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## Consolidated Financial Results for the Nine Months Ended April 30, 2021 (Japan GAAP)



June 11, 2021

Company name: Ateam Inc.  
Stock exchange listing: Tokyo Stock Exchange  
Securities code: 3662  
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Scheduled date of filing securities report: June 11, 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 Nine Months Ended April 30, 2021 (August 1, 2020 – April 30, 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	%
Nine months ended April 30, 2021	23,509	-3.7	580	-44.8	733	-29.0	981	—
Nine months ended April 30, 2020	24,400	-12.9	1,051	-51.7	1,033	-52.5	-384	—

Note: Comprehensive income (million JPY)

Nine months ended April 30, 2021: 1,149 [—%]

Nine months ended April 30, 2020: -412 [—%]

	Net income per share-basic	Net income per share-diluted
	JPY	JPY
Nine months ended April 30, 2021	50.11	50.11
Nine months ended April 30, 2020	-19.65	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million JPY	Million JPY	%
As of April 30, 2021	16,392	12,239	74.2
Fiscal Year ended July 31, 2020	16,063	11,722	72.5

Note: Shareholders' equity (million JPY)

As of April 30, 2021: 12,156

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	%	JPY
Full-year	33,500	5.5	500	-60.7	500	-60.0	720	—	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 April 30, 2021	19,789,200	As of July 31, 2020	19,783,200
As of April 30, 2021	390,388	As of July 31, 2020	205,588
Nine months ended April 30, 2021	19,579,493	Nine months ended April 30, 2020	19,549,014

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.

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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 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 nine months ended April 30, 2021, regarding revenue, although the E-Commerce Business increased 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 and ordinary income, although segment profit increased in association with revenue increase for the E-Commerce Business, the continued 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 and ordinary income to decline year on year.

Regarding net income/loss attributable to shareholders of parent company, during the previous consolidated third quarter, goodwill and impairment loss on trademark rights related to Increments Inc. was recorded, while a gain in investment securities was recorded during the current third quarter upon review, thus resulting in a significant increase year on year.

Because of the above, during the nine months ended April 30, 2021, Ateam posted revenue of 23,509 million JPY (down 3.7% year on year), operating income of 580 million JPY (down 44.8% year on year), ordinary income of 733 million JPY (down 29.0% year on year), and net income attributable to shareholders of parent company of 981 million JPY (compared to a net loss attributable to shareholder of parent company of 384 million JPY in the previous fiscal year).

The operating performance by segment for the nine months ended April 30, 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 nine months ended April 30, 2021, regarding revenue, 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, 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.

Additionally, during the third quarter under review, segment rent decreased significantly due to the strengthened implementation of remote work compared to other business segments related to the termination of partial office lease.

As a result, during the nine months ended April 30, 2021, the Entertainment Business posted revenue of 5,505 million JPY (down 8.9% year on year) and operating income of 322 million JPY (down 21.4% 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 nine months ended April 30, 2021, regarding revenue, mainly the effects of COVID-19 continued to heavily impact the wedding venue information website “Hayanume”, 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.

As a result, during the nine months ended April 30, 2021, the Lifestyle Support Business posted revenue of 15,338 million JPY (down 4.9% year on year) and operating income of 1,012 million JPY (down 43.2% 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 nine months ended April 30, 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, revenue and segment profit improved significantly year on year. In addition, during the third quarter upon review, record high revenue was achieved due to the implementation of mass marketing with famous entertainers. We will continue to aspire for stable business growth and aim to be the No. 1 bicycle online store.

As a result, during the nine months ended April 30, 2021, the E-Commerce Business posted revenue of 2,664 million JPY (up 20.0% year on year) and operating income of 133 million JPY (compared with an operating loss of 52 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 16,392 million JPY, an increase of 329 million JPY compared with the previous fiscal year. This was due to an increase of 671 million JPY in notes and accounts receivable – trade, 250 million JPY in goodwill, and 196 million JPY in investment securities, despite a decrease of 834 million JPY in cash and deposits.

### (ii) Liabilities

As of the end of the third quarter under review, we posted liabilities of 4,153 million JPY, a decrease of 187 million JPY compared with the previous fiscal year. This was mainly due to a decrease of 225 million JPY in income taxes payable.

### (iii) Net Assets

As of the end of the third quarter under review, we posted net assets of 12,239 million JPY, an increase of 516 million JPY compared with the previous fiscal year. This was mainly due to an increase of 667 million JPY in retained earnings.

### (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 nine months ended April 30, 2021, regarding revenue, overall business is progressing in-line with forecast.

As for operating income and ordinary income, although the third quarter was slightly lower than initial forecasts, the first half of the current fiscal year significantly exceeded initial forecasts, thus during the cumulative nine-month period, operating income and ordinary income exceeded initial forecasts. This is mainly due to cost efficient management within the Entertainment Business and E-Commerce Business throughout the nine months, despite the delay in “Hanayume” recovery from COVID-19, along with an increase in “NaviNavi Cashing” listing advertisement fees related to the Google core algorithm update.

Furthermore, the COVID-19 impact on “Hanayume” and the Google core algorithm update impact on “NaviNavi Cashing” is expected to continue into the fourth quarter upon review, resulting in operating income and ordinary income to fall short of initial expectations, which in turn will result in overall income to fall in-line with initial expectations for the full fiscal year.

