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## Consolidated Financial Results for the Nine Months Ended April 30, 2019 (Japan GAAP)



June 14, 2019

Company name: Ateam Inc.  
 Stock exchange listing: Tokyo Stock Exchange  
 Securities code: 3662  
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 Scheduled date of filing securities report: June 14, 2019  
 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 Nine Months Ended April 30, 2019 (August 1, 2018 – April 30, 2019)

#### (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	%
Nine months ended April 30, 2019	28,028	-1.1	2,175	-42.9	2,177	-43.5	1,100	-58.5
Nine months ended April 30, 2018	28,338	12.5	3,809	37.5	3,852	37.1	2,650	44.2

Note: Comprehensive income (million JPY)

Nine months ended April 30, 2019: 1,078 (-59.3%)

Nine months ended April 30, 2018: 2,652 (44.4%)

	Net income per share-basic	Net income per share-diluted
	JPY	JPY
Nine month ended April 30, 2019	56.40	56.26
Nine month ended April 30, 2018	136.82	136.27

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million JPY	Million JPY	%
As of April 30, 2019	16,956	12,144	71.1
Fiscal Year ended July 31, 2018	16,702	11,655	69.3

Note: Shareholders' equity (million JPY)

As of April 30, 2019: 12,058

Fiscal Year ended July 31, 2018: 11,569

## 2. Dividends

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
Fiscal year ended July 31, 2018	JPY –	JPY 0.00	JPY –	JPY 32.50	JPY 32.50
Fiscal year ending July 31, 2019	–	0.00	–		
Fiscal year ending July 31, 2019 (forecast)			–	16.00	16.00

Note: Revisions to dividend forecasts: Yes

## 3. Forecasts for the Fiscal Year Ending July 31, 2019 (August 1, 2018 - July 31, 2019)

(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	37,000	-1.8	2,850	-39.4	2,850	-39.7	1,500	-54.6	76.89

Note: Revisions to the forecasts for the fiscal year ending July 31, 2019: Yes

### \*Notes

(1) Significant changes in scope of consolidation during the current quarter : No

\* Changes in scope of consolidation of specified subsidiaries:  
Newly consolidated: (–) Newly excluded companies: (–)

(2) Application of particular account 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

(3) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury stock)	As of April 30, 2019	19,742,400	As of July 31, 2018	19,738,200
(ii) Number of shares of treasury stock at the end of the period	As of April 30, 2019	228,762	As of July 31, 2018	253,762
(iii) Average number of shares during the period	Nine months ended April 30, 2019	19,509,070	Nine months ended April 30, 2018	19,374,459

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 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” 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 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 the “Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” on page 4 of the attachments to this financial results report. The value of other listed within the Quarterly Consolidated Balance Sheets have been recorded in thousand JPY; however, starting the first quarter of the accounting term and consolidated cumulative period, has been changed to units of million JPY. For ease of comparison, the previous fiscal year/consolidated cumulative period has also been adjusted to units of million JPY.

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## 1. Qualitative Information Regarding Results for the Nine 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. 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 nine months ended April 30, 2019, although revenue for the Entertainment Business and E-Commerce Business declined year on year, the Lifestyle Support Business showed strong performance, thus overall revenue remained flat from the same period of the previous year.

On the contrary, in regard to operating income, ordinary income, and net income attributable to shareholders of parent company, the limited profit contribution from the Entertainment Business, in addition to upfront investment in new businesses within the Lifestyle Support Business resulted in an overall year on year decline.

As a result of the above, during the nine months ended April 30, 2019, Ateam posted revenue of 28,028 million JPY (down 1.1% year on year), operating income of 2,175 million JPY (down 42.9% year on year), ordinary income of 2,177 million JPY (down 43.5% year on year), and net income attributable to shareholders of parent company of 1,100 million JPY (down 58.5% year on year).

The operating performance by segment for the nine months ended April 30, 2019 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 applications are available for free download, our primary revenue source is through in-app purchases (such as in-game currency and items).

In the nine months ended April 30, 2019, existing game applications continued on a downward trend, in addition to limited contribution of the new game application, "Revue Starlight Re LIVE" which was released domestically in October 2018, and overseas as of April 24, 2019, thus resulting in a year on year decrease in both revenue and profit.

As a result, during the nine months ended April 30, 2019, the Entertainment Business posted revenue of 10,114 million JPY (down 19.2% year on year) and operating income of 1,257 million JPY (down 57.3% year on year).

#### *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. Made up of several sub-segments, each sub-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.

Our sub-segments consist of the Moving-related business, the Automobile-related business, the Bridal-related business, the Financial Media business, and others.

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 sub-segment business is free of charge for the users; our primary revenue source is based on commission via referrals we provide to our partnered companies.

