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Consolidated Financial Results for the Six Months Ended January 31, 2021 (Japan GAAP)



March 12, 2021

Company name: Ateam Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3662
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Scheduled date of filing securities report: March 12, 2021
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, 2021 (August 1, 2020 - January 31, 2021)

(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, 2021	14,871	-7.1	221	-35.4	363	3.7	741	484.6
Six months ended January 31, 2020	16,014	-13.5	342	-70.9	350	-70.0	126	-82.9

Note: Comprehensive income (million JPY)

Six months ended January 31, 2021: 752 [439.1%]

Six months ended January 31, 2020: 139 [-81.2%]

	Net income per share-basic	Net income per share-diluted
	JPY	JPY
Six months ended January 31, 2021	37.84	37.84
Six months ended January 31, 2020	6.49	6.48

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million JPY	Million JPY	%
As of January 31, 2021	16,627	12,200	72.9
Fiscal Year ended July 31, 2020	16,063	11,722	72.5

Note: Shareholders' equity (million JPY)

As of January 31, 2021: 12,117

Fiscal Year ended July 31, 2020: 11,639

2. Dividends

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
Fiscal year ended July 31, 2020	JPY —	JPY 0.00	JPY —	JPY 16.00	JPY 16.00
Fiscal year ending July 31, 2021	—	0.00			
Fiscal year ending July 31, 2021 (forecast)			—	16.00	16.00

Note: Revisions to dividend forecasts: No

3. Forecasts for the Fiscal Year Ending July 31, 2021 (August 1, 2020 - July 31, 2021)

(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	%	
Full-year	33,500	5.5	500	-60.7	500	-60.0	720	—	JPY 36.73

Note: Revisions to the forecasts for the fiscal year ending July 31, 2021: No

*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 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

(4) 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 January 31, 2021	19,789,200	As of July 31, 2020	19,783,200
As of January 31, 2021	183,588	As of July 31, 2020	205,588
Six months ended January 31, 2021	19,599,245	Six months ended January 31, 2020	19,547,339

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 5 of the attachments to this financial results report.

Index of Attachments

1. Qualitative Information Regarding Results for the Six Months	1
(1) Explanation of Operating Results.....	1
(2) Explanation of Financial Position.....	3
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements	5
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto.....	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	8
Quarterly Consolidated Statements of Income (Cumulative)	8
Quarterly Consolidated Statements of Comprehensive Income (Cumulative)	9
(3) Quarterly Consolidated Statements of Cash Flow.....	10
(4) Notes on Quarterly Consolidated Financial Statements	10
Notes on Premise of Going Concern.....	12
Notes on Substantial Changes in the Amount of Shareholder's Equity.....	12
Change in Company Policy.....	12
Segment Information	13

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 Be a Company Where All Can Achieve Happiness Together”, “To Be a Company that Continues 100 Years from Today”. 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. The Lifestyle Support Business engages in the planning, development and operation of various online services. 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, 2021, regarding revenue, although the E-Commerce Business showed a significant increase from the same quarter of the previous fiscal year, the Entertainment Business and Lifestyle Support Business decreased, resulting in overall revenue to slightly decline year on year. As for operating income, although segment profit increased in association with revenue increase for the E-Commerce Business, the expensed development cost for the new large-scale IP game in the Entertainment Business, along with the decrease in segment profit due to the impact of COVID-19 on the Lifestyle Support Business, resulted in overall operating income to decline year on year.

Ordinary income stayed flat year on year due to an increase in securities investment income. Regarding net income attributable to shareholders of parent company, as stated in the “Notice Regarding the Record of Gain on Sales of Investment Securities (Extraordinary Income)” disclosed on December 17, 2020, by recording an extraordinary income of 770 million JPY associated with the gain on sale of investment securities, overall net income attributable to shareholders of parent company increased significantly year on year.

