Consolidated Financial Results for the Six Months Ended January 31, 2018 (Japan GAAP)

March 9, 2018

Company name: Ateam Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3662
URL: http://www.a-tm.co.jp/en/
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Scheduled date of filing securities report: March 9, 2018
Scheduled date of commencing dividend payments: –
Supplementary briefing material for the financial results: Yes
Schedule of financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended January 31, 2018 (August 1, 2017 - January 31, 2018)

(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	%
Six months ended January 31, 2018	18,069	18.2	2,056	101.1	2,076	93.9	1,433	112.0
Six months ended January 31, 2017	15,283	52.4	1,022	53.7	1,071	76.7	676	119.1

Note: Comprehensive income (million JPY) Six months ended January 31, 2018: 1,432 (111.9%)
Six months ended January 31, 2017: 676 (119.1%)

	Net income per share-basic	Net income per share-diluted
	JPY	JPY
Six months ended January 31, 2018	74.25	73.93
Six months ended January 31, 2017	35.77	35.61

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million JPY	Million JPY	%
As of January 31, 2018	14,464	9,774	67.0
Fiscal Year ended July 31, 2017	13,140	7,456	56.0

Note: Shareholders' equity (million JPY) As of January 31, 2018: 9,685
Fiscal Year ended July 31, 2017: 7,360

2. Dividends

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year ended July 31, 2017	–	5.00	–	22.00	27.00
Fiscal Year ending July 31, 2018	–	0.00			
Fiscal year ending July 31, 2018 (forecast)			–	32.50	32.50

Note: Revision to dividend forecasts: No

3. Forecasts for the Fiscal Year Ending July 31, 2018 (August 1, 2017 - July 31, 2018)

(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 forecast	40,000	15.6	4,700	15.3	4,700	14.1	3,100	20.2	161.59

Note: Revision to the forecasts for the fiscal year ending July 31, 2018: No

*Notes

(1) Significant changes in scope of consolidation during the current quarter : Yes

* Changes in scope of consolidation of specified subsidiaries:
  Newly consolidated: one (Increments Inc.) Newly excluded companies: none (–)

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : No

(3) Changes in accounting policies, accounting projections, or restatement
- (i) Changes in accounting policies due to revisions in accounting standards, etc. : No
- (ii) Changes in accounting policies other than above (i) : No
- (iii) Changes in accounting projections : No
- (iv) Restatement : No

(4) Number of shares issued (common stock)

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

As of January 31, 2018	19,732,000 shares
As of July 31, 2017	19,469,800 shares

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

As of January 31, 2018	253,762 shares
As of July 31, 2017	548,662 shares

(iii) Average number of shares during the period

Six months ended January 31, 2018	19,300,214 shares
Six months ended January 31, 2017	18,898,817 shares

Note: 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 income per share-basic are calculated with the shares owned by The Master Trust Bank of Japan, Ltd. (Stock Grand 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” included in the treasury stock deducted.

* Quarterly financial results reports are not required to be subjected to quarterly reviews

* Explanation of the Proper Use of Financial Results Forecast and Other Notes

The forward-looking statements including earnings forecasts herein are based on information available to the Company 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. Moreover, 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 “(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements”, of “1. Qualitative Information Regarding Results for the Six Months”, on page 4 of the attachments to this financial results report.

Index of Attachments

1. Qualitative Information Regarding Results for the Six Months

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

(1) Explanation of Operating Results

Ateam Inc. and its consolidated subsidiaries adhere to the corporate philosophy “to produce happiness through business and to grow for the next 100 years”. Operating in various technical and business fields, the corporate officers and employees unite under this corporate philosophy to plan, develop and operate game content, comparison and information websites, and e-commerce sites that are supported and used by individual users via the internet and smart devices (smartphones and tablets). Specifically, we are operating business in three core segments.

The Entertainment Business engages in the planning, development and operation of game and tool applications primarily for smart devices. The Lifestyle Support Business engages in the planning, development and operation of various online services that allows users to easily gather and compare valuable information. The E-Commerce Business engages in the planning, development and operation of our online bicycle store under the name “cyma”.