In the nine months ended April 30, 2019, the Lifestyle Support Business, especially the bridal-related business, performed well. In the bridal-related business, revenue increased significantly as the number of customer referrals steadily grew with the recognition of service name and improved service reliability. As for segment profit, each sub-segment proceeded to develop existing businesses and expand peripheral services, in addition to continuing upfront investments in multiple new services still in its early stages, resulting in flat profit year on year.

As a result, during the nine months ended April 30, 2019, the Lifestyle Support Business posted revenue of 16,377 million JPY (up 18.3% year on year) and operating income of 2,351 million JPY (up 1.6% 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 purchased 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.

In the nine months ended April 30, 2019, revenue decreased while operating loss was minimized year on year. As a result of continued effort to break-even by reviewing and improving shipping efficiency and other distribution operations, we achieved single-month profit during the busy season in March. We will continue to strengthen fulfillment to optimize operations.

As a result, during the nine months ended April 30, 2019, the E-Commerce Business posted revenue of 1,535 million JPY (down 22.4% year on year) and operating loss of 166 million JPY (compared with an operating loss of 190 million JPY in the previous fiscal year).

(2) Explanation of Financial Position

(i) Assets

As of the end of the third quarter under review, we posted total assets of 16,956 million JPY, an increase of 253 million JPY compared with the previous fiscal year. This was due to an increase of 273 million JPY in notes and accounts receivable – trade along with an increase of 896 million JPY in investment securities, despite a decrease of 980 million JPY in cash and deposits.

(ii) Liabilities

As of the end of the third quarter under review, we posted liabilities of 4,811 million JPY, a decrease of 236 million JPY compared with the previous fiscal year. This was mainly due to a decrease of 432 million JPY in income taxes payable, despite an increase of 200 million JPY in long-term guarantee deposited.

(iii) Net Assets

As of the end of the third quarter under review, we posted net assets of 12,144 million JPY, an increase of 489 million JPY compared with the previous fiscal year. This was mainly due to an increase of 466 million JPY in retained earnings.

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

In the fiscal year ending July 31, 2019, Ateam will continue to strengthen and expand each business segment, while pushing forward with upfront investment to create new businesses and enhance business portfolio to achieve sustainable growth and improve corporate value over the medium- to long-term. As part of these measures, we will focus on acquiring talented personnel, developing human resources, improving work environments and improving organizational structure.

However, in light of current trends in business results, we have revised our consolidated earnings forecast for the fiscal year ending July 31, 2019 as mentioned below.

The outlook for consolidated business results for the full fiscal year is as follows.

In regard to revenue, although the Lifestyle Support Business is expected to slightly outperform initial forecast, the Entertainment Business and EC Business fall short of original expectations, thus overall revenue will be lower than anticipated. In the Entertainment Business, both existing and new games underperformed, with newly released “BASSA WARRIORS” unable to improve from recovery phase, thus resulting in a decline from initial estimates. As for the EC Business, as a result of giving priority to restructuring of logistic operations, revenue is expected to fall below initial forecasts.

In regard to operating income and ordinary income, with limited profit contribution due to a decrease in revenue and increase in personnel for new game developments within the Entertainment Business, and the EC Business unable to break-even for the full-year, we expect both operating income and ordinary income to fall below initial forecasts.

As for net income attributable to shareholders of parent company, due to the recorded extraordinary loss for software assets related to development expense of the game “BASSA WARRIORS”, net income is expected to fall significantly below initial forecasts.

For these reasons mentioned above, the consolidated financial forecast for the full fiscal year will be revised as mentioned below.

The aforementioned forward-looking statements and the earnings forecasts provided 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, 2019 (August 1, 2018 - July 31, 2019)

Revenue	37,000 million JPY (down 1.8% year on year)
Operating income	2,850 million JPY (down 39.4% year on year)
Ordinary income	2,850 million JPY (down 39.7% year on year)
Net income attributable to shareholders of parent company	1,500 million JPY (down 54.6% year on year)

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Quarterly Consolidated Balance Sheets

(Million JPY)

	As of July 31, 2018	As of April 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	5,984	5,003
Notes and accounts receivable - trade	4,128	4,402
Inventories	679	612
Other	706	1,064
Allowance for doubtful accounts	(10)	(5)
Total current assets	11,488	11,077
Non-current assets		
Property, plant and equipment		
Buildings, net	1,285	1,333
Other, net	398	408
Total property, plant and equipment	1,684	1,742
Intangible assets		
Goodwill	1,109	1,011
Other	961	589
Total intangible assets	2,070	1,600
Investments and other assets		
Investment securities	374	1,270
Lease and guarantee deposits	686	777
Other	407	496
Allowance for doubtful accounts	(8)	(10)
Total investments and other assets	1,459	2,535
Total non-current assets	5,214	5,878
Total assets	16,702	16,956



