	1,472	1,749
Total liabilities	53,486	44,070
Net assets		
Shareholders' equity		
Capital stock	7,203	7,203
Capital surplus	2,549	2,372
Retained earnings	55,788	55,940
Treasury stock	(940)	(842)
Total shareholders' equity	64,601	64,673
Other comprehensive income		
Valuation difference on available-for-sale securities	1,678	2,168
Foreign currency translation adjustment	426	466
Total other comprehensive income	2,105	2,634
Subscription rights to shares	234	320
Non-controlling interests	10,761	11,300
Total net assets	77,702	78,929
Total liabilities and net assets	131,188	123,000

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

Quarterly Consolidated Statements of Income

(Cumulative consolidated first quarter)

(Unit: ¥ million)

	Cumulative First Quarter, Prior Consolidated Fiscal Year October 1, 2014 - December 31, 2014	Cumulative First Quarter, Current Consolidated Fiscal Year October 1, 2015 - December 31, 2015
Net sales	63,451	74,030
Cost of sales	38,167	45,354
Gross profit	25,284	28,676
Selling, general and administrative expenses	12,748	15,690
Operating income	12,535	12,986
Non-operating income		
Interest income	0	2
Dividends received	—	50
Equity in earnings of affiliates	112	—
Foreign exchange gains	83	—
Other	19	29
Total non-operating income	215	81
Non-operating expenses		
Interest expenses	1	2
Equity in losses of affiliates	—	234
Other	54	16
Total non-operating expenses	56	253
Ordinary income	12,694	12,814
Extraordinary income		
Gain on sales of noncurrent assets	—	64
Gain on sales of investment securities	—	632
Other	1	7
Total extraordinary gain	1	703
Extraordinary loss		
Impairment loss	829	1,209
Other	276	135
Total extraordinary loss	1,106	1,344
Income before income taxes and minority interests	11,589	12,173
Income taxes-current	4,267	3,237
Income taxes-deferred	301	1,434
Total income tax	4,569	4,672
Net income	7,020	7,500
Profit attributable to non-controlling interests	659	1,587
Profit attributable to shareholders of parent	6,361	5,913

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Consolidated Quarterly Statements of Comprehensive Income

(Cumulative consolidated first quarter)

(Unit: ¥ million)

	Cumulative First Quarter, Prior Consolidated Fiscal Year October 1, 2014 - December 31, 2014	Cumulative First Quarter, Current Consolidated Fiscal Year October 1, 2015 - December 31, 2015
Income before minority interests	7,020	7,500
Other comprehensive income		
Valuation difference on available-for-sale securities	1,681	461
Foreign currency translation adjustment	26	(109)
Share of other comprehensive income of associates	114	(0)
Total other comprehensive income	1,822	352
Comprehensive income	8,843	7,853
(Comprehensive income attributable to)		
Shareholders of the parent	7,824	6,249
Non-controlling interests	1,018	1,603

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(3) Quarterly Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Cumulative First Quarter, Prior Consolidated Fiscal Year October 1, 2014 - December 31, 2014	Cumulative First Quarter, Current Consolidated Fiscal Year October 1, 2015 - December 31, 2015
Cash flow from operating activities		
Income before income taxes and minority interests	11,589	12,173
Depreciation	1,318	1,532
Amortization of goodwill	116	60
Impairment loss	829	1,209
Decrease (increase) in notes and accounts receivable-trade	(1,417)	(4,410)
Decrease (increase) in investment securities for sale	85	(160)
Increase (decrease) in notes and accounts payable-trade	955	(1,222)
Increase (decrease) in accounts payable-other	(1,456)	(1,200)
Increase (decrease) in accrued consumption taxes	(921)	(941)
Other, net	637	122
Sub-total	11,738	7,163
Interest and dividends income received	0	93
Interest expenses paid	(1)	(1)
Income taxes paid	(4,785)	(11,390)
Net cash provided by (used in) operating activities	6,952	(4,135)
Cash flow from investing activities		
Purchase of property, plant and equipment	(218)	(534)
Purchase of intangible assets	(2,417)	(3,477)
Purchase of investment securities	(3,169)	(365)
Purchase of stocks of subsidiaries and affiliates	(1,360)	(373)
Payment of the outstanding balance from the previous term for purchasing investments in subsidiaries and affiliates resulting in change in scope of consolidation	(927)	—
Other, net	(348)	(395)
Net cash provided by (used in) investing activities	(8,441)	(5,145)
Cash flow from financing activities		
Proceeds from disposal of treasury stock	243	123
Cash dividends paid	(3,749)	(3,145)
Purchase of treasury shares of subsidiaries	—	(1,202)
Other, net	550	(36)
Net cash provided by (used in) financing activities	(2,955)	(4,260)
Effect of exchange rate change on cash and cash equivalents	259	(0)
Net increase (decrease) in cash and cash equivalents	(4,184)	(13,542)
Cash and cash equivalents at beginning of period	31,439	38,716
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(8)
Cash and cash equivalents at end of period	27,255	25,165

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(4) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

No applicable items.

