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Consolidated Financial Results for The Fiscal Year Ended July 31, 2024 (Japan GAAP)



September 6, 2024

Company name: Ateam Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 3662
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 Representative: Takao Hayashi, President
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 Scheduled date of Annual General Shareholders' Meeting: October 29, 2024
 Scheduled date of commencing dividend payments: October 9, 2024
 Scheduled date of filing securities report: October 29, 2024
 Supplementary briefing material for the financial results: Yes
 Schedule of financial results briefing: Yes (September 6, 2024, for institutional investors and analysts)

(Amounts of less than one million JPY are rounded off.)

1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2024 (August 1, 2023 – July 31, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Revenue		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parent Company	
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%
Fiscal Year ended July 31, 2024	23,917	-13.2	562	3.4	609	-14.4	953	565.1
Fiscal Year ended July 31, 2023	27,552	-13.3	543	—	711	—	143	—

Note: Comprehensive income (million JPY) Fiscal year ended July 31, 2024: 827 [886.8%]
 Fiscal year ended July 31, 2023: 83 [—%]

	Earnings per Share (Basic)	Earnings per Share (Diluted)	Return on Equity	Return on Asset	Operating Income to Revenue Ratio
	JPY	JPY	%	%	%
Fiscal year ended July 31, 2024	51.36	—	9.6	4.0	2.4
Fiscal year ended July 31, 2023	7.73	—	1.5	5.0	2.0

Note: Equity in earnings of affiliates (million JPY) Fiscal year ended July 31, 2024: —
 Fiscal year ended July 31, 2023: —

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million JPY	Million JPY	%	JPY
As of July 31, 2024	16,291	10,274	62.9	552.28
As of July 31, 2023	13,855	9,704	70.0	523.06

Note: Shareholders' equity (million JPY) As of July 31, 2024: 10,251
 Fiscal Year ended July 31, 2023: 9,704

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at End of Year
	Million JPY	Million JPY	Million JPY	Million JPY
Fiscal Year Ended July 31, 2024	808	-992	2,220	8,050
Fiscal Year Ended July 31, 2023	656	420	-324	5,992

2. Dividends

	Annual Dividend per Share					Total Dividends Paid (Annual)	Dividend Payout Ratio (Consolidated)	Dividends on Equity Attributable to Shareholders of Parent Company (Consolidated)
	Q1	Q2	Q3	Q4	Total			
	JPY	JPY	JPY	JPY	JPY	Million JPY	%	%
Fiscal Year Ended July 31, 2023	-	0.00	-	16.00	16.00	296	207.0	3.0
Fiscal Year Ended July 31, 2024	-	0.00	-	22.00	22.00	410	42.8	4.1
Fiscal Year Ending July 31, 2025 (Forecast)	-	0.00	-	22.00	22.00		72.9	

3. Forecasts for the Fiscal Year Ending July 31, 2025 (August 1, 2024 - July 31, 2025)

(Percentages indicate year-on-year changes)

	Revenue		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parent Company		Net Income per Share
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%	JPY
Full year	25,000	4.5	1,000	77.8	1,000	64.2	560	-41.3	30.17

*Notes

(1) Significant changes in scope of consolidation during the current consolidated fiscal year : Yes

* Changes in scope of consolidation of specified subsidiaries:

Newly consolidated: 1 (microCMS Inc.)

Newly excluded companies: (-)

Note: For more details, please refer to “5. Consolidated Financial Statements and Significant Notes Thereto (5) Notes to Consolidated Financial Statements (Changes in Significant Subsidiaries during the Current Fiscal Year)” on page 22 of the attached materials.

(2) Changes in accounting policies, accounting projections, or restatement

(i) Changes in accounting policies due to revisions in accounting standards, etc. : Yes

(ii) Changes in accounting policies other than above (i) : No

(iii) Changes in accounting projections : No

(iv) Restatement : No

Note: For more details, please refer to “5. Consolidated Financial Statements and Significant Notes Thereto (5) Notes on Consolidated Financial Statements (Changes in Account Policies)” on page 22 of the attachments to this financial results report.

(3) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury stock)

(ii) Number of shares of treasury stock at the end of the period

(iii) Average number of shares during the period

As of July 31, 2024	19,789,200	As of July 31, 2023	19,789,200
As of July 31, 2024	1,227,282	As of July 31, 2023	1,236,421
Fiscal year ended July 31, 2024	18,561,198	Fiscal year ended July 31, 2023	18,551,109

Note: The average number of shares during the period, which is the basis for calculating quarterly net income per share, are calculated with the shares owned by The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP (Employee Stock Ownership Plan) Trust account and Board Incentive Plan (BIP) Trust account) under the “Stock Grant ESOP Trust” and “Board Incentive Plan (BIP) Trust” as treasury shares subject to deduction

*Financial results reports are not required to be subjected to reviews

*Explanation of the proper use of financial results forecast and other notes

Forward-looking statements including earnings forecasts herein are based on information available to Ateam and certain assumptions deemed reasonable as of the date of publication of this document. They are not intended as the Company's commitment to achieve such forecasts, and actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast, please refer to "1. Overview of Operating Results, (1) Overview of Operating Results in Fiscal Year Ended July 31, 2024, Outlook for Consolidated Performance in the Next Fiscal Year" on page 3 of this financial results report.

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1. Overview of Operating Results

As used herein, “Ateam”, “we”, “our” and similar terms include Ateam Inc. and its subsidiaries, unless indicated otherwise.

(1) Overview of Operating Results in Fiscal Year Ended July 31, 2024

Ateam Inc. and its consolidated subsidiaries adhere to the corporate purpose, “Combining Creativity and Tech to Deliver More Convenience and More Fun to All”. Operating in various technical and business fields, the corporate officers and employees unite under this corporate purpose to plan, develop and operate comparison and information websites, game content, and e-commerce sites in the online sphere that are supported and used by users. Specifically, we operate businesses in three core segments.

The Lifestyle Support Business engages in the planning, development, and operation of various online services. The Entertainment Business engages in the planning, development and operation of game and tool applications. The E-Commerce Business engages in the planning, development and operation of multiple e-commerce websites that handle various products.

During the fiscal year ended July 31, 2024, overall revenue decreased year-on-year due to revenue decreases in each business segment. Despite a decrease in income for the Lifestyle Support Business and the Entertainment Business experiencing losses, operating income increased overall from the previous consolidated fiscal year due to a significant reduction in loss in the E-Commerce Business. Ordinary income decreased from the previous consolidated fiscal year because of a reduction in generated non-operating income. Net income attributable to shareholders of the parent company increased significantly from the previous fiscal year due to a 491 million JPY gain on the transfer of the Lalune Business in February 2024.

As a result, Ateam posted revenue of 23,917 million JPY (down 13.2% Y/Y), operating income of 562 million JPY (up 3.4% Y/Y), ordinary income of 609 million JPY (down 14.4% Y/Y), and net income attributable to shareholders of parent company of 953 million JPY (up 565.1% Y/Y) during this fiscal year.

The operating performance by segment for the fiscal year was as follows:

Lifestyle Support Business

In the Lifestyle Support Business, we develop various online services to help support individual users throughout their daily lives and specific life events revolves around the same business concept of “Sanpo-Yoshi”, a Japanese saying that means benefiting all three sides involved - the consumer, the partner company and Ateam.

Our various comparison and information sites operate on a business model whereby providing users appropriate information and options based on their needs and concerns, we are able to support partner companies in their selection and decision-making process and earn revenue in return. By integrating advertising management, content management, and media management in-house, we’ve realized digital marketing capabilities that other companies do not have. At the same time, we are working to build a competitive edge in the market by increasing unique value while accumulating and utilizing user data.

