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Consolidated Financial Results for the Six Months Ended January 31, 2022 (Japan GAAP)



March 11, 2022

Company name: Ateam Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3662
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Scheduled date of filing securities report: March 11, 2022
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, 2022 (August 1, 2021 – January 31, 2022)

(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, 2022	14,982	0.7	-1,143	—	-1,136	—	-729	—
Six months ended January 31, 2021	14,871	-7.1	221	-35.4	363	3.7	741	484.6

Note: Comprehensive income (million JPY)

Six months ended January 31, 2022: -471 [—%]

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

	Net income per share-basic	Net income per share-diluted
	JPY	JPY
Six months ended January 31, 2022	-38.89	—
Six months ended January 31, 2021	37.84	37.84

Note: “Accounting Standards for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020.) etc. has been applied from the beginning of the first quarter of the current consolidated fiscal year, thus, each number for the second quarter of the fiscal year ending July 31, 2022 is the number of which this Accounting Standards etc. has been applied.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million JPY	Million JPY	%
As of January 31, 2022	14,474	10,295	70.6
Fiscal Year ended July 31, 2022	15,751	11,582	73.0

Note: Shareholders' equity (million JPY)

As of January 31, 2022: 10,222

Fiscal Year ended July 31, 2021: 11,500

Note: "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020.) etc. has been applied from the beginning of the first quarter of the current consolidated fiscal year, thus, each number for the second quarter of the fiscal year ending July 31, 2022 is the number of which this Accounting Standards etc. has been applied.

2. Dividends

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
Fiscal year ended July 31, 2021	JPY —	JPY 0.00	JPY —	JPY 16.00	JPY 16.00
Fiscal year ending July 31, 2022	—	0.00			
Fiscal year ending July 31, 2022 (forecast)			—	16.00	16.00

Note: Revisions to dividend forecasts: No

3. Forecasts for the Fiscal Year Ending July 31, 2022 (August 1, 2021 - July 31, 2022)

(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	32,500	4.0	-700	—	-700	—	-850	—	-45.29

Note: Revisions to the forecasts for the fiscal year ending July 31, 2022: 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 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. : Yes
 (ii) Changes in accounting policies other than above (i) : No
 (iii) Changes in accounting projections : No
 (iv) Restatement : No

Note: For more details, please refer to the "2. Quarterly Consolidated Financial Statements and Significant Notes Thereto (4) Notes on Quarterly Consolidated Financial Statements (Changes in Account Policies)" on page 12 of the attachments to this financial results report.

(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, 2022	19,789,200	As of July 31, 2021	19,789,200
(ii) Number of shares of treasury stock at the end of the period	As of January 31, 2022	1,256,188	As of July 31, 2021	811,388
(iii) Average number of shares during the period	Six months ended January 31, 2022	18,768,606	Six months ended January 31, 2021	19,599,245

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 "1. Qualitative Information Regarding Results for the Six Months (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements" on page 5 of the attachments to this financial results report.

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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 multiple e-commerce websites that handle various products, including our online bicycle store under the name “cyma”.

During the six months ended January 31, 2022, despite a decrease in the Entertainment Business, overall revenue increased in comparison to the same quarter of the previous fiscal year due to increases in the Lifestyle Support Business and the E-Commerce Business. Operating income, ordinary income, and net income attributable to shareholders of the parent company significantly decreased from the same quarter in the previous fiscal year mainly due to the recording of development and advertisement costs for “FINAL FANTASY VII THE FIRST SOLDIER”, the new large-scale IP game released in November 2021 by the Entertainment Business.

Because of the above, during the six months ended January 31, 2022, Ateam posted revenue of 14,982 million JPY (up 0.7% year on year), operating loss of 1,143 million JPY (compared to an operating income of 221 million JPY in the same quarter of the previous year), ordinary loss of 1,136 million JPY (compared to an ordinary income of 363 million JPY in the same quarter of the previous year), and net loss attributable to shareholders of parent company of 729 million JPY (compared to a net income attributable to shareholders of parent company of 741 million JPY in the same quarter of the previous fiscal year).