Because of the above, during the six months ended January 31, 2021, Ateam posted revenue of 14,871 million JPY (down 7.1% year on year), operating income of 221 million JPY (down 35.4% year on year), ordinary income of 363 million JPY (up 3.7% year on year), and net income attributable to shareholders of parent company of 741 million JPY (up 484.6% year on year).

The operating performance by segment for the six months ended January 31, 2021 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).

Considering recent changes in the global game market environment, user needs, and technological advances, the Entertainment Business has decided to move away from specializing only in smartphone games, to focusing on the entire global digital distribution game market including smartphone games, PC games and console games. We aim for long-term future growth by collaborating with popular IP across the globe while also incorporating multi-device deployment.

In the six months ended January 31, 2021, regarding revenue, although a portion of the year-end holiday events for existing games performed well, overall existing games continued a downward trend, resulting in revenue to decline year on year. As for segment profit, although profits through efficient operation of existing game apps were realized, as disclosed on February 26, 2021, due to the expensed development cost for “FINAL FANTASY VII THE FIRST SOLDIER”, a smart device game for the global market, co-developed with SQUARE ENIX CO., LTD., overall segment profit decreased from the same quarter of the previous year.

We will continue to develop “FINAL FANTASY VII THE FIRST SOLDIER” with an aim to release in 2021.

As a result, during the six months ended January 31, 2021, the Entertainment Business posted revenue of 3,717 million JPY (down 9.3% year on year) and operating income of 214 million JPY (down 10.9% 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.

As of FY2020, we have changed our sub-segments to “Digital Marketing Support business” and “Platform business”.

In addition, as of the fiscal year ending July 31, 2021, the e-commerce (including “minorie”, etc.) in the Women’s Healthcare Service has been classified as “Other business” from the “Platform business”.

The “Digital Marketing Support business” centers on digital marketing support that refers prospective customers to partner companies via our own-medias and has the potential for speedy horizontal business expansion. This business model accumulates profits by being able to quickly launch and expand services in several different business areas.

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

The “Platform business” provides a “place” where information gathered through applications and websites can not only accumulate, but such user data can be utilized to enhance unique value to build market advantage. This business model aims to increase and improve the value of this data and to provide solutions, thus creating a cycle of value.

The main revenue source is advertising revenue, membership fees, and sales from providing tools and EC solutions.

Currently, the “Platform business” consists of the healthcare field, and the engineering field.

In the six months ended January 31, 2021, although certain services did better than others, the effects of COVID-19 continued to heavily impact the wedding venue information website “Hayanume” from the second half of the previous fiscal year, resulting in overall revenue to decrease year on year.

As for segment profit, in addition to the decrease in profit associated with decreased “Hanayume” revenue, the impact on SEO (Search Engine Optimization) of the cash loan comparison website “NaviNavi Cashing” and the credit card comparison website “NaviNavi Credit Card” due to the Google core algorithm update in December 2020, investment in listing advertisements increased, resulting in overall segment profit to decline. Furthermore, the recording of one-time expenses associated with the lease termination of partial offices caused a significant decrease in profit.

As a result, during the six months ended January 31, 2021, the Lifestyle Support Business posted revenue of 9,586 million JPY (down 10.2% year on year) and operating income of 510 million JPY (down 46.4% 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.

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.

(Note) Fulfilment refers to the overall aspects of the most important core process in an online shopping business, including the management of orders received, management of inventory, product picking, assortment and packaging of products, dispatch, invoicing of proceeds and settlement. Fulfilment also encompasses peripheral operations such as customer support, which includes complaint handling and inquiry response, returns and exchange response, as well as customer data management.

In the six months ended January 31, 2021, with the continuous improvement of operational efficiency, thorough inventory control along with the maintained demand for bicycles following social distance practices in response to COVID-19, was able to achieve quarterly profit during the second quarter of the current fiscal year, which is also known as the off-season for the industry. Due to this, revenue and segment profit increased significantly year on year.

We will continue to aspire for stable business growth by improving operational efficiency.