During the six months ended January 31, 2018, both revenue and profit increased year on year.

Revenue increased due to growth in the Lifestyle Support business and the E-Commerce business. The increase in profit was due to the reduction of advertising expenses in the Entertainment business and contributions from the Lifestyle Support business.

As a result of the above, during the six months ended January 31, 2018, Ateam posted revenue of 18,069,279 thousand JPY (up 18.2% year on year), operating income of 2,056,770 thousand JPY (up 101.1% year on year), ordinary income of 2,076,912 thousand JPY (up 93.9% year on year), and net income attributable to shareholders of parent company of 1,433,009 thousand JPY (up 112.0% year on year).

The operating performance by segment for the six months ended January 31, 2018 was as follows:

Entertainment Business

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

During the second quarter under review, amid an overall trend of decline, a slight increase in revenue from the previous quarter was achieved due to holiday events for “Unison League” (new-experience, real-time RPG), released in December 2014. However, revenue still decreased compared to the same period of the previous fiscal year. On the other hand, segment profit increased due to restricted advertising expenses and efficient operations against current sale trends.

As a result, during the six months ended January 31, 2018, the segment posted revenue of 8,635,131 thousand JPY (down 3.8% year on year) and segment profit of 1,750,139 thousand JPY (up 57.7% year on year).

Lifestyle Support Business

Currently made up of four sub-segments, each segment 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.*

The Moving-related business provides users with competitive prices from several moving companies. The Automobile-related business consists of inputting your car information, and receiving quotes from second-hand car dealers. The Bridal-related business assists with finding the perfect wedding chapel that meets the consumers’ financial budget. And lastly, the Financial Media business lets users analyze prices and benefits for financial related needs. Each business allows the user to compare several different offers for free; our primary revenue source is based on commission via referrals we provide to our partnered companies.

In the Moving-related and Automobile-related businesses, we steadily increase users by focusing on daily improvements to the websites and conducting promotional activities, resulting in continued top share within the industry. In the Bridal-related business, we are operating “Hanayume” wedding consultation desks at 12 physical locations in six areas nationwide. While continuing to enhance bridal peripheral services such as "Hanayume Set-Price Wedding Packages" and "Hanayume Photo", we have been focusing on improving the quality of our services, and are steadily increasing the number of users. In the Financial Media business, in addition to "Navinavi Cashing", a personal loan comparison site, we are continuing to grow our user base by concentrating on launching new online services including the "Navinavi Credit Card", a credit card comparison and information site, "Navinavi Mortgage", a housing loan comparison and information site, and "Navinavi FX", a foreign exchange comparison and information site.

Revenue increased due to each of the sub-segments trending well. Segment profit increased due to overall increase in segment revenue, in addition to profit contribution from the Bridal-related business, resulting in an increase in both revenue and profit year on year. The Bridal-related business underwent a service name change last fiscal year, requiring advertising and commercial investments to increase awareness. This concluded in limited contribution of profit for the previous fiscal year; however, operations performed well and fulfilled expectations during the six months ended January 31, 2018, thus resulting in an increase of both revenue and profit year on year.

*Earnings from Increments Inc., which was acquired in December 2017, are not included in the six months ended January 31, 2018 because the deemed acquisition date is at the end of the second quarter under review. After the third quarter of the fiscal year ending July 31, 2018, "Qiita", a technical information sharing service for programmers, and "Qiita:Team", a tool for sharing information among team members that allows for easy composition, both operated by Increments Inc., will be classified as "Other" under the Lifestyle Support business. LaLune, a women's health consultation application, along with other new services will continue to be included in this category as well.

As a result, during the six months ended January 31, 2018, the segment posted revenue of 8,267,542 thousand JPY (up 47.5% year on year) and segment profit of 1,236,928 thousand JPY (up 77.5% year on year).

E-Commerce Business

Our E-Commerce business was established in 2013, with "cyma" being our first service stemming from this concept. We currently own warehouses in the Tokai, Kanto and Kansai areas, which are stockpiled with bicycles we acquired from both domestic and oversea manufacturers. Each warehouse employs certified mechanical staff, making it possible to deliver fully assembled bicycles directly to the consumer's doorstep. Our primary revenue source is through bicycle sales and/or related accessories from our online store.