The operating performance by segment for the six months ended January 31, 2022 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, 2022, regarding revenue, our existing game titles have continued a downward trend with a few of them temporarily performing well due to collaboration events and anniversary campaigns. As for “FINAL FANTASY VII THE FIRST SOLDIER”, which was released on November 17, 2021, the game’s revenue after release was not sufficient to cover the downward trend of existing game titles, resulting in segment revenue to decrease in comparison to the same quarter of the previous fiscal year. The segment’s profit significantly decreased from the same

quarter of the previous fiscal year due to the recording of advertisement costs for large-scale promotion of “FINAL FANTASY VII THE FIRST SOLDIER” at the time of its release.

To improve the performance of “FINAL FANTASY VII THE FIRST SOLDIER”, we are taking measures to increase its revenue while continuously improving current operations and making updates in accordance with user requests.

As a result, during the six months ended January 31, 2022, the Entertainment Business posted revenue of 3,301 million JPY (down 11.2% year on year) and operating loss of 897 million JPY (compared to an operating income of 214 million JPY in the same quarter of the previous fiscal 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.

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.

Platform Business provides Healthcare Service and Engineering Service.

In the six months ended January 31, 2022, regarding revenue, Financial Media continued to decrease due to changes in its SEO ranking associated with Google’s core algorithm update as well as an increase in the volume of web advertisements by competitors. In the car appraisal website “Navikuru”, expanding partner companies increased ARPU and the number of customer acquisitions. This resulted in a slight increase to segment revenue from the same quarter of the previous fiscal year. As for segment profit, despite a profit increase in “Navikuru” alongside the higher revenue, the revenue decrease and deteriorated CPA in Financial Media caused overall segment profit to decline from the same quarter of the previous fiscal year.

As a result, during the six months ended January 31, 2022, the Lifestyle Support Business posted revenue of 9,880 million JPY (up 3.1% year on year) and operating income of 310 million JPY (down 39.2% year on year).

E-Commerce Business

In the E-Commerce Business, we operate E-Commerce websites that handle multiple products, including our online bicycle store “cyma”.

Since the establishment in 2013, “cyma” has three 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.

Going forward, with the mission of “shopping that moves your heart”, we will continue to improve our product lineup, sales methods, and delivery quality daily, and provide services that allow users to experience shopping that greatly

exceeds their expectations.

In the six months ended January 31, 2022, regarding revenue, “cyma’s” increasing sales volume due to price revision for each bicycle in addition to strong sales at online shopping malls, such as “Rakuten Ichiba”, “Yahoo Japan Shopping”, etc., resulted in segment revenue to increase from the same quarter of the previous fiscal year. Regarding profit, a decline in profit margin due to the price revision in “cyma” while investing in the new service “Obremo”, launched in August 2021, led to overall segment profit to decrease from the same quarter of the previous fiscal year.

As a result, during the six months ended January 31, 2022, the E-Commerce Business posted revenue of 1,799 million JPY (up 14.8% year on year) and operating loss of 53 million JPY (compared with an operating income of 80 million JPY in same quarter in the previous year).

(2) Explanation of Financial Position

(i) Assets

As of the end of the second quarter under review, we posted total assets of 14,474 million JPY, a decrease of 1,276 million JPY compared with the previous fiscal year. This was mainly due to a decrease of 2,009 million JPY in cash and deposits.

(ii) Liabilities

As of the end of the second quarter under review, we posted liabilities of 4,178 million JPY, an increase of 10 million JPY compared with the previous fiscal year. This was mainly due to an increase of 498 million JPY in accounts payable.

(iii) Net Assets

As of the end of the second quarter under review, we posted net assets of 10,295 million JPY, a decrease of 1,287 million JPY compared with the previous fiscal year. This was mainly due to a decrease of 1,033 million JPY in retained earnings.

(iv) Cash Flows

During the six months ended January 31, 2022, cash and cash equivalents (“cash”) decreased to 4,025 million JPY (down 41.4% year on year).

The respective status of cash flows during the six months ended January 31, 2022 and their contributing factors are as follows:

Cash Flows from Operating Activities

Cash used in operating activities during the six months ended January 31, 2022 was 1,476 million JPY (compared to cash income 245 million JPY in the previous fiscal year). This was mainly due to the impact of quarterly loss before tax adjustment of 1,145 million JPY and income taxes paid of 448 million JPY, despite an increase of 175 million JPY in depreciation and of 497 million JPY in accounts payable.