Typically, all our services are free of charge for individual users, and the main revenue source comes from customer referral and contract fees from our partner clients.

During the fiscal year ended July 31, 2024, although revenue in the bridal service and automobile businesses increased compared to the previous fiscal year, revenue in the moving-related business and the financial media business decreased due to a reduction in the number of transactions, which in turn was impacted by the Google core algorithm update. As a result, overall revenue in the current fiscal year decreased compared to the previous fiscal year. Segment profit also decreased compared with the previous fiscal year as a result of the decrease in revenue due to

the aforementioned Google core algorithm update, despite reduced losses in the insurance agency business and Qiita. As a result, during the fiscal year, the Lifestyle Support Business posted revenue of 17,165 million JPY (down 7.1% Y/Y), and an operating income of 1,400 million JPY (down 20.5% Y/Y).

Entertainment Business

The Entertainment Business strives to deliver fun to consumers worldwide by providing mobile game and tool applications via platforms specializing in the distributions of such applications (such as the App Store and Google Play). Although most of our game and tool products are free to download, our primary revenue source is through in-app purchases (such as in-game currency, items, and bonus content).

Considering recent changes in the global game market environment, user needs, and technological advances, the Entertainment Business has decided to focus not only on smartphone games but on global digital game distribution in general, including mobile devices, PC, and home digital distribution. We aim for long-term future growth by collaborating with popular global IPs while also striving for multi-platform releases. In the future, we will also promote collaborative projects with other companies and contracted development projects by utilizing the skills and know-how we have cultivated through game app development.

During the fiscal year ended July 31, 2024, revenue decreased from the previous one due to a continued decline in the sales for game applications as a whole. The segment experienced losses in the current fiscal year compared to the profits it had in the previous fiscal year due to the downward trend in overall sales of game apps, despite efforts to improve the efficiency of game app operations.

As a result, during the fiscal year, the Entertainment Business posted revenue of 4,400 million JPY (down 18.8% Y/Y) and an operating loss of 38 million JPY (compared to an operating income of 166 million JPY in the previous year).

E-Commerce Business

The E-Commerce Business operates multiple e-commerce websites that handle various products including the cosmetic brand “lujo”. The E-Commerce Business utilizes a continuous sales model for planning, developing, and promoting products within the group while using OEM (Original Equipment Manufacturers) to outsource manufacturing.

Going forward, we will continue to improve our product lineup, sales methods, and delivery quality, and provide service that greatly exceeds customer expectations.

During the fiscal year ended July 31, 2024, revenue decreased from the previous one due to the transfer of the bicycle retail business in March 2023, despite a steady increase in the number of customers resulting in higher sales for lujo and OBREMO. Significant reductions in segment loss this fiscal year compared to the previous one are also due in part to the bicycle retail business transfer, as well as the return of “lujo” to profitability on a cumulative basis in the current fiscal year.

As a result, during the fiscal year, the E-Commerce Business posted revenue of 2,351 million JPY (down 35.6% Y/Y) and an operating loss of 152 million JPY (compared to an operating loss of 431 million JPY in the previous year).

Outlook for Consolidated Performance in the Next Fiscal Year

Ateam aims to transform itself into a “Business Boost Company” to increase its corporate value over the medium to long term. In the fiscal year ending July 31, 2025, we will place the business support domain, such as customer attraction consulting services for corporate clients, at the core of our new strategy, and will capture services that can create business synergies through M&A. We will expand our digital marketing services to achieve further earnings growth in the fiscal year ending July 31, 2026 and beyond as a “Business Boost Company”.

The outlook for business performance by segment is as follows:

The current Lifestyle Support Business and E-Commerce Business will be integrated into a “Digital Marketing Business”. We will establish “Media Solutions” as a sub-segment to ensure that existing comparison sites and media generate stable profits as a base. Simultaneously, business support services for corporate clients acquired through M&A, demand generation business, and Qiita will be invested in appropriately to achieve revenue growth. In line with this integration, the current E-Commerce Business will be positioned as a sub-segment and renamed “D2C”. This sub-segment will focus on accumulating know-how on customer attraction and retention, while transitioning from the investment phase to the profit contribution phase through the acquisition of repeat customers and consistent earnings.

In the Entertainment Business, we will aim to operate the business with an emphasis on securing profits while reducing the burden of soaring development costs through means such as cooperative projects.

The forward-looking statements mentioned above and the earnings forecasts provided below have been prepared based on information readily available to Ateam as of the date of this material’s release. Actual results may differ due to various factors in the future..

Performance outlook for the fiscal year ending July 31, 2025 (August 1, 2024 - July 31, 2025)

Revenue	25,000 million JPY (up 4.5% year-on-year)
Operating income	1,000 million JPY (up 77.8% year-on-year)
Ordinary income	1,000 million JPY (up 64.2% year-on-year)
Net income attributable to shareholders of parent company	560 million JPY (down 41.3% year-on-year)

(2) Overview of Financial Position for the Fiscal Year Ended July 31, 2024

(i) Position of Assets, Liabilities and Net Asset

Assets

As of the end of the fiscal year under review, Ateam posted total assets of 16,291 million JPY, an increase of 2,436 million JPY compared with the end of the previous fiscal year. The increase was mainly attributable to a 2,058 million JPY increase in cash and deposits.

Liabilities

As of the end of the fiscal year under review, Ateam posted liabilities of 6,017 million JPY, an increase of 1,866 million JPY compared with the end of the previous fiscal year. The increase was mainly attributable to a 2,500 million JPY increase in convertible bond-type bonds with share acquisition rights.

Net Assets

As of the end of the fiscal year under review, Ateam posted net assets of 10,274 million JPY, an increase of 570 million JPY compared with the end of the previous fiscal year. The increase was mainly attributable to a 656 million JPY increase in retained earnings.

(ii) Cash Flows

As of the end of the fiscal year under review, cash and cash equivalents (“cash”) increased by 2,058 million JPY from the end of the previous fiscal year to 8,050 million JPY. The respective statuses of cash flows during the fiscal year under review and their contributing factors are as follows:

Cash Flows from Operating Activities

Cash provided in operating activities during the fiscal year under review was 808 million JPY (compared to 656 million JPY provided in the previous fiscal year). This was mainly due to the impact of profit before income taxes of 1,152 million JPY, despite gain on sale of businesses of 491 million JPY.

Cash Flows from Investing Activities

Cash used by investing activities during the fiscal year under review was 992 million JPY (compared to 420 million JPY provided in the previous fiscal year). This was mainly due to the impact of payments of 1,420 million JPY for the acquisition of shares of subsidiaries and associates accompanying changes in the scope of consolidation, despite proceeds of 500 million JPY from the transfer of business

Cash Flows from Financing Activities

Cash provided in financing activities during the fiscal year under review was 2,220 million JPY (compared to 324 million JPY used in the previous fiscal year). This was mainly due to proceeds from issuance of Convertible bond-type bonds with share acquisition rights of 2,493 million JPY.

(Reference) Trends in cash flow indicators

	Fiscal Year Ended July 31, 2020	Fiscal Year Ended July 31, 2021	Fiscal Year Ended July 31, 2022	Fiscal Year Ended July 31, 2023	Fiscal Year Ended July 31, 2024
Equity Ratio (%)	72.5	73.0	66.9	70.0	62.9
Market value equity Ratio (%)	101.4	176.6	93.0	92.1	76.3
Cash Flow to Interest- Bearing Liabilities Ratio (years)	0.0	0.0	-	0.0	0.0
Interest Coverage Ratio (times)	1,305.2	322.3	-	310.3	265.8

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Cash flow to interest-bearing debt ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / interest expenses paid

(Note 1) Market capitalization is calculated based on the number of shares issued excluding treasury stock.