(Million JPY)

	As of July 31, 2018	As of April 30, 2019
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	465	372
Short-term loans payable	100	—
Current portion of long-term loans payable	33	—
Accounts payable - other	2,417	2,604
Income taxes payable	718	285
Provision for bonuses	—	75
Provision for sales promotion expenses	12	28
Provision for stocks payment	43	20
Other	672	692
Total current liabilities	4,464	4,080
Non-current liabilities		
Long-term loans payable	52	—
Asset retirement obligations	484	487
Long-term guarantee deposited	—	200
Other	45	43
Total non-current liabilities	583	731
Total liabilities	5,047	4,811
Net assets		
Shareholders' equity		
Capital stock	835	835
Capital surplus	829	829
Retained earnings	10,383	10,850
Treasury shares	△481	△438
Total shareholders' equity	11,566	12,077
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	△6
Foreign currency translation adjustment	2	△12
Total accumulated other comprehensive income	2	△18
Share acquisition rights	85	85
Total net assets	11,655	12,144
Total liabilities and net assets	16,702	16,956

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

## Quarterly Consolidated Statements of Income (Cumulative)

(Million JPY)

	Nine months ended April 30, 2018	Nine months ended April 30, 2019
Revenue	28,338	28,028
Cost of sales	5,085	5,601
Gross profit	23,253	22,426
Selling, general and administrative expenses	19,444	20,251
Operating income	3,809	2,175
Non-operating income		
Interest income	0	0
Gain on investments in partnership	40	—
Commission fee	4	9
Subsidy income	2	11
Other	10	6
Total non-operating income	56	27
Non-operating expenses		
Interest expenses	1	0
Loss on investments in partnership	—	16
Commission fee	—	7
Foreign exchange losses	9	1
Other	2	0
Total non-operating expenses	13	26
Ordinary income	3,852	2,177
Extraordinary income		
Gain on reversal of share acquisition rights	2	—
Total extraordinary income	2	—
Extraordinary losses		
Impairment loss	—	298
Loss on valuation of investment securities	—	134
Total extraordinary losses	—	432
Income before income taxes	3,854	1,744
Income taxes	1,204	644
Net income	2,650	1,100
Net income attributable to shareholders of parent company	2,650	1,100

Quarterly Consolidated Statements of Comprehensive Income (Cumulative)

(Million JPY)

	Nine months ended April 30, 2018	Nine months ended April 30, 2019
Net income	2,650	1,100
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(6)
Foreign currency translation adjustment	1	(14)
Total other comprehensive income	1	(21)
Comprehensive income	2,652	1,078
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,652	1,078

### Notes on Premise of Going Concern

Not applicable.

### Notes on Substantial Changes in the Amount of Shareholder's Equity

Not applicable.

### Additional Information

Application of "Partial Amendments to the Accounting Standard for Tax Effect Accounting"

Starting the first quarter of this fiscal year, "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, Feb 16, 2018) is applied, causing category change from "Deferred Tax Assets" to "Investments and Other Assets".

### Segment Information

Nine months ended April 30, 2018 (from August 1, 2017 to April 30, 2018)

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

(Million 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	12,511	13,848	1,978	28,338	-	28,338
Inter-segment sales and transfers	-	-	-	-	-	-
Total	12,511	13,848	1,978	28,338	-	28,338
Segment profit (loss)	2,949	2,314	(190)	5,073	(1,263)	3,809

(Notes)1. Adjustment of negative 1,263 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 quarterly consolidated statements of income.

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

(Significant fluctuation in the amount of goodwill)

Upon the business acquisition of Increments Inc. in the second quarter of the fiscal year ended July 31, 2018, the allocation of acquisition costs was incomplete, hence the calculated amount of goodwill was temporary; however, as of the end of the fiscal year ended July 31, 2018, the allocation of acquisition costs was settled, thus the amount of goodwill was amended accordingly.

Nine months ended April 30, 2019 (from August 1, 2018 to April 30, 2019)

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

(Million 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	10,114	16,377	1,535	28,028	-	28,028
Inter-segment sales and transfers	-	-	-	-	-	-
Total	10,114	16,377	1,535	28,028	-	28,028
Segment profit (loss)	1,257	2,351	(166)	3,443	(1,267)	2,175

(Notes)1. Adjustment of negative 1,267 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 quarterly consolidated statements of income.

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

(Significant impairment loss on fixed assets)

Of the fixed assets associated with the Entertainment Business segment that Ateam owns, the book value has been reduced to the recoverable value due to decline in profitability, of which this reduced impairment amount has been recorded as an extraordinary loss. The amount recorded for the impairment loss is 298 million JPY which is reflected in the current consolidated third quarter.