As for net income attributable to shareholders of parent company, as disclosed on December 22, 2020, due to the recording of 770 million JPY in gain of sales on investment securities as extraordinary income, net income attributable to shareholders of parent company has been revised upward significantly, and overall is expected to fall in-line with the revised forecast.

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 April 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	6,480	5,646
Notes and accounts receivable - trade	2,841	3,513
Inventories	348	479
Other	1,464	1,468
Allowance for doubtful accounts	-4	-4
Total current assets	11,130	11,102
Non-current assets		
Property, plant and equipment		
Buildings, net	1,110	1,001
Other, net	273	271
Total property, plant and equipment	1,384	1,272
Intangible assets		
Goodwill	—	250
Other	477	542
Total intangible assets	477	792
Investments and other assets		
Investment securities	1,763	1,959
Leasehold and guarantee deposits	819	701
Other	497	574
Allowance for doubtful accounts	-10	-10
Total investments and other assets	3,070	3,225
Total non-current assets	4,932	5,290
Total assets	16,063	16,392



	As of July 31, 2020	As of April 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	454	508
Accounts payable - other	2,240	2,201
Income taxes payable	384	158
Provision for bonuses	—	70
Provision for sales promotion expenses	146	171
Provision for share-based remuneration	38	18
Provision for share-based remuneration for directors (and other officers)	—	20
Other	583	470
Total current liabilities	3,847	3,620
Non-current liabilities		
Asset retirement obligations	492	495
Other	1	37
Total non-current liabilities	493	533
Total liabilities	4,340	4,153
Net assets		
Shareholders' equity		
Share capital	837	838
Capital surplus	831	832
Retained earnings	10,391	11,059
Treasury shares	-397	-717
Total shareholders' equity	11,663	12,011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-26	137
Foreign currency translation adjustment	3	6
Total accumulated other comprehensive income	-23	144
Share acquisition rights	82	82
Total net assets	11,722	12,239
Total liabilities and net assets	16,063	16,392

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

## Quarterly Consolidated Statements of Income (Cumulative)

(Million JPY)

	Nine months ended April 30, 2020	Nine months ended April 30, 2021
Revenue	24,400	23,509
Cost of sales	5,633	5,882
Gross profit	18,766	17,627
Selling, general and administrative expenses	17,715	17,046
Operating income	1,051	580
Non-operating income		
Interest and dividend income	3	2
Foreign exchange gains	—	7
Commission income	5	16
Gain on investments in investment partnerships	5	135
Subsidy income	4	6
Other	5	11
Total non-operating income	24	179
Non-operating expenses		
Interest expenses	0	1
Foreign exchange losses	12	—
Loss on transfer of receivables	1	13
Loss related COVID-19	25	—
Other	2	10
Total non-operating expenses	42	26
Ordinary income	1,033	733
Extraordinary income		
Gain on sales of investment securities	—	770
Total extraordinary income	—	770
Extraordinary losses		
Impairment loss	1,046	33
Total extraordinary losses	1,046	33
Profit (loss) before income taxes	-13	1,470
Income taxes	370	489
Net income (loss)	-384	981
Net income (loss) attributable to shareholders of parent company	-384	981

Quarterly Consolidated Statements of Comprehensive Income (Cumulative)

(Million JPY)

	Nine months ended April 30, 2020	Nine months ended April 30, 2021
Net income (loss)	-384	981
Other comprehensive income		
Valuation difference on available-for-sale securities	-30	164
Foreign currency translation adjustment	1	3
Total other comprehensive income	-28	168
Comprehensive income	-412	1,149
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-412	1,149

### (3) 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**

Ateam acquired 206,800 shares of treasury stock based on a resolution of the Board of Directors meeting held on March 12, 2021. As a result, treasury stock increased by 358 million JPY during the nine months ended April 30, 2021, and treasury stock increased by 717 million JPY at the end of the third quarter upon review.

#### **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 2<sup>nd</sup> 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

Nine months ended April 30, 2020 (from August 1, 2019 to April 30, 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	6,044	16,136	2,219	24,400	–	24,400
Inter-segment sales and transfers	–	–	–	–	–	–
Total	6,044	16,136	2,219	24,400	–	24,400
Segment profit (loss)	410	1,783	-52	2,141	-1,090	1,051

(Notes)1. Adjustment of negative 1,090 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. In addition, also in the Lifestyle Support Business segment, goodwill and trademark rights recognized at the time of the acquisition of shares of Increments Inc. is no longer expected, thus setting the recoverable amount to zero and the entire book value recorded as an impairment loss. Thus, the amount recorded for the impairment loss was 1,046 million JPY, consisting of 47 million JPY in software development, 880 million JPY in goodwill, and 118 million JPY in trademark rights as of the nine months under review.

Nine months ended April 30, 2021 (from August 1, 2020 to April 30, 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	5,505	15,338	2,664	23,509	–	23,509
Inter-segment sales and transfers	–	–	–	–	–	–
Total	5,505	15,338	2,664	23,509	–	23,509
Segment profit (loss)	322	1,012	133	1,468	-887	580

(Notes)1. Adjustment of negative 887 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 nine months 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 nine months 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.