(Note 2) Cash flow from operating activities is used for cash flow.

(Note 3) Interest-bearing debt includes all debt reported on the consolidated balance sheets on which interest is paid.

(Note 4) As for the fiscal year ended July 31, 2022, cash flow to interest-bearing liabilities ratio and interest coverage ratio is not stated due to negative cash flows from operating activities.

(3) Basic Policy Regarding Profit Distribution, and Dividend Payments for Current and Next Fiscal Year

Ateam believes that it is important to solidify the financial base and upgrade its business portfolio through upfront investments in new business creation in the pursuit of sustained growth. At the same time, we consider the return of earnings to shareholders to be an important issue and set a dividend policy of providing continuous and stable shareholder returns.

Based on this policy, after comprehensively considering factors such as business performance and the financial situation in the fiscal year under review, we have decided to pay a year-end dividend of 22.0 JPY (Ordinary Dividend: 18.0 JPY, Special Dividend: 4.0 JPY) per share. For the next fiscal year, we plan to pay a year-end dividend of 22.0 JPY per share in anticipation of stable and continuous profit growth. In future fiscal years, we will continue to pay stable dividends in accordance with business results and be flexible in returning profits to shareholders.

(4) Risk Factors

Listed below are the main factors that could pose a risk to Ateam's business. Certain matters that do not constitute risk factors but could be important considerations in investors' investment decisions are also disclosed below from the standpoint of proactively disclosing information. Our policy is to sufficiently recognize the potential for these risks to arise, work to prevent them from arising, and respond swiftly in cases where they do arise.

Among the matters listed below, those that relate to the future, unless otherwise provided, were determined by Ateam as of the date of submission of this report. However, as there is inherent uncertainty, actual results may differ. Also, this is not an exhaustive list of all risks that may arise.

1) Risks Related to the Business Environment

(i) External Environment of IT Market

The mobile game, internet and e-commerce market, the three business areas that we operate in, have continued to grow significantly due to the spread of smartphones and the increase of internet users.

However, if the growth rates of those markets slow and are affected by deterioration in economic sentiment or actual economic volatility, Ateam's performance and financial position may be affected.

In addition, regarding Ateam's E-Commerce Business, if an increase in raw material prices were to occur in relation to sharp rise in oil prices and insufficient supply of raw materials, Ateam's business and performance may be affected.

(ii) Competition

Ateam provides various content and services for the internet. To improve competitiveness, we strive to provide unique content and create websites in pursuit of optimal usability, and work to diversify services and enhance customer support, among other efforts.

However, intensifying competition with corporations providing similar services and/or new up-and-coming business operators may affect Ateam's business and performance.

(iii) Risks Related to Disasters, Spread of Infectious Diseases, and Accidents

In the event of an earthquake, a typhoon, a tsunami or other natural disaster, a fire, a power outage, an international conflict, or the spread of infectious diseases including COVID-19 occurs, Ateam's business operations may be severely affected. For example, an unavoidable temporary suspension of services would be

a possibility in areas impacted by a large-scale natural disaster.

Furthermore, in the event of occurrences that hinder the continuation of business such as damage to facilities or power supply restrictions, or in the event of serious material and human losses primarily resulting from various natural disasters or international disputes, the continuation of business itself may become difficult or impossible. If such circumstances arise, Ateam's performance may be affected.

2) Risks Related to Business

(i) Collection of Accounts Receivable

In developing its business and services, Ateam makes transactions with various businesses. Those businesses may follow through with management decisions such as reviewing business strategies, which, depending primarily on the market environment and the current state of competition for each business, may cause them to withdraw from doing business and prevent integrating their businesses with other companies. Ateam accordingly endeavors to partner with businesses able to stably and soundly operate on an ongoing basis, but if a business partner discontinues its operations for an aforementioned or other reason, receivables due from the business partner may fall into arrears or become uncollectible. In such an event, Ateam's performance may be affected.

(ii) Effect from Foreign Exchange

For Ateam's Entertainment Business, content is provided to overseas users through overseas digital distribution services or overseas publishers and proceeds from the sale of in-content items are collected in local currencies by the overseas platform operation businesses.

(iii) Product Quality Assurance

Ateam's E-Commerce Business is centered around selling various products online. We procure high-quality products and raw materials and select reliable clients for the products we manufacture. We also strive to reinforce partnerships with our clients and manage quality control by attending inspection on the production as necessary, as well as training employees and raising awareness for legal compliance.

However, there is still a possibility that the use of products that we sell may cause health or other issues for the customer. In addition, if there is an establishment of laws and regulations in relation to Ateam's E-Commerce Business or changes in social climate, Ateam's business performance may be affected.

(iv) Investment and M&A's

Ateam contributes capital in venture investment and investment in limited partnerships with the aim of nurturing and supporting companies with high growth potential from an early stage. Of the recipients of such capital contribution, those companies that have yet to make an initial public offering carry uncertainty with respect to their future, including changes in the market environment, and insufficiencies in their development or management capabilities. If such uncertainties manifest and preclude an investee company from achieving expected results and the company's operating performance stagnates or deteriorates, such investment may not be recoverable, and Ateam's business performance may be affected.

In addition to investment development, Ateam plans to carry out M&A's in order to grow and expand business. Regarding M&A, the financial details of the targeted company along with possible risks will be examined in advance; however, upon acquisition, if an occurrence of contingent liabilities or determination of unrecognized

debt were to emerge after examination, or business development after M&A does not proceed as planned, it may affect the performance and financial condition of the company.

3) Risks Related to the Organizational Structure

(i) Over-Reliance on the Company's President

The President of the Company, Takao Hayashi, is the founder of the Group, and has played an extremely important role in Ateam's growth and corporate strategy, among other areas, since the company's establishment. His abundant experience as an engineer has been invaluable in this regard. Ateam is striving to create a management structure that doesn't rely too heavily on him. However, if for any reason he was no longer able to participate in the management, Ateam's performance and future business development may be affected.

(ii) Internal Control Management System

Ateam recognizes that effective corporate governance is indispensable for sustainable growth and enhancement of corporate value over the medium to long term. Therefore, we will continue to strengthen our management base in line with the expansion of our business scale and promote the development and enhancement of internal control systems to ensure more efficient and appropriate management.

However, in the event that an adequate internal control management system is not established in time following rapid business expansion, Ateam's performance and business development may be affected.

(ii) Securing and Training Personnel

While continuing to carry out smooth business expansion and execution of corporate management, it is extremely important for us to secure excellent personnel. However, in the event that it is not possible to secure the necessary personnel in a timely and appropriate manner or in the event that skilled personnel leave Ateam, ordinary business operations and business development may be hindered, and Ateam's performance may be affected.

4) Risks Related to Compliance

(i) Laws and Regulations

The main laws and regulations applicable to the business areas in which Ateam operates include the Act Against Unjustifiable Premiums and Misleading Representations, the Act on the Protection of Personal Information, the Act on Specified Commercial Transactions, the Act on the Settlement of Funds, the Act on Quality, Efficacy and Safety of Pharmaceuticals and Medical Devices, etc., and the Act on the Proper Transmission of Specified Electronic Mail, etc.

Such enactment or revision of laws and regulations, administrative actions by supervisory authorities, or the formulation or revision of new regulations may result in restrictions on the content and services provided by Ateam. In such cases, Ateam's business, performance, and corporate image may be affected.