"Cyma" offers more than 200 bicycle models, a broader lineup than a traditional retailer. We also make sure to offer after-sales services, including a one year warranty for certain repairs and/or damages. Since we do not hold physical stores, we are able to maintain low fixed costs and focus on strengthening inventory management more so than traditional retail stores.

This specialized service enables us to fully enjoy the combined perks of both a local bicycle shop and a comprehensive e-commerce service. Such service is still considered unrivaled territory, and we are determined to stay on top by implementing staggered investment to strengthen fulfillment* and promotion of our service brand. Although still in its investment stage, we believe that we are on a steady track, and eventually aim to be the No. 1 online bicycle retailer.

*Fulfillment refers to the core process in the mail-order business, including the management of order receipts and inventories, picking, sorting and packaging, shipping, charging, and payment processing. It also includes peripheral work, such as customer support including handling of complaints, questions and returns and exchanges of goods, as well as the management of customer data.

As a result, during the six months ended January 31, 2018, the segment posted revenue of 1,166,605 thousand JPY (up 66.2% year on year) and segment loss of 112,696 thousand JPY (compared with a segment loss of 80,914 thousand JPY in the same period of the previous fiscal year).

(2) Explanation of Financial Position

(i) *Assets*

As of the end of the second quarter under review, we posted total assets of 14,464,847 thousand JPY, an increase of 1,324,014 thousand JPY compared with the previous fiscal year. The main factor was an increase of 1,283,929 thousand JPY in goodwill.

(ii) *Liabilities*

As of the end of the second quarter under review, we posted liabilities of 4,690,739 thousand JPY, a decrease of 993,200 thousand JPY compared with the previous fiscal year. The main factor was a decrease of 653,116 thousand JPY in income taxes payable.

(iii) *Net assets*

As of the end of the second quarter under review, we posted net assets of 9,774,108 thousand JPY, an increase of 2,317,214 thousand JPY compared with the previous fiscal year. The main factor was an increase of 1,016,744 thousand JPY in retained earnings.

(iv) Cash Flows

During the six months ended January 31, 2018, cash and cash equivalents ("cash") increased to 4,441,131 thousand JPY (up 26.6% year on year).

The respective status of cash flows during the six months ended January 31, 2018 and their contributing factors are as follows:

Cash Flows from Operating Activities

Cash provided by operating activities during the six months ended January 31, 2018 was 480,748 thousand JPY (down 39.5% year on year). This was due to income taxes paid at 1,184,363 thousand JPY (up 161.3% year on year) for income before income taxes of 2,079,312 thousand JPY (up 94.1% year on year).

Cash Flows from Investing Activities

Cash used in investing activities during the six months ended January 31, 2018 was 1,687,791 thousand JPY (up 292.2% year on year). The main factor was 1,296,848 thousand JPY used for the purchase of shares of a subsidiary resulting in a change in scope of consolidation.

Cash Flows from Financing Activities

Cash provided by financing activities during the six months ended January 31, 2018 was 645,624 thousand JPY (cash used during the same period of the previous fiscal year was 383,067 thousand JPY). The main factor was proceeds from issuance of common stock of 582,183 thousand JPY.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

In the fiscal year ending July 31, 2018, to realize growth in the medium and long term, Ateam will continue to focus on acquiring and further developing excellent personnel, establishing the right environments and constructing organizational structures. As part of these measures, we established the Fukuoka Office in February 2018, and are strengthening recruitment of personnel.

In terms of revenue and profit, for the six months ended January 31, 2018, we achieved operating results in line with our revised forecasts as was announced in the document "Notice Concerning Revision of Consolidated Financial Forecast" released on February 16, 2018.

In the third quarter of the fiscal year and beyond, changes in the release dates of new titles in the Entertainment business and other such factors make it extremely difficult to calculate earnings forecasts with a high degree of accuracy. Moreover, our operating results are apt to vary, depending on the contributions to earnings of business during the peak seasons generated by our Lifestyle Support business and E-Commerce business (typically reflected in the third quarter).