Cash Flows from Investing Activities

Cash provided by investing activities during the six months ended January 31, 2022 was 311 million JPY (compared to 477 million JPY in the previous fiscal year). This was mainly due to the sale of 480 million JPY in investment securities.

Cash Flows from Financing Activities

Cash used in financing activities during the six months ended January 31, 2022 was 853 million JPY

(compared to 332 million JPY in the previous fiscal year). This was mainly due to the acquisition of treasury stock of 537 million JPY.

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

In the fiscal year ending July 31, 2022, 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 and governance, while limiting the number of recruits.

Regarding the consolidated business outlook for the fiscal year ending July 31, 2022, we believe it will be a year of endurance as we continuously aim to earn steady income in the existing services and make operations more efficient, in order to realize overall revenue and income growth by the various measures we made in the previous fiscal year.

Also, we hereby disclose the consolidated financial forecasts for the fiscal year ending July 31, 2022, which was left undetermined in the “Consolidated Financial Results for the Three Months Ended October 31, 2021 (Japan GAAP)” disclosed on December 10, 2021 as it had only been a short time since the release of “FINAL FANTASY VII THE FIRST SOLDIER”, which made it extremely difficult to calculate appropriate and rational numerical values.

As for the six months ended January 31, 2022, regarding revenue, performance of “FINAL FANTASY VII THE FIRST SOLDIER” in the Entertainment Business was insufficient to cover attenuation of existing titles and some of the services of other business segments, which did not lead to further growth of overall earnings. On the other hand, in the Lifestyle Support Business, despite the continued struggle in Financial Media, growth in car services contributed to overall segment revenue due to the increase in ARPU and the number of customer acquisitions by gaining partner companies with the impact of the booming used car market. In addition, business activities in bridal services are recovering from the impact of COVID-19; customers are returning in accordance with the infection situation settling down. The E-Commerce Business also increased revenue from the same quarter of the previous fiscal year as “cyma” trended well due to price revisions and the increase in sales volume on online shopping malls, although the second quarter was, as is typical, an off-period for the service.

Regarding operating income, ordinary income, and net income attributable to shareholders of parent company were greatly affected by the recording of advertisement cost for “FINAL FANTASY VII THE FIRST SOLDIER” in the Entertainment Business.

Earnings recovery is expected in the second half of the fiscal year; the Lifestyle Support Business and E-Commerce Business typically peak in the third quarter while measures to gain earnings in “FINAL FANTASY VII THE FIRST SOLDIER” will also be taken.

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, 2022 (August 1, 2021 - July 31, 2022)

Revenue	32,500 million JPY (up 4.0% year on year)
Operating loss	700 million JPY (—)
Ordinary loss	700 million JPY (—)
Net income attributable to shareholders of parent company	850 million JPY (—)

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Million JPY)

	As of July 31, 2021	As of January 31, 2022
Assets		
Current assets		
Cash and deposits	6,035	4,025
Notes and accounts receivable - trade	3,109	3,430
Inventories	450	539
Other	792	949
Allowance for doubtful accounts	-4	-5
Total current assets	10,383	8,940
Non-current assets		
Property, plant and equipment		
Buildings, net	953	907
Other, net	242	208
Total property, plant and equipment	1,195	1,115
Intangible assets		
Goodwill	239	217
Other	553	597
Total intangible assets	792	814
Investments and other assets		
Investment securities	2,148	2,019
Leasehold and guarantee deposits	665	650
Other	569	937
Allowance for doubtful accounts	-3	-3
Total investments and other assets	3,380	3,603
Total non-current assets	5,368	5,533
Total assets	15,751	14,474

	As of July 31, 2021	As of January 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	533	518
Accounts payable - other	1,873	2,371
Income taxes payable	370	73
Provision for bonuses	—	94
Provision for sales promotion expenses	191	215
Provision for share awards	34	17
Provision for share awards for directors (and other officers)	—	11
Other	636	354
Total current liabilities	3,640	3,657
Non-current liabilities		
Asset retirement obligations	496	497
Other	31	23
Total non-current liabilities	527	521
Total liabilities	4,168	4,178
Net assets		
Shareholders' equity		
Share capital	838	838
Capital surplus	832	832
Retained earnings	10,955	9,922
Treasury shares	-1,394	-1,896
Total shareholders' equity	11,232	9,695
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	287	535
Deferred gains or losses on hedges	-22	-18
Foreign currency translation adjustment	3	9
Total accumulated other comprehensive income	268	526
Share acquisition rights	82	73
Total net assets	11,582	10,295
Total liabilities and net assets	15,751	14,474