(ii) Intellectual Property Rights

Ateam strives to protect intellectual property rights related to the businesses it operates and takes sufficient care not to infringe on the intellectual property rights of third parties. In addition, there are cases in which Ateam licenses intellectual property rights owned by the company to a third party or receives a license to use intellectual property rights owned by a third party for services provided by us. In such cases, Ateam works to strengthen its

management structure by, for example, entering into trademark license agreements.

However, in the event that Ateam unintentionally infringes on the intellectual property rights of a third party due mainly to discrepancy in the interpretation of the scope of intellectual property rights or contract terms, we may be sued by the third party regarding the infringement of intellectual property rights or receive a demand to cease the use of said intellectual property. As a result, resolving such an issue could take a large amount of costs and time, and Ateam's performance and future business development may be affected.

(iii) Management of Personal Information

Ateam, at times, will obtain personal information from the users of the services and content that it provides. To prevent external leakage or falsification of personal information, Ateam is thorough regarding workflow and authorization systems when handling personal information and strictly maintains such information in compliance with the "Act on the Protection of Personal Information".

However, in cases such as an information leak or unauthorized use of personal information due to a computer virus, unauthorized access, intentional actions or an accident, we may receive a claim for compensation for damages, the perceived trustworthiness of Ateam may decrease, and its corporate image may be negatively impacted. As a result, Ateam's performance and business development may be affected.

(iv) Safety and Integrity of Services

Using the service content that Ateam provides, an indeterminably large number of private users can communicate with each other independently. To protect youth, we strive to ensure the safety and integrity of services by clearly indicating in the user agreement that inappropriate use is prohibited, acquiring EMA certification, and continuously monitoring our services. Ateam also responds to those who breach the user agreement with measures such as requesting improvement or cancelling subscriptions.

However, when the number of people using our services suddenly increases, it is difficult to be fully aware of what users are doing or how they utilize our services. Regardless of the details of our user agreement, if a problem were to occur due to inappropriate actions committed by a user using our services, our legal liability may come into question. Also, even if there is no legal liability, the business and its performance may be affected by factors such as damage to the content's brand image.

(v) Litigation

Ateam strives to prevent legal violations by promoting compliance that is based on adhering to laws and regulations. However, regardless of whether or not legal violations have been made by Ateam's officers or employees, we believe there is a risk of unforeseen trouble and litigation, involving users, business partners, and other third parties and litigation regarding the above-mentioned intellectual property rights, personal information, and safety and soundness of services.

Depending on the content and result of such litigations, Ateam's business and performance may be affected. Ateam may also be affected as a result of the large amount of costs for responding to litigations or the damage to our corporate image.

5) Risks Related to Information Security

(i) Computer Systems and Communication Networks

Ateam's business includes providing services to users through communication networks that connect computer

systems such as mobile devices and PCs. To promote stable system operations, Ateam strives for early prevention and avoidance of system trouble primarily by decentralizing servers, making periodic backups and monitoring the operational status of systems. However, in the event of a communication network outage or disruption due to an unforeseen incident (including human error on the part of employees or non-employees of Ateam) or any other reason, Ateam's business and performance may be significantly affected.

Also, in the event that systems become inoperable for various unforeseeable reasons, such as servers being overloaded by a sudden increase in traffic to our sites, or interruptions in the power supply, it is possible that services will be suspended. As a result, Ateam's performance and the brand image may be affected.

(ii) Cyber Security

A cyber-attack could pose a significant risk to the Ateam's business continuity. System malfunction or unauthorized access from outside can lead to business stoppage, leakage of customer data, and financial loss. Cyber-attack methods have become more sophisticated and sophisticated in recent years, with targeted attacks and ransomware posing serious threats to businesses.

Ateam has introduced Identity as a Service (IDaaS) and is thoroughly implementing identity management operations in line with its security policy, as well as controlling preventing impersonation of our employees through multi-factor authentication. In addition, based on the concept of the Zero Trust Model, we have introduced a wide range of security products such as EDR (Endpoint Detection and Response) and SSE (Security Service Edge). However, even with these measures in place, the risk of cyber-attacks cannot be completely eliminated.

In the unlikely event of a serious cyber-attack, it may take time for the company to recover, and business activities may be halted. In addition, leakage of customer information or trade secrets could cause a loss of public trust and have a serious impact on business performance.

(iii) Information Security System

Inadequate response to an information security incident could have a serious impact on our business activities, and we are continuously working to strengthen our information security system. Specifically, the Ateam CSIRT (Computer Security Incident Response Team) has been established to strengthen the governance of cyber security for the entire Group and to build a comprehensive and multifaceted system operation system to respond to cyber-attacks. We also provide security training for all employees and security incident exercises for security personnel.

However, information security risks cannot be completely eliminated, and risks such as information leaks and unauthorized access due to system vulnerabilities and human error still exist. Recognizing these risks, Ateam is committed to further strengthening its security measures.

In the unlikely event that a serious incident involving information security occurs, our business and performance could be significantly affected.

(iv) IT Investment

IT investment is an essential element for strengthening a company's competitiveness and improving operational efficiency, but it also entails various risks. Since a large investment is required, it may not be commensurate with the investment, or it may take some time before the expected effect is achieved. In addition, IT technology advances rapidly and may require continuous system updates and additional investment.

Ateam is fully aware of the risks associated with IT investments, and we are committed to maximizing the benefits of its investments through a variety of measures, including careful examination of IT investment plans and in-depth evaluations prior to system implementation. However, if problems or system failures occur during installation, Ateam's business and earnings could be significantly affected.

6) Other Risks

(i) Risks Related to Impairment Loss of Goodwill

As of the end of the fiscal year, Ateam recorded a 152 million JPY goodwill of Links Inc. (now Ateam LifeDesign Inc.) which operates the recruitment media service "CAREER PICKS", as well as a 1,492 million JPY goodwill of microCMS Inc. which operates "microCMS". By utilizing the digital marketing skills and know-how that these acquired companies and Ateam have, these services have grown remarkably compared to the scale when first acquired. Thus, we determined that there is no indication of impairment.

In the future, when we conduct M&A as necessary, although we will thoroughly examine the financial condition and future profitability of a target company in advance, the goodwill might be impaired if there is a significant deviation from the earnings plan at the time of acquisition due to rapid changes in market conditions, etc.

(ii) Risks Related to Dilution of Share Value Due to Exercise of Share Acquisition Rights

The subscription rights to shares and unsecured convertible bonds with share acquisition rights, based on the underwriting agreement between Ateam and AASC II P, L. P., are expected to be exercised multiple times in stages until June 26, 2029. Therefore, unlike the issuance of new shares in which dilution occurs immediately, we believe that it is easier to avoid a situation in which the supply of Ateam's shares to the stock market becomes temporarily excessive, and that the impact on the interests of existing shareholders can be limited to a certain extent.

The number of shares of Ateam's common stock to be issued upon exercise of the share acquisition rights and convertible bonds with share acquisition rights is fixed, unless adjusted, at 7,776,000 shares. As such, the maximum number of shares to be delivered will be limited regardless of stock price movement, which will result in a steady dilution ratio that will not fluctuate from the originally planned level.

2. Status of Corporate Group

Ateam Group (Ateam and its affiliate companies) is currently comprised of Ateam Inc. and nine wholly owned subsidiaries.

As for reportable segments, Ateam is expanding business in three core segments. The Lifestyle Support Business plans, develops and operates various online services that deliver valuable information for both major life events and daily living. The Entertainment Business plans, develops and operates games and tool applications for smart devices. These games and tool applications provide amusement to people around the world with the theme of “making connections between people a reality”. The E-Commerce Business plans, develops and operates multiple e-commerce websites that handle various products.