Consequently as of the date of this document's release, our full-year earnings forecast remains unchanged from that announced on September 8, 2017.

The aforementioned forward-looking statements 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 the effect of various factors in the future.

Performance outlook for the fiscal year ending July 31, 2018 (August 1, 2017 - July 31, 2018)

Revenue	40,000 million JPY (up 15.6% year on year)
Operating income	4,700 million JPY (up 15.3% year on year)
Ordinary income	4,700 million JPY (up 14.1% year on year)
Net income attributable to shareholders of parent company	3,100 million JPY (up 20.2% year on year)

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Thousand JPY)

	As of July 31, 2017	As of January 31, 2018
Assets		
Current assets		
Cash and deposits	5,004,078	4,441,131
Notes and accounts receivable - trade	3,774,680	4,028,622
Inventories	366,380	541,871
Other	673,792	855,265
Allowance for doubtful accounts	(9,128)	(12,005)
Total current assets	9,809,802	9,854,885
Non-current assets		
Property, plant and equipment		
Buildings, net	1,284,400	1,240,145
Other, net	381,729	373,673
Total property, plant and equipment	1,666,130	1,613,819
Intangible assets		
Goodwill	–	1,283,929
Other	507,696	608,651
Total intangible assets	507,696	1,892,580
Investments and other assets		
Investment securities	378,235	377,706
Lease and guarantee deposits	584,087	622,009
Other	203,887	113,036
Allowance for doubtful accounts	(9,006)	(9,190)
Total investments and other assets	1,157,203	1,103,561
Total non-current assets	3,331,030	4,609,962
Total assets	13,140,833	14,464,847
Liabilities		
Current liabilities		
Accounts payable - trade	405,371	338,782
Short-term loans payable	632,000	390,000
Accounts payable - other	2,487,271	2,653,557
Income taxes payable	1,037,934	384,818
Provision for sales promotion expenses	4,646	7,037
Provision for stocks payment	41,459	22,297
Provision for management board incentive plan trust	8,204	11,205
Other	586,010	400,147
Total current liabilities	5,202,899	4,207,845
Non-current liabilities		
Asset retirement obligations	481,040	482,893
Total non-current liabilities	481,040	482,893
Total liabilities	5,683,939	4,690,739
Net assets		
Shareholders’ equity		
Capital stock	535,996	832,245
Capital surplus	509,796	826,034
Retained earnings	7,493,342	8,510,087
Treasury stock	(1,177,659)	(481,858)
Total shareholders’ equity	7,361,477	9,686,508
Accumulated other comprehensive income		
Foreign currency translation adjustment	(583)	(778)
Total accumulated other comprehensive income	(583)	(778)
Subscription rights to shares	96,000	88,378
Total net assets	7,456,893	9,774,108
Total liabilities and net assets	13,140,833	14,464,847

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

Quarterly Consolidated Statements of Income (Cumulative)

(Thousand JPY)

	Six months ended January 31, 2017	Six months ended January 31, 2018
Revenue	15,283,491	18,069,279
Cost of sales	2,326,670	3,126,133
Gross profit	12,956,820	14,943,146
Selling, general and administrative expenses	11,934,133	12,886,376
Operating income	1,022,687	2,056,770
Non-operating income		
Interest income	181	88
Gain on investments in partnership	4,638	9,768
Foreign exchange gains	41,087	3,152
Other	8,552	10,489
Total non-operating income	54,459	23,499
Non-operating expenses		
Interest expenses	1,810	992
Loss on retirement of non-current assets	3,722	–
Settlement package	–	1,000
Other	549	1,364
Total non-operating expenses	6,082	3,357
Ordinary income	1,071,063	2,076,912
Extraordinary income		
Gain on reversal of subscription rights to shares	–	2,400
Total extraordinary income	–	2,400
Income before income taxes	1,071,063	2,079,312
Income taxes	395,010	646,302
Net income	676,052	1,433,009
Net income attributable to shareholders of parent company	676,052	1,433,009