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (Cumulative)

(Million JPY)

	Six months ended January 31, 2021	Six months ended January 31, 2022
Revenue	14,871	14,982
Cost of sales	3,687	4,134
Gross profit	11,183	10,847
Selling, general and administrative expenses	10,962	11,990
Operating profit (loss)	221	-1,143
Non-operating income		
Interest and dividend income	2	0
Foreign exchange gains	1	3
Commission income	9	15
Gain on investments in investment partnerships	127	0
Other	16	4
Total non-operating income	156	24
Non-operating expenses		
Interest expenses	1	0
Loss on retirement of non-current assets	1	2
Loss on sale of receivables	9	12
Other	2	1
Total non-operating expenses	14	16
Ordinary profit (loss)	363	-1,136
Extraordinary income		
Gain on reversal of share acquisition rights	—	9
Gain on sale of investment securities	770	—
Total extraordinary income	770	9
Extraordinary losses		
Impairment losses	33	7
Loss on sale of investment securities	—	12
Total extraordinary losses	33	19
Profit (loss) before income taxes	1,100	-1,145
Income taxes	359	-415
Net income (loss)	741	-729
Net income (loss) attributable to shareholders of parent company	741	-729

Quarterly Consolidated Statements of Comprehensive Income (Cumulative)

(Million JPY)

	Six months ended January 31, 2021	Six months ended January 31, 2022
Net income (loss)	741	-729
Other comprehensive income		
Valuation difference on available-for-sale securities	13	248
Deferred gains or losses on hedges	—	4
Foreign currency translation adjustment	-2	6
Total other comprehensive income	10	258
Comprehensive income	752	-471
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	752	-471

(3) Quarterly Consolidated Statements of Cash Flow

(Million JPY)

	Six months ended January 31, 2021	Six months ended January 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	1,100	-1,145
Depreciation	228	175
Impairment losses	33	7
Amortization of goodwill	—	21
Increase (decrease) in allowance for doubtful accounts	-0	0
Increase (decrease) in provision for bonuses	46	94
Increase (decrease) in provision for sales promotion expenses	-12	24
Increase (decrease) in provision for share awards	-19	-17
Increase (decrease) in provision for share awards for directors (and other officers)	13	11
Interest and dividend income	-2	-0
Interest expenses	1	0
Subsidy income	-6	-0
Loss (gain) on sale of investment securities	-770	12
Loss (gain) on investments in investment partnerships	-127	-0
Decrease (increase) in trade receivables	-528	-320
Decrease (increase) in inventories	-93	-88
Increase (decrease) in trade payables	-11	-15
Increase (decrease) in accounts payable - other	93	497
Other, net	119	-286
Subtotal	65	-1,029
Interest and dividends received	2	0
Interest paid	-1	-0
Income taxes paid	-418	-448
Income taxes refund	592	1
Subsidies received	6	0
Net cash provided by (used in) operating activities	245	-1,476
Cash flows from investing activities		
Purchase of property, plant and equipment	-16	-17
Purchase of intangible assets	-126	-129
Proceeds from sale of investment securities	773	480
Proceeds from distributions from investment partnerships	192	51
Purchase of investment securities	-65	-50
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-271	—
Other, net	-9	-23
Net cash provided by (used in) investing activities	477	311
Cash flows from financing activities		
Purchase of treasury shares	—	-537
Dividends paid	-313	-304
Other, net	-19	-12
Net cash provided by (used in) financing activities	-332	-853
Effect of exchange rate change on cash and cash equivalents	-2	8
Net increase (decrease) in cash and cash equivalents	387	-2,009
Cash and cash equivalents at beginning of period	6,480	6,035
Cash and cash equivalents at end of period	6,868	4,025

(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

Ateam acquired 114,600 shares of treasury stock based on a resolution of the Board of Directors meeting held on March 12, 2021, as well as acquiring 350,000 shares of treasury stock based on a resolution of the Board of Directors meeting held on September 10, 2021. As a result, treasury stock increased by 502 million JPY during the six months ended January 31, 2022, and treasury stock increased by 1,896 million JPY at the end of the second quarter upon review.