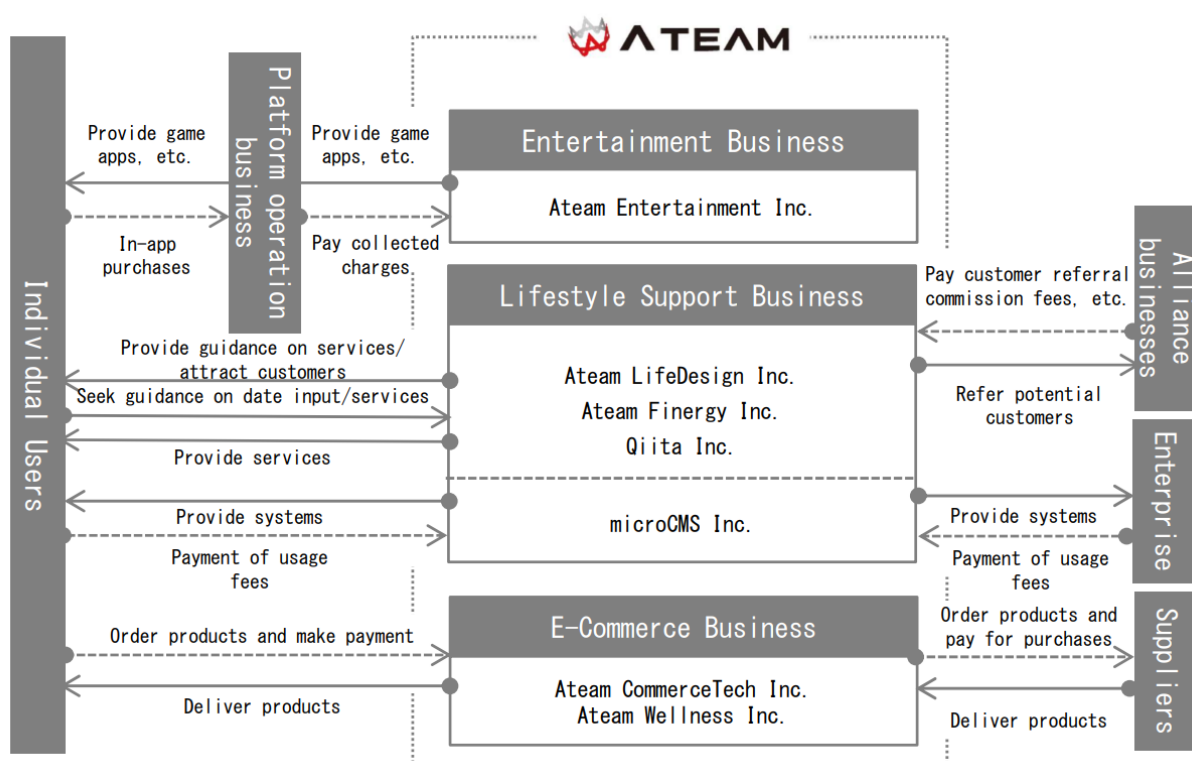
In principle, all three businesses develop products in-house and have accumulated know-how that ranges from planning to operations, which they utilize to develop various services.

As of August 1, 2021, Ateam has transitioned to a holding company structure. In line with the transition, Ateam falls under the category of, as stipulated in Article 49, Paragraph 2 of the Cabinet Office Ordinance on Regulation of Trading of Securities, “Specified Listed Companies, etc.”. Therefore, judgements will be based on consolidated figures, keeping in compliance with the immateriality criteria for material fact pertaining to insider trading regulations.

Company Name	Segment	Businesses Description	Relationship with the Company
Ateam Inc.	-	Business management of group companies	-
Ateam Entertainment Inc.	Entertainment Business	Plans, develops, and operates games and tool applications for smart devices	Wholly owned subsidiary
Ateam LifeDesign Inc.	Lifestyle Support Business	Digital marketing support business	Wholly owned subsidiary
Ateam Wellness Inc. (Note 1)	E-Commerce Business	Plans, develops and operates e-commerce websites	Wholly owned subsidiary
Ateam Finergy Inc.	Lifestyle Support Business	Digital marketing support business	Wholly owned subsidiary
Qiita Inc.	Lifestyle Support Business	Platform business	Wholly owned subsidiary
Ateam CommerceTech Inc.	E-Commerce Business	Plans, Develops and operates e-commerce websites	Wholly owned subsidiary
microCMS Inc. (Note 2)	Lifestyle Support Business	Development and sales of headless CMS “microCMS”	Wholly owned subsidiary

2 other wholly owned subsidiaries

Schematic Overview of Ateam's Business



(Note 1): On February 1, 2024, assets, liabilities, contracts and other rights and obligations related to “Lalune,” a women's health consultation application developed and managed in Ateam Wellness Inc. were transferred through a simple absorption-type company split. As a result, the business conducted by Ateam Wellness Inc. is now solely the planning, development, and operation of e-commerce websites, and therefore belongs only to the E-Commerce Business segment.

(Note 2): On June 3, 2024, Ateam acquired 100% of the outstanding shares of microCMS Inc. and made it a consolidated subsidiary.

3. Business Policies

Fundamental Business Policies

Based on our corporate philosophy of “To Be a Company Where All Can Achieve Happiness Together” and “To Be a Company that Continues 100 Years from Today”, Ateam has a basic policy of providing content and services that continue to be supported and utilized by users through PCs and smart devices in various technical and business fields that are centered around the internet.

By leveraging our strengths in digital marketing know-how, strategic business development and technological skills, Ateam focuses on developing multiple businesses with different characteristics simultaneously, resulting in a business portfolio that optimizes operational stability.

In addition, our “Ateam Purpose” is “Combining Creativity and Tech to Deliver More Convenience and More Fun to All”. With this in mind, we will continue to strive in providing creative and value-added services to contribute to a better, sustainable society. While pursuing our goals and preparing our organization to achieve them, we will make efforts to enhance our corporate value through constrictive communication with our stakeholders, and proactively work to strengthen our governance system and cope with sustainability-related issues.

Policies in Each Business Segment

As for the Lifestyle Support Business, we provide services to make not only the major milestones of life but also everyday life more convenient and less stressful.

In the Entertainment Business, up until now, we have developed original game content for smartphones while operating mainly within Japan. However, in consideration of changes to the market, we have adjusted our approach to partner more with globally popular IPs (intellectual properties) and steer ourselves toward global growth and delivering our content through all major platforms including mobile, PC and home digital distribution. In the future, we will also promote collaborative projects with other companies and contracted development projects by utilizing the skills and know-how we have cultivated through game application development.

In the E-Commerce Business, we strive to realize better customer experience and increase profitability through service delivery on multiple e-commerce websites that handle a variety of products.

4. Basic Rationale for Selection of Accounting Standards

Ateam chooses to use Japanese accounting standards based on comprehensive consideration of the business environment encompassing the Group, the current deployment of business operations, and other factors.

We plan to consider adopting International Financial Reporting Standards (IFRS) in the future, comprehensively considering internal and external environments, as well as the Group's management strategy.

5. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Million JPY)

	As of July 31, 2023	As of July 31, 2024
Assets		
Current assets		
Cash and deposits	5,992	8,050
Accounts receivable - trade	3,001	2,579
Merchandise	190	314
Supplies	30	14
Other	1,052	610
Allowance for doubtful accounts	-2	-8
Total current assets	10,264	11,562
Non-current assets		
Property, plant and equipment		
Buildings	1,216	1,017
Accumulated depreciation	-898	-711
Buildings, net	318	306
Tools, furniture and fixtures	529	501
Accumulated depreciation	-458	-442
Tools, furniture and fixtures, net	70	58
Total property, plant and equipment	389	365
Intangible assets		
Goodwill	152	1,597
Software	64	39
Total intangible assets	216	1,637
Investments and other assets		
Investment securities	2,449	2,356
Leasehold and guarantee deposits	527	366
Other	11	7
Allowance for doubtful accounts	-3	-4
Total investments and other assets	2,985	2,726
Total non-current assets	3,591	4,729
Total assets	13,855	16,291

(Million JPY)

	As of July 31, 2023	As of July 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	95	107
Current portion of long-term debt	—	10
Accounts payable - other	2,363	2,257
Income taxes payable	182	255
Provision for sales promotion expenses	77	51
Provision for share awards	18	9
Asset retirement obligations	186	—
Other	698	355
Total current liabilities	3,621	3,045
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	—	2,500
Long-term debt	—	25
Deferred tax liabilities	208	123
Asset retirement obligations	313	315
Other	6	7
Total non-current liabilities	529	2,972
Total liabilities	4,151	6,017
Net assets		
Shareholders' equity		
Share capital	838	838
Capital surplus	832	832
Retained earnings	9,161	9,818
Treasury shares	-1,862	-1,846
Total shareholders' equity	8,969	9,642
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	797	743
Deferred gains or losses on hedges	-93	-166
Foreign currency translation adjustment	30	32
Total accumulated other comprehensive income	734	608
Share acquisition rights	—	22
Total net assets	9,704	10,274
Total liabilities and net assets	13,855	16,291

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income (Cumulative)

(Million JPY)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Revenue	27,552	23,917
Cost of sales	5,062	3,546
Gross profit	22,489	20,370
Selling, general and administrative expenses	21,945	19,808
Operating income	543	562
Non-operating income		
Interest and dividend income	0	0
Foreign exchange gains	33	76
Commission income	28	26
Gain on investments in investment partnerships	104	—
Gain on sale of non-current assets	1	0
Other	33	10
Total non-operating income	202	113
Non-operating expenses		
Interest expenses	2	3
Loss on retirement of non-current assets	27	32
Loss on investments in investment partnerships	—	10
Bond issue cost	—	7
Other	4	13
Total non-operating expenses	34	66
Ordinary income	711	609
Extraordinary income		
Gain on sale of investment securities	15	84
Gain on sale of businesses	—	491
Total extraordinary income	15	575
Extraordinary losses		
Impairment losses	153	—
Loss on valuation of investment securities	3	32
Loss on sale of shares of subsidiaries and associates	121	—
Other	16	—
Total extraordinary losses	294	32
Profit before income taxes	432	1,152
Income taxes	228	254
Income taxes - deferred	60	-54
Total income taxes	288	199
Net income	143	953
Net income attributable to shareholders of parent company	143	953

Consolidated Statements of Comprehensive Income (Cumulative)

(Million JPY)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Net income	143	953
Other comprehensive income		
Valuation difference on available-for-sale securities	-29	-54
Deferred gains or losses on hedges	-32	-73
Foreign currency translation adjustment	2	2
Total other comprehensive income	-59	-125
Comprehensive income	83	827
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	83	827

(3) Consolidated Statement of Changes in Equity

Fiscal year ended July 31, 2023

(Million JPY)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	838	832	9,315	-1,896	9,088
Changes during period					
Dividends of surplus			-296		-296
Profit (loss) attributable to owners of parent			143		143
Purchase of treasury shares				-0	-0
Disposal of treasury shares				34	34
Net changes in items other than shareholders' equity					
Total changes during period	—	—	-153	34	-118
Balance at end of period	838	832	9,161	-1,862	8,969

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred hedge gain/loss	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	827	-60	27	793	9,882
Changes during period					
Dividends of surplus					-296
Profit (loss) attributable to owners of parent					143
Purchase of treasury shares					-0
Disposal of treasury shares					34
Net changes in items other than shareholders' equity	-29	-32	2	-59	-59
Total changes during period	-29	-32	2	-59	-178
Balance at end of period	797	-93	30	734	9,704

Fiscal year ended July 31, 2024

(Million JPY)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	838	832	9,161	-1,862	8,969
Changes during period					
Dividends of surplus			-296		-296
Profit (loss) attributable to owners of parent			953		953
Purchase of treasury shares				-0	-0
Disposal of treasury shares				16	16
Net changes in items other than shareholders' equity					
Total changes during period	—	—	656	15	672
Balance at end of period	838	832	9,818	-1,846	9,642

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred hedge gain/loss	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	797	-93	30	734	—	9,704
Changes during period						
Dividends of surplus						-296
Profit (loss) attributable to owners of parent						953
Purchase of treasury shares						-0
Disposal of treasury shares						16
Net changes in items other than shareholders' equity	-54	-73	2	-125	22	-102
Total changes during period	-54	-73	2	-125	22	570
Balance at end of period	743	-166	32	608	22	10,274

(4) Summary of Consolidated Statements of Cash Flows

(Million JPY)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	432	1,152
Depreciation	528	105
Impairment losses	153	—
Amortization of goodwill	43	43
Increase (decrease) in allowance for doubtful accounts	1	5
Increase (decrease) in provision for sales promotion expenses	0	-26
Increase (decrease) in provision for share awards	-17	-9
Interest and dividend income	-0	-0
Interest expenses	2	3
Bond issuance cost	—	7
Loss (gain) on sale of businesses	—	-491
Foreign exchange losses (gains)	-36	-74
Loss (gain) on sale of investment securities	-15	-84
Loss (gain) on valuation of investment securities	3	32
Loss (gain) on investments in investment partnerships	-104	10
Loss (gain) on sale of shares of subsidiaries and associates	121	—
Subsidy income	-1	-0
Decrease (increase) in trade receivables	341	422
Decrease (increase) in inventories	-146	-107
Increase (decrease) in trade payables	-274	13
Increase (decrease) in accounts payable - other	-286	-125
Other, net	108	-279
Subtotal	852	599
Interest and dividends received	0	0
Interest paid	-2	-3
Income taxes paid	-560	-192
Income taxes refund	365	404
Subsidies received	1	0
Net cash provided by (used in) operating activities	656	808
Cash flows from investing activities		
Purchase of property, plant and equipment	-23	-57
Purchase of intangible assets	-31	-3
Proceeds from sale of intangible assets	20	—
Purchase of investment securities	-221	-236
Proceeds from sale of investment securities	124	225
Proceeds from distributions from investment partnerships	172	36
Payments of leasehold and guarantee deposits	-7	-30
Proceeds from refund of leasehold and guarantee deposits	53	205
Payments for asset retirement obligations	-57	-204
Proceeds from sale of businesses	—	500
Purchase of shares of subsidiaries and affiliates resulting in change in scope of consolidation	—	-1,420
Proceeds from sales of stocks of subsidiaries and affiliates resulting in change in scope of consolidation	400	—
Other, net	-9	-6
Net cash provided by (used in) investing activities	420	-992

(Million JPY)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Cash flows from financing activities		
Proceeds from issuance of convertible bond-type bonds with share acquisition rights	—	2,493
Purchase of treasury shares	-0	-0
Proceeds from issuance of share acquisition rights	—	22
Dividends paid	-296	-295
Other, net	-28	—
Net cash provided by (used in) financing activities	-324	2,220
Effect of exchange rate change on cash and cash equivalents	17	21
Net increase (decrease) in cash and cash equivalents	769	2,058
Cash and cash equivalents at beginning of period	5,223	5,992
Cash and cash equivalents at end of period	5,992	8,050

(5) Notes on Consolidated Financial Statements

Going Concern

Not applicable.