Quarterly Consolidated Statements of Comprehensive Income (Cumulative)

(Thousand JPY)

	Six months ended January 31, 2017	Six months ended January 31, 2018
Net income	676,052	1,433,009
Other comprehensive income		
Foreign currency translation adjustment	–	(195)
Total other comprehensive income	–	(195)
Comprehensive income	676,052	1,432,814
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	676,052	1,432,814

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand JPY)

	Six months ended January 31, 2017	Six months ended January 31, 2018
Cash flows from operating activities		
Income before income taxes	1,071,063	2,079,312
Depreciation	210,171	194,192
Increase (decrease) in allowance for doubtful accounts	640	3,060
Increase (decrease) in provision for sales promotion expenses	(2,354)	2,391
Increase (decrease) in provision for stocks payment	(18,813)	(19,162)
Increase (decrease) in provision for management board incentive plan trust	5,602	3,001
Interest and dividend income	(181)	(88)
Interest expenses	1,810	992
Decrease (increase) in notes and accounts receivable - trade	(576,079)	(229,508)
Decrease (increase) in inventories	(141,028)	(175,491)
Increase (decrease) in notes and accounts payable - trade	58,721	(66,538)
Increase (decrease) in accounts payable - other	490,971	290,797
Other, net	148,960	(416,943)
Subtotal	1,249,487	1,666,016
Interest and dividend income received	181	88
Interest expenses paid	(1,810)	(992)
Income taxes paid	(453,210)	(1,184,363)
Net cash provided by (used in) operating activities	794,647	480,748
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,055)	(188,741)
Purchase of intangible assets	(291,341)	(177,168)
Purchase of investment securities	(55,000)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,296,848)
Other, net	(65,952)	(25,032)
Net cash provided by (used in) investing activities	(430,349)	(1,687,791)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(242,000)	(242,000)
Proceeds from issuance of common stock	378	582,183
Proceeds from issuance of subscription rights to shares	–	7,038
Purchase of treasury stock	(96)	–
Proceeds from disposal of treasury stock	–	713,844
Cash dividends paid	(141,348)	(415,440)
Net cash provided by (used in) financing activities	(383,067)	645,624
Effect of exchange rate change on cash and cash equivalents	21,823	(1,527)
Net increase (decrease) in cash and cash equivalents	3,053	(562,946)
Cash and cash equivalents at beginning of period	3,505,060	5,004,078
Cash and cash equivalents at end of period	3,508,114	4,441,131

(4) Notes on Quarterly Consolidated Financial Statements

Notes on Premise of Going Concern

Not applicable.

Notes on Substantial Changes in the Amount of Shareholders' Equity

As a result of Ateam receiving payment for the issuance of new shares in association with the exercise of the sixth series of share acquisition rights through third-party allotment on August 25, 2017, capital stock and legal capital surplus each increased by 284,793 thousand JPY while treasury stock decreased by 609,837 thousand JPY. As a result, as of the end of the second quarter under review, capital stock was 832,245 thousand JPY, capital surplus was 826,034 thousand JPY, and treasury stock was at a loss of 481,858 thousand JPY.

Significant Changes in Scope of Consolidation During the Current Quarter

Increments Inc. has been included in the scope of consolidation, following the acquisition of its shares in their entirety during the three months ended January 31, 2018. Increments Inc. is now recognized as a specified subsidiary of Ateam.

Segment Information

Six months ended January 31, 2017 (from August 1, 2016 to January 31, 2017)

1. Information regarding the amounts of revenue, and income or loss by reportable segment

(Thousand JPY)

	Reportable segment				Adjustment (Note) 1	Amount on the quarterly consolidated statements of income (Note) 2
	Entertainment business	Lifestyle Support business	E-Commerce business	Total		
Revenue						
Outside customers	8,976,207	5,605,268	702,015	15,283,491	–	15,283,491
Inter-segment sales and transfers	–	–	–	–	–	–
Total	8,976,207	5,605,268	702,015	15,283,491	–	15,283,491
Segment profit (loss)	1,109,448	696,791	(80,914)	1,725,325	(702,638)	1,022,687

(Notes) 1. Adjustment of 702,638 thousand JPY for segment loss is corporate expenses not attributable to reportable segments.
2. Adjustments are made between segment profit (loss) and operating income reported in the quarterly consolidated statements of income.