Changes in Account Policies

(Application of the Accounting Standards for Revenue Recognition, etc.)

"Account Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020. Hereafter "Accounting Standards for Revenue Recognition") etc. has been applied from the beginning of the first quarter of the current consolidated fiscal year. In accordance with this accounting standard, we recognize revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. The major changes in relation to application of the Account Standards are stated below:

(1) Revenue Recognition for Sales of Goods Transactions

As for the sales of goods transactions in the E-Commerce service, although we previously recognize revenue when the goods and/or services are shipped, we have changed to the new manner of which we recognize revenue at the expected time when the customer detected the goods.

(2) Revenue Recognition for Item Billing Transactions

As for the item billing transactions in game service, although we previously recognize revenue when the currency in the game app is consumed, we have changed to the new manner of which we recognize revenue based upon the estimated period of use after the customer exchange items.

Operating Accounting Standards for Revenue Recognition follows the proviso of Paragraph 84 of the Accounting Standards for Revenue Recognition; accumulated amount of impact is added and subtracted in retained earnings of the first quarter of the current consolidated fiscal year, thus, we have applied the new accounting policy from the first quarter of this fiscal year. However, we applied Paragraph 86 of the Accounting Standards for Revenue Recognition, we have not retroactively applied the new accounting policy to the contract with recognition of almost all the amount of profit which follows the previous manner before the first quarter of the current consolidated fiscal year. Also, we applied the proviso of Paragraph 86 of the Accounting Standards for Revenue Recognition; we performed accounting process based upon Terms and Conditions with contract renewal, and then we added and subtracted the accumulated amount of impact in retained earnings of the first quarter of the current consolidated fiscal year.

Because of the above, during the six months ended January 31, 2022, revenue of Ateam decreased 54 million JPY, cost of sales decreased by 7 million JPY, and operating loss, ordinary loss, and quarterly loss before tax adjustment each increased 48 million JPY. In addition, there is no impact of retained earnings on the balance at the beginning of the period.

(Application of Accounting Standards for Calculating of Fair Value, etc.)

"Application of Accounting Standards for Calculating of Fair Value" (ASBJ Statement No. 30, July 4, 2019. Hereafter

“Fair Value Accounting Standards”) etc. has been applied from the beginning of the first quarter of the current consolidated fiscal year, and we have decided to operate the new accounting policy prescribed by Fair Value Accounting Standards over the future by following the transitional treatment prescribed by Paragraph 19 of Fair Value Accounting Standards and Section 44-2 of “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no effect of this change on the quarterly consolidated financial statements.

Additional Information

(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, 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 Fluctuation 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.

Six months ended January 31, 2022 (from August 1, 2021 to January 31, 2022)

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	3,301	9,880	1,799	14,982	–	14,982
Inter-segment sales and transfers	–	–	–	–	–	–
Total	3,301	9,880	1,799	14,982	–	14,982
Segment profit (loss)	-897	310	-53	-640	-502	-1,143

(Notes) 1. Adjustment of negative 502 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)

A desk asset that is determined to be closed with the Lifestyle Support Business was recorded as an impairment loss. As a result, the recording of impairment loss during the six months ended January 31, 2022 was 7 million JPY.

3. Matters concerning changes in reportable segment

As mentioned in Changes in Account Policies, “Account Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020. Hereafter “Accounting Standards for Revenue Recognition”) etc. has been applied from the beginning of the first quarter of the current consolidated fiscal year, resulting in a change in the method of measuring profits/losses in business segments.

Due to this change of method, compared to the conventional method, during the first half of this fiscal year, the Entertainment Business segment revenue declined 20 million JPY and segment profit declined 20 million JPY, the Lifestyle Support Business segment revenue declined 13 million JPY and segment profit declined 13 million JPY, and the E-Commerce Business segment revenue declined 20 million JPY and segment profit declined 13 million JPY.