Changes in Significant Subsidiaries During the Current Fiscal Year

Ateam acquired all shares of microCMS Inc. on June 3, 2024, and it is included in the scope of consolidation.

Changes in Accounting Policies

(Application of Accounting Treatment and Disclosure Relating to Issuance and Holding of Electronically Recorded Transferable Rights to Be Indicated on Securities)

We have applied the “Accounting for and Disclosure of Issuance and Holding of Electronically Recorded Transferable Rights to Be Indicated on Securities” (ASBJ PITF No. 43, issued by the Accounting Standards Board of Japan on August 26, 2022) from the beginning of the first quarter of the current consolidated fiscal year under review. This change has no effect on the quarterly consolidated financial statements.

Additional Information

(Business Combination by Acquisition)

Ateam Inc. resolved at the Board of Directors meeting held on May 28, 2024 to acquire the shares of Paddle Inc. (hereafter “Paddle”) and make it a subsidiary. The share transfer agreement was concluded on the same day. This is subject to the fulfillment by Paddle of the closing provisions set forth in the share transfer agreement.

1. Overview of Business Combination

(1) Name of Acquired Business and Description of its Business

Company Name: Paddle Inc.

Description: Provision of apps that allows crypto assets to be exchanged for with points

(2) Purpose

In order to meet the listing criteria for TSE’s Prime Market by the fiscal year ending July 31, 2025, we defined that

digital marketing skills and know-how are our strengths and have been conducting reorganizations and initiatives based on the new growth strategy as well as optimizing management resources to increase business value. The new growth strategy focuses on inorganic growth mainly through M&A, and this acquisition will be implemented based on this strategy.

Paddle provides apps that allow users to exchange points for crypto assets with the mission of “increasing money options.” We believe that acquiring Paddle, which has knowledge of point services that our group does not possess and has established a large customer base in the growing crypto asset market, will enable us to further expand our customer base. In addition, Paddle has expertise in advertising and operating point-based apps in areas that we have yet to explore. Therefore, we have resolved to acquire these shares because we anticipate that this will lead to the medium- to long-term growth of our group and improvement of its corporate value.

(3) Date of Business Combination

November 1, 2024 (tentative): First acquisition of shares

November 1, 2027 (tentative): Second acquisition of shares

(4) Legal Form of Business Combination

Acquisition of shares

(5) Name of Company after Business Combination

No change

(6) Percentage of Voting Rights Acquired

Percentage of voting rights owned immediately before the acquisition date: 0.0%

Percentage of voting rights acquired in the first acquisition: 66.7%

Percentage of voting rights acquired in the second acquisition: 33.3%

(7) Basis for Company Acquisition

Acquisition of shares in exchange for cash

2. Acquisition Cost of the Acquired Company and Breakdown by Type of Consideration

Consideration for Acquisition	Cash	368 million JPY (1st Acquisition)
		198 to 528 million JPY (2nd Acquisition) *
Acquisition cost		566 to 896 million JPY

*The calculation for acquisition cost will be made using the following formula (approximate).

Business value + Assumed cumulative net income accumulated over three years from the date of the first share acquisition + Non-business value as of the date of the first share acquisition

3. Costs Relating to the Acquisition

Fees and commissions for advisory services: 40 million JPY

- 4 . Goodwill Amount, Reason for Goodwill, and the Calculation Method and Period for Amortization
Not confirmed at this time.
- 5 . Details of Assets Received and Liabilities Assumed on the Date of the Business Combination
Not confirmed at this time.

Segment Information

1. Overview of Reportable Segment

The reportable segments of Ateam are constituent units of the Group whose separate financial information is available, and which are periodically examined by the Board of Directors in deciding the allocation of management resources and in evaluating performance.

Ateam is composed of segments classified according to services based on the business divisions. It has three reportable segments: Lifestyle Support Business, Entertainment Business, and E-Commerce Business. The Lifestyle Support Business mainly plans, develops, and operates comparison sites and information sites primarily for daily living; the Entertainment Business mainly plans, develops and operates games and tool applications mainly for smart devices to provide amusement to people around the world with the theme of “making connections between people a reality”; and the E-Commerce Business mainly plans, develops and operates multiple e-commerce websites that handle various products.

2. Accounting Method for Revenue, Income or Loss, Assets, Liabilities and Other Items by Reportable Segment

The accounting method for the business segments that are reported is largely the same as the accounting policies applied in the preparation of the consolidated financial statements. The income from reportable segments is the figure based on operating income.

3. Revenue, Income or Loss, Assets, Liabilities, and Other Items Listed by Reportable Segment

Fiscal year ended July 31, 2023 (from August 1, 2022 to July 31, 2023)

(Million JPY)

	Reportable segment				Adjustment (Note) 1	Amount on the consolidated statements of income (Note) 2
	Lifestyle Support Business	Entertainment Business	E-Commerce Business	Total		
Revenue						
External customers	18,480	5,421	3,651	27,552	-	27,552
Inter-segment sales and transfers	-	-	-	-	-	-
Total	18,480	5,421	3,651	27,552	-	27,552
Segment profit (loss)	1,760	166	-431	1,495	-951	543
Other items						
Depreciation	43	29	2	76	452	528
Amortization of goodwill	43	-	-	43	-	43

(Notes)

1. Adjustment of minus 951 million JPY for segment profit (loss) represents corporate expenses not attributable to reportable segments.
2. Adjustments are made between segment profit (loss) and operating loss reported in the consolidated statements of income.
3. Segment assets have not been shown, as they are not used as the basis for deciding the allocation of management resources and evaluating performance.

Fiscal year ended July 31, 2024 (from August 1, 2023 to July 31, 2024)

(Million JPY)

	Reportable segment				Adjustment (Note) 1	Amount on the consolidated statements of income (Note) 2
	Lifestyle Support Business	Entertainment Business	E-Commerce Business	Total		
Revenue						
External customers	17,165	4,400	2,351	23,917	-	23,917
Inter-segment sales and transfers	-	-	-	-	-	-
Total	17,165	4,400	2,351	23,917	-	23,917
Segment profit (loss)	1,400	-38	-152	1,209	-647	562
Other items						
Depreciation	13	0	0	14	91	105
Amortization of goodwill	43	-	-	43	-	43

(Notes)

1. Adjustment of minus 647 million JPY for segment profit (loss) is corporate expenses not attributable to reportable segments.
2. Adjustments are made between segment profit (loss) and operating income reported in the consolidated statements of income.
3. Segment assets have not been shown, as they are not used as the basis for deciding the allocation of management resources and evaluating performance.

Business Combinations

(Business Divestiture by Consolidated Subsidiaries)

Ateam Inc. resolved at the Board of Directors meeting held on October 24, 2023 that MEDLEY Inc. will succeed assets, liabilities, contracts, and other rights and obligations of the Lalune Business (hereafter “the Business”), a women's health consultation application developed and managed in its consolidated subsidiary, Ateam Wellness Inc., by a company split (simplified absorption-type demerger) (hereafter “the Transaction”). The transfer of Lalune was executed on February 1, 2024.

1. Overview of Business Divestiture

(1) Purpose

In order to meet the listing criteria for the TSE's Prime Market by the fiscal year ending July 31, 2025, we defined that digital marketing skills and know-how are our strengths, so we have been conducting reorganizations and initiatives based on our new growth strategy as well as optimizing management resources to increase business value.

