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Consolidated Financial Results for The Fiscal Year Ended July 31, 2022 (Japan GAAP)



September 9, 2022

Company name: Ateam Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3662
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Scheduled date of Annual General Shareholders' Meeting: October 27, 2022
Scheduled date of commencing dividend payments: October 7, 2022
Scheduled date of filing securities report: October 27, 2022
Supplementary briefing material for the financial results: Yes
Schedule of financial results briefing: Yes (September 9, 2022, for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2022 (August 1, 2021 – July 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	%
Fiscal year ended July 31, 2022	31,790	1.7	-298	–	-219	–	-1,337	–
Fiscal year ended July 31, 2021	31,252	-1.5	701	-44.9	895	-28.3	877	–

Note: Comprehensive income (million JPY)

Fiscal year ended July 31, 2022: -811 [-%]

Fiscal year ended July 31, 2021: -1,169 [-%]

	Net income per share-basic	Net income per share-diluted	Return on equity	Return on asset	Operating income to revenue ratio
	JPY	JPY	%	%	%
Fiscal year ended July 31, 2022	-71.68	–	-12.5	-1.4	-0.9
Fiscal year ended July 31, 2021	45.07	45.07	7.6	5.6	2.2

Note: Equity in earnings of affiliates (million JPY)

Fiscal year ended July 31, 2022: –

Fiscal year ended July 31, 2021: –

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million JPY	Million JPY	%	JPY
As of July 31, 2022	14,762	9,882	66.9	533.23
As of July 31, 2021	15,751	11,582	73.0	605.98

Note: Shareholders' equity (million JPY)

As of July 31, 2022: 9,882

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 current consolidated fiscal year, thus, each number for the fiscal year ended July 31, 2022 is the number to which this Accounting Standards etc. has been applied.

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Million JPY	Million JPY	Million JPY	Million JPY
Fiscal year ended July 31, 2022	-302	332	-867	5,223
Fiscal year ended July 31, 2021	451	440	-1,343	6,035

2. Dividends

	Annual dividend per share					Total dividends paid (annual)	Dividend payout ratio (consolidated)	Dividends on equity attributable to shareholders of parent company (consolidated)
	Q1	Q2	Q3	Q4	Total			
	JPY	JPY	JPY	JPY	JPY	Million JPY	%	%
Fiscal year ended July 31, 2021	-	0.00	-	16.00	16.00	306	35.5	2.7
Fiscal year ended July 31, 2022	-	0.00	-	16.00	16.00	298	-	2.8
Fiscal year ending July 31, 2023 (forecast)	-	-	-	16.00	16.00		74.1	

3. Forecasts for the Fiscal Year Ending July 31, 2023 (August 1, 2022 - July 31, 2023)

(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	31,000	-2.5	500	-	500	-	400	-	21.58

*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) 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

(3) 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 July 31, 2022	19,789,200	As of July 31, 2021	19,789,200
As of July 31, 2022	1,256,188	As of July 31, 2021	811,388
Fiscal year ended July 31, 2022	18,651,778	Fiscal year ended July 31, 2021	19,477,509

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) Overview of Operating Results in Fiscal Year Ended July 31, 2022 (Outlook for Consolidated Performance in the Next Fiscal Year)” on page 4 of the attachments to this financial results report.

Index of Attachments

1. Overview of Operating Results	1
(1) Overview of Operating Results in Fiscal Year Ended July 31, 2022.....	1
(2) Overview of Financial Position for the Fiscal Year Ended July 31, 2022	5
(3) Basic Policy Regarding Profit Distribution, and Dividend Payments for Current and Next Fiscal Year.....	7
(4) Risk Factors.....	7
2. Status of Corporate Group	13
3. Business Policies	14
4. Basic Rationale for Selecting the Accounting Standards.....	15
5. Consolidated Financial Statements and Significant Notes Thereto	16
(1) Consolidated Balance Sheets.....	16
(2) Consolidated Statements of Income and Comprehensive Income	18
Consolidated Statements of Income (Cumulative).....	18
Consolidated Statements of Comprehensive Income (Cumulative).....	18
(3) Consolidated Statement of Changes in Equity.....	20
(4) Summary of Consolidated Statements of Cash Flows.....	22
(5) Notes on Consolidated Financial Statements.....	24
<i>Notes on Premise of Going Concern</i>	24
<i>Changes in Account Policies</i>	24
<i>Additional Information</i>	25
<i>Segment Information</i>	25
<i>Per Share Information</i>	28
<i>Significant Subsequent Events</i>	28

1. Overview of Operating Results

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

(1) Overview of Operating Results in Fiscal Year Ended July 31, 2022

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.

During the fiscal year ended July 31, 2022, regarding revenue, although existing game titles followed the downward trend in the Entertainment Business, the growth of new services that have been invested in and some existing services treaded well in the Lifestyle Support Business as well as the sales increase at online shopping malls in the E-Commerce Business, resulted in overall revenue to slightly increase year-on-year. Operation income and ordinary income significantly decreased year-on-year due to several investments, including the development and launch of a new game title in the Entertainment Business as well as of the new products in the E-Commerce Business.

Net income/loss attributable to shareholders of parent company drastically decreased year-on-year mainly due to the recording of an impairment loss on fixed assets and reversal of deferred tax assets.

Because of the above, during the fiscal year, Ateam posted revenue of 31,790 million JPY (up 1.7% year-on-year), operating loss of 298 million JPY (compared with an operating income of 701 million JPY in the previous fiscal