2. Impairment loss on non-current assets and goodwill by reportable segment

Not applicable

Six months ended January 31, 2018 (from August 1, 2017 to January 31, 2018)

1. Information regarding the amounts of revenue, and income or loss by reportable segment

(Thousand JPY)

	Reportable segment				Adjustment (Note) 1	Amount on the quarterly consolidated statements of income (Note) 2
	Entertainment business	Lifestyle Support business	E-Commerce business	Total		
Revenue						
Outside customers	8,635,131	8,267,542	1,166,605	18,069,279	–	18,069,279
Inter-segment sales and transfers					–	–
Total	8,635,131	8,267,542	1,166,605	18,069,279	–	18,069,279
Segment profit (loss)	1,750,139	1,236,928	(112,696)	2,874,370	(817,600)	2,056,770

(Notes) 1. Adjustment of 817,600 thousand JPY for segment loss is corporate expenses not attributable to reportable segments.
2. Adjustments are made between segment profit (loss) and operating income reported in the quarterly consolidated statements of income.

2. Impairment loss on non-current assets and goodwill by reportable segment

Significant change in the amount of goodwill
In the second quarter under review, goodwill amounting to 1,283,929 thousand JPY arose with respect to Increments Inc. being consolidated within the Lifestyle Support business following acquisition of its shares. The aforementioned amount of goodwill has been calculated tentatively, given that the acquisition cost has yet to be allocated.

Business Combinations

Business combination through acquisition

1. Summary of business combination

   (1) Name of acquired entity and description of business thereof

Name of acquired entity:	Increments Inc.
Description of business:	Development and operation of "Qiita", a technological reference service for computer programmers, as well as "Qiita:Team",a privatized community-driven website that enables teams to easily write and share information

   (2) Main reasons for the business combination

   In pursuing its vision, Ateam has been focusing on utilizing capital to expedite the achievement of medium- to long-term growth and increasing its corporate value. To that end, we have been actively considering mergers with companies that can either strengthen existing businesses and/or companies engaged in business involving high barriers to market entry in terms of time requirements or other hurdles.

   We consider Increments Inc. as a company engaged in the latter of the two reasons mentioned above. Based on our conviction that the acquisition would enable us to draw on the entity's assets and know-how in order to accelerate our development of new businesses, we believe that this acquisition will aid in the achievement of medium- to long-term growth and increasing Ateam's corporate value.

   (3) Date of business combination

   December 25, 2017

   (4) Legal form of business combination

   Acquisition of shares

   (5) Name of entity after combination

   Unchanged.

   (6) Ratio of acquired voting rights

   100%

   (7) Main grounds undermining the decision to acquire the entity

   Ateam was able to use cash upon purchasing the acquisition of shares.

2. Period for which operating results of the acquired entity have been included in the quarterly consolidated statements of income for the six months ended January 31, 2018

   Earnings of the acquired entity are not included in the six months ended January 31, 2018 because the deemed acquisition date is at the end of the second quarter under review.

3. Acquisition cost of the acquired entity and the breakdown with respect to types of consideration thereof

Consideration for acquisition:	1,446,303 thousand JPY (cash)
Acquisition cost:	1,446,303 thousand JPY

4. Goodwill arising from the business combination, reason for the goodwill, and method and period of depreciation

   (1) Goodwill arising from the business combination

   1,283,929 thousand JPY

   The amount of goodwill has been calculated tentatively, given that the acquisition cost has yet to be allocated as of the end of the second quarter under review.

(2) Reason for the goodwill

The acquisition cost exceeds the net amount of assets acquired and liabilities assumed. Accordingly, the excess amount has been recognized as goodwill.

(3) Method and period of depreciation

The goodwill will be depreciated on a straight-line basis over the period during which the economic benefits occur. The period of depreciation is to be considered once the allocation of acquisition cost is determined.