With the recent increase in competing services and changes in the advertising industry, it was necessary for the business to implement new functions and establish a new revenue model to realize business growth, but there was no prospect of creating synergy to increase earnings within our group.

Therefore, we concluded that divesting the Business would maximize its value as MEDLEY Inc. has abundant knowledge in the healthcare field and a mission to “Creating the Future of Medical/Healthcare”. We will continue to optimize our management resources and reallocate them to areas where we can better demonstrate our group's strengths.

(2) Name of Succeeding Company

MEDLEY Inc.

(3) Details Regarding Business and its Scale

(i) Business Overview

Business which develops and manages the women's health consultation application “Lalune”

(ii) Revenue During the Fiscal Year Ended July 31, 2024

Revenue of 79 million JPY

(iii) Amount of Assets and Liabilities (as of January 31, 2024)

Assets		Liabilities	
Item	Amount	Item	Amount
Current Assets	32 million JPY	Current liabilities	24 million JPY
Fixed Assets	1 million JPY	Fixed liabilities	- million JPY
Total	33 million JPY	Total	24 million JPY

(4) Date of Business Divestiture

February 1, 2024

(5) Other Matters Related to the Outline of the Transaction Including the Legal Form

By means of an absorption-type demerger (simplified absorption-type demerger), Ateam Wellness Inc. is the splitting company and MEDLEY Inc. is the succeeding company. MEDLEY Inc. has succeeded assets, liabilities, contracts and other rights and obligations attributable to the business within the scope set forth in the Business Succession Agreement through the Transaction.

Ateam Wellness Inc. received 500 million JPY from MEDLEY Inc. for the Transaction. The amount includes the consideration for the Transaction mentioned above. In addition, Ateam has determined there will be no problems with its ability to fulfill obligations under the Transaction.

2. Overview of Accounting Process

The Transaction was processed based upon “Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013)” and “Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Statement No.10, January 16, 2019)”. During the fiscal year ended July 31, 2024, Ateam Wellness Inc. records 491 million JPY as an extraordinary income due to the gain on transfer of business related to the Transaction.

3. Name of the Reporting Segment in which the Business to be Transferred is Included

Lifestyle Support Business

(Business Combination by Acquisition)

Ateam Inc. resolved at the Board of Directors meeting held on May 9, 2024, to acquire all of the shares of microCMS Inc. (hereafter “microCMS”) and make it a subsidiary. The share transfer agreement was concluded on the same day, and all shares were acquired on June 3, 2024.

1. Overview of Business Combination

(1) Name of Acquired Business and Description of its Business

Company Name: microCMS Inc.

Description: Development and sales of headless CMS “microCMS”

(2) Purpose

In order to meet the listing criteria for TSE’s Prime Market by the fiscal year ending July 31, 2025, we defined that digital marketing skills and know-how are our strengths and have been conducting reorganizations and initiatives based on the new growth strategy as well as optimizing management resources to increase business value. The new growth strategy focuses on inorganic growth mainly through M&A, and this acquisition has been implemented based on this strategy.

microCMS is a Japanese company that provides microCMS, an API-based, headless CMS (Content Management

System) with a mission of “Creating an arsenal for engineers to drive progress around the world”. CMS is one of the areas we plan to expand in the future, and we believe that the acquisition of microCMS, which has built a large customer base, will enable us to strengthen our B2B support business through the provision of tools to other businesses. In addition, since headless CMS is a service preferred by engineers, we believe we can expand recognition of the service through Qiita, a service for recording and sharing engineering knowledge. We resolved to acquire their shares because we anticipate it will lead to the medium- to long-term growth of our group and increase our corporate value.

(3) Date of Business Combination

June 3, 2024 (Date of share acquisition)

July 31, 2024 (Deemed acquisition date)

(4) Legal Form of Business Combination

Shares acquired in exchange for cash

(5) Name of Company after Business Combination

No change

(6) Percentage of Voting Rights Acquired

100%

(7) Basis for Company Acquisition

Acquisition of shares in exchange for cash

2. Period of the Acquired Company's Results Included in the Consolidated Statement of Income

Since only the balance sheet is consolidated with the deemed acquisition date at the end of the current consolidated fiscal year, the results of acquired company are not included.

3. Acquisition Cost of the Acquired Company and Breakdown by Type of Consideration

Consideration for acquisition	Cash	1,500 million JPY
<hr/>		
Acquisition cost		1,500 million JPY

4. Costs Relating to the Acquisition

Fees and commissions for advisory services: 8 million JPY

5. Goodwill Amount, Explanation, and the Calculation Method and Period for Amortization

(1) Amount of Goodwill Generated

1,488 million JPY

The amount of goodwill is tentatively calculated since the allocation of the acquisition cost has not been completed as of the end of the current fiscal year.

(2) Explanation

It is the excess earning power expected from future business development.

(3) Amortization Method and Period

Straight-line method over 8 years

6 . Details of Assets Received and Liabilities Assumed on the Date of the Business Combination

Current assets	105 million JPY
Non-current assets	7 million JPY
<hr/> Total assets	<hr/> 113 million JPY
Current liabilities	77 million JPY
Non-current liabilities	25 million JPY
<hr/> Total liabilities	<hr/> 102 million JPY

7 . Estimated Impact and Calculation Method of the Business Combination on the Current Fiscal Year's Consolidated Income Statement, Assuming Completion at the Start of the Year

This information is omitted due to the immateriality of the impact.

Per Share Information

(JPY)

	Fiscal Year Ended July 31, 2023 (from August 1, 2022 to July 31, 2023)	Fiscal Year Ended July 31, 2024 (from August 1, 2023 to July 31, 2024)
Net Assets per Share	523.06	552.28
Net Earnings per Share (Basic)	7.73	51.36

(Notes)

- Net Earnings per Share (Diluted) for the previous consolidated fiscal year is not shown because there are no residual shares.
Net Earnings per Share (Diluted) for the fiscal year ended July 31, 2024 is not shown in the above table, as there are no residual shares having possibilities of diluting stock value.
- The basis of calculating Net Earnings per Share (Basic) and Net Earnings per Share (Diluted) is as follows:

	Fiscal Year Ended July 31, 2023 (from August 1, 2022 to July 31, 2023)	Fiscal Year Ended July 31, 2024 (from August 1, 2023 to July 31, 2024)
Net Income/Loss per Share (Basic)		
Net Income/Loss Attributable to Shareholders of Parent Company (Million JPY)	143	953
Net Income/Loss Attributable to Shareholders of Parent Company Regarding Common Stock (Million JPY)	143	953
Average Number of Shares of Common Stock During Period (Shares)	18,551,109	18,561,198
Outline of Potential Shares Not Included in Net Earnings per Diluted Share's Calculation Because They Do Not Have a Dilutive Effect	—	9th series of Share Acquisition Rights 3,888,000 shares: 1st series of Convertible Bond Type Bonds with Share Acquisition Rights: 3,888,000 shares

(Notes)

- The number of shares of common stock at the end of the period used for the calculation of the net assets per share and the average number of shares during the period that forms the basis for the calculation of Net Earnings per Share (Basic) are calculated with the shares owned by The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP (Employee Stock Ownership Plan) Trust account and Board Incentive Plan (BIP) Trust account) under the "Stock Grant ESOP Trust" and "Board Incentive Plan (BIP) Trust" (108,400 shares at the end of the previous fiscal year and an average of 110,081 shares during the previous period, 99,200 shares at the end of the current fiscal year and an average of 99,979 shares during the current period) included in the treasury stock deducted.

Significant Subsequent Events

Not applicable.