(Notes Regarding Significant Changes in Shareholders' Equity)

No applicable items.

(Segment Information)

I. Cumulative First Quarter of the Fiscal Year Ended September 2015 (October 1, 2014 to December 31, 2014)**1. Sales and Income (Loss) by Reportable Segment**

(Unit: ¥ million)

	Reportable Segment						Adjustments*	Quarterly Consolidated Statement of Income
	Media Business	Game Business	Internet Advertisement Business	Investment Development Business	Other Business	Total		
Net sales								
Sales to external customers	2,985	19,467	31,616	5,682	3,699	63,451	—	63,451
Inter-segment sales or transfers	3,086	280	1,730	—	369	5,466	(5,466)	—
Total	6,071	19,748	33,347	5,682	4,068	68,917	(5,466)	63,451
Segment income (loss)	316	4,777	2,884	4,847	18	12,845	(309)	12,535

*Adjustment of -¥309 million represents corporate general and administrative expenses not allocable to a reportable segment.

2. Information concerning Impairment Loss for Non-Current Assets or Goodwill, by Reportable Segment

(Significant impairment loss for non-current assets)

No applicable items.

(Significant changes in goodwill)

No applicable items.

(Significant changes in negative goodwill)

No applicable items.

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II. Cumulative First Quarter of the Fiscal Year Ending September 2016 (October 1, 2015 to December 31, 2015)

1. Sales and Income (Loss) by Reportable Segment

(Unit: ¥ million)

	Reportable Segment						Adjustments*	Quarterly Consolidated Statements of Income
	Media Business	Game Business	Internet Advertisement Business	Investment Development Business	Other Business	Total		
Net sales								
Sales to external customers	3,278	29,489	37,496	367	3,398	74,030	—	74,030
Inter-segment sales or transfers	2,541	265	1,796	—	671	5,275	(5,275)	—
Total	5,819	29,754	39,293	367	4,070	79,305	(5,275)	74,030
Segment income (loss)	683	8,836	3,359	90	380	13,349	(363)	12,986

*Adjustment of -¥363 million represents corporate general and administrative expenses not allocable to a reportable segment.

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

(Changes to segments)

The company renewed the logo of *Ameba* for growing further and polishing creativity, and is unifying its brands. The company decided to enhance the up-front investment in video business for developing the Media Business, mainly *Ameba*, in the mid to long term, and revised the allocation of managerial resources through reorganization and business restructuring.

Because of the reorganization and business restructuring, the new segments tabulated below, which are based on in-company performance management systems, were adopted in the first quarter of this consolidated accounting period.

The segment information for the previous first quarter of the consolidated period was produced with the new segments.

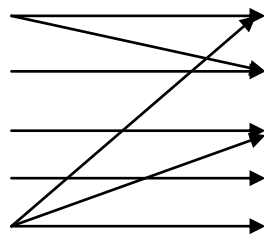
- (1) The game section that had belonged to the Ameba Business was integrated into the Game Business.
- (2) The video and community business that had belonged to the Media and Other Businesses was integrated into the Ameba Business, and the video ad business, etc. were integrated into the Internet Advertisement Business.”
- (3) After the above integrations, the Ameba Business was renamed the Media Business while the Media and Other Businesses was renamed Other Business.

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[Old Segments]

Ameba Business
Game Business
Internet Advertisement Business
Investment Development Business
Media and Other Businesses



[New Segments]

Media Business
Game Business
Internet Advertisement Business
Investment Development Business
Other Business

3. Information concerning Impairment Loss for Non-Current Assets or Goodwill, by Reportable Segment

(Significant impairment loss for non-current assets)

For Game, Internet Advertisement, and Other segments, the original income estimate and cost reduction are no longer viable with a decrease in profitability of some services as well as the cancellation of services, etc. and so the impairment loss is listed in an extraordinary loss category. The listed impairment loss values for the first quarter consolidated reporting period are given in the table below.

Game	1,121 million yen
Internet Advertisement	6 million yen
Other	80 million yen
Total	1,209 million yen

(Significant changes in goodwill)

As indicated in 2. *Summary Information (Notes) (3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements*, the new accounting policy is retroactively applied. The decreases in the amount of goodwill due to this event are as follows:

Game	524 million yen
Internet Advertisement	94 million yen
Other	2,499 million yen
Total	3,119 million yen

(Significant changes in negative goodwill)

No applicable items.

(Significant Subsequent Events)

No applicable items.