As a result, during the six months ended January 31, 2021, the E-Commerce Business posted revenue of 1,567 million JPY (up 26.0% year on year) and operating income of 80 million JPY (compared with an operating loss of 104 million JPY in 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 16,627 million JPY, an increase of 563 million JPY compared with the previous fiscal year. This was due to an increase of 548 million JPY in notes and accounts receivable – trade.

(ii) Liabilities

As of the end of the second quarter under review, we posted liabilities of 4,426 million JPY, an increase of 85 million JPY compared with the previous fiscal year. This was mainly due to an increase of 94 million JPY in accounts payable – other.

(iii) Net Assets

As of the end of the second quarter under review, we posted net assets of 12,200 million JPY, an increase of 477 million JPY compared with the previous fiscal year. This was mainly due to an increase of 428 million JPY in retained earnings.

(iv) Cash Flows

During the six months ended January 31, 2021, cash and cash equivalents (“cash”) increased to 6,868 million JPY (up 19.0% year on year).

The respective status of cash flows during the six months ended January 31, 2021 and their contributing factors are as follows:

Cash Flows from Operating Activities

Cash provided by operating activities during the six months ended January 31, 2021 was 245 million JPY

(compared to 80 million JPY in the previous fiscal year). This was mainly due to the impact of income before income taxes and minority interests of 1,100 million JPY and depreciation of 228 million JPY, despite the recording of extraordinary income of 770 million JPY in investment securities and trade receivables of 528 million JPY.

Cash Flows from Investing Activities

Cash used in investing activities during the six months ended January 31, 2021 was 477 million JPY (compared to 714 million JPY in the previous fiscal year). This was mainly due to the sale of 773 million JPY in investment securities, despite a decrease of 271 million JPY due to the acquisition of shares of a subsidiary in relation to a change in scope of consolidation.

Cash Flows from Financing Activities

Cash provided by financing activities during the six months ended January 31, 2021 was 332 million JPY (compared to 312 million JPY in the previous fiscal year). This was due to dividend payments of 313 million JPY.

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

In the fiscal year ending July 31, 2021, Ateam intends to continue to strengthen and expand its operations across all segments and upgrade its business portfolio through continued investments in business creation in pursuit of sustained growth and medium- to long-term corporate value accretion. Additionally, by realizing diverse working styles including working from home, we will continue to focus on developing human resources, shaping its environment and strengthening its organizational structure, while limiting the number of recruits.

Regarding the consolidated business outlook for the fiscal year ending July 31, 2021, we believe it to be the transition period of business performance in preparation for the next leap forward.

As for the six months ended January 31, 2021, regarding revenue, overall business is progressing in-line with forecast.

On the other hand, operating income and ordinary income exceeded initial forecasts. This is mainly due to the recovery of “NaviNavi Cashing” from COVID-19, along with the continued operational efficiency in the Entertainment Business.

As for net income attributable to shareholders of parent company, as stated in the “Notice Regarding the Record of Gain on Sales of Investment Securities (Extraordinary Income)” disclosed on December 17, 2020, due to the recording of 770 million JPY in extraordinary income, net income attributable to shareholders of parent company increased significantly, and thus the consolidated financial forecast was revised as follows.

Furthermore, the impact of COVID-19 remains to be uncertain, and it is expected that upfront investment will increase from initial expectations for certain existing and new services within the Lifestyle Support Business, along with the new large-scale IP game development within the Entertainment Business.

Therefore, we will not be making any changes to the full year consolidated financial forecast at this time, and if any change in forecast is to occur, a prompt announcement will be made via public notice.

The 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 because of various factors in the future.

Full Year forecast for the fiscal year ending July 31, 2021 (August 1, 2020 - July 31, 2021)

Revenue	33,500 million JPY (up 5.5% year on year)
Operating income	500 million JPY (down 60.7% year on year)
Ordinary income	500 million JPY (down 60.0% year on year)
Net income attributable to shareholders of parent company	720 million JPY (-)

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Million JPY)

	As of July 31, 2020	As of January 31, 2021
Assets		
Current assets		
Cash and deposits	6,480	6,868
Notes and accounts receivable - trade	2,841	3,390
Inventories	348	441
Other	1,464	727
Allowance for doubtful accounts	-4	-4
Total current assets	11,130	11,423
Non-current assets		
Property, plant and equipment		
Buildings, net	1,110	1,034
Other, net	273	288
Total property, plant and equipment	1,384	1,322
Intangible assets		
Goodwill	—	261
Other	477	483
Total intangible assets	477	744
Investments and other assets		
Investment securities	1,763	1,775
Leasehold and guarantee deposits	819	781
Other	497	589
Allowance for doubtful accounts	-10	-10
Total investments and other assets	3,070	3,136
Total non-current assets	4,932	5,204
Total assets	16,063	16,627

(Million JPY)

	As of July 31, 2020	As of January 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	454	444
Accounts payable - other	2,240	2,334
Income taxes payable	384	447
Provision for bonuses	—	46
Provision for sales promotion expenses	146	133
Provision for share-based remuneration	38	18
Provision for share-based remuneration for directors (and other officers)	—	13
Other	583	449
Total current liabilities	3,847	3,889
Non-current liabilities		
Asset retirement obligations	492	494
Other	1	43
Total non-current liabilities	493	537
Total liabilities	4,340	4,426
Net assets		
Shareholders' equity		
Share capital	837	838
Capital surplus	831	832
Retained earnings	10,391	10,819
Treasury shares	-397	-359
Total shareholders' equity	11,663	12,130
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-26	-13
Foreign currency translation adjustment	3	0
Total accumulated other comprehensive income	-23	-12
Share acquisition rights	82	82
Total net assets	11,722	12,200
Total liabilities and net assets	16,063	16,627

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (Cumulative)

(Million JPY)

	Six months ended January 31, 2020	Six months ended January 31, 2021
Revenue	16,014	14,871
Cost of sales	3,595	3,687
Gross profit	12,419	11,183
Selling, general and administrative expenses	12,077	10,962
Operating income	342	221
Non-operating income		
Interest and dividend income	1	2
Foreign exchange gains	—	1
Commission income	3	9
Gain on investments in investment partnerships	0	127
Subsidy income	4	6
Other	4	10
Total non-operating income	14	156
Non-operating expenses		
Interest expenses	0	1
Foreign exchange losses	5	—
Loss on transfer of receivables	0	9
Other	0	3
Total non-operating expenses	6	14
Ordinary profit	350	363
Extraordinary income		
Gain on sales of investment securities	—	770
Total extraordinary income	—	770
Extraordinary losses		
Impairment loss	47	33
Total extraordinary losses	47	33
Profit before income taxes	302	1,100
Income taxes	176	359
Net income	126	741
Net income attributable to shareholders of parent company	126	741

Quarterly Consolidated Statements of Comprehensive Income (Cumulative)

(Million JPY)

	Six months ended January 31, 2020	Six months ended January 31, 2021
Net income	126	741
Other comprehensive income		
Valuation difference on available-for-sale securities	9	13
Foreign currency translation adjustment	3	-2
Total other comprehensive income	12	10
Comprehensive income	139	752
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	139	752

(3) Quarterly Consolidated Statements of Cash Flow

(Million JPY)

	Six months ended January 31, 2020	Six months ended January 31, 2021
Cash flows from operating activities		
Profit before income taxes	302	1,100
Depreciation	244	228
Impairment loss	47	33
Amortization of goodwill	65	—
Increase (decrease) in allowance for doubtful accounts	-5	-0
Increase (decrease) in provision for bonuses	50	46
Increase (decrease) in provision for sales promotion expenses	66	-12
Increase (decrease) in provision for share-based remuneration	-22	-19
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	11	13
Interest and dividend income	-1	-2
Interest expenses	0	1
Subsidy income	-4	-6
Loss (gain) on sales of investment securities	—	-770
Loss (gain) on investments in investment partnerships	-0	-127
Decrease (increase) in trade receivables	186	-528
Decrease (increase) in inventories	28	-93
Increase (decrease) in trade payables	58	-11
Increase (decrease) in accounts payable - other	47	93
Increase (decrease) in guarantee deposits received	-200	—
Other, net	-410	119
Subtotal	466	65
Interest and dividends received	1	2
Interest paid	-0	-1
Income taxes paid	-465	-418
Income taxes refund	73	592
Proceeds from subsidy income	4	6
Net cash provided by (used in) operating activities	80	245

Cash flows from investing activities		
Purchase of property, plant and equipment	-86	-16
Purchase of intangible assets	-134	-126
Proceeds from sales of investment securities	—	773
Proceeds from distributions from investment partnerships	12	192
Purchase of investment securities	-486	-65
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-271
Other, net	-19	-9
Net cash provided by (used in) investing activities	-714	477
Cash flows from financing activities		
Dividends paid	-312	-313
Other, net	0	-19
Net cash provided by (used in) financing activities	-312	-332
Effect of exchange rate change on cash and cash equivalents	2	-2
Net increase (decrease) in cash and cash equivalents	-943	387
Cash and cash equivalents at beginning of period	6,713	6,480
Cash and cash equivalents at end of period	5,770	6,868

(4) Notes on Quarterly Consolidated Financial Statements

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 the Consolidated Taxation System)

As of the first quarter upon review, Ateam and some of Ateam's domestic consolidated subsidiaries have applied the Consolidated Taxation System.

(Application of handling related to the application of tax effect accounting related to the transition from Consolidated Taxation System to group total system)

Ateam and some of Ateam's domestic consolidated subsidiaries will shift to the established group total system based on the "Law for Partial Revision of Income Tax Law, etc." (Act No. 8 of 2nd Year of Ordinance). As for items for which the non-consolidated tax payment system has been reviewed upon the "Handling of Application of Tax Effect Accounting Related to the Transition from the Consolidated Taxation System to the Group Total System" (Practical Response Report No. 39, March 31, 2020) Paragraph 3, the provisions of Paragraph 44 of "Application Guideline No. 28, February 16, 2018) are not applied, and deferred tax assets and deferrals are determined based on the provisions of the tax law before the revision.

Segment Information

Six months ended January 31, 2020 (from August 1, 2019 to January 31, 2020)

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	4,101	10,669	1,243	16,014	–	16,014
Inter-segment sales and transfers	–	–	–	–	–	–
Total	4,101	10,669	1,243	16,014	–	16,014
Segment profit (loss)	240	952	-104	1,089	-746	342

(Notes)1. Adjustment of negative 746 million 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 Impairment Loss on Fixed Assets)

The development of an intangible fixed asset within the Lifestyle Support Business segment has been discontinued, setting the recoverable amount to zero and the entire book value recorded as an impairment loss. The amount recorded for the impairment loss was 47 million JPY in the first half of the fiscal year under review.

Six months ended January 31, 2021 (from August 1, 2020 to January 31, 2021)

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	3,717	9,586	1,567	14,871	–	14,871
Inter-segment sales and transfers	–	–	–	–	–	–
Total	3,717	9,586	1,567	14,871	–	14,871
Segment profit (loss)	214	510	80	806	-585	221

(Notes)1. Adjustment of negative 585 million 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 Impairment Loss on Fixed Assets)

The profitability of a fixed asset within the Entertainment Business segment declined, setting the recoverable value to zero and the entire book value recorded as an impairment loss. The amount recorded for the impairment loss was 33 million JPY in the first half of the fiscal year under review.

(Significant Fluctuations in the Amount of Goodwill)

Due to the share acquisition of Links Inc. within the Lifestyle Support Business segment, we have included the company in the scope of consolidation. The amount of increase in goodwill due to this event was 261 million JPY in the first half of the fiscal year under review. Since the allocation of the acquisition cost for this transaction has not been completed, the amount of goodwill is a provisionally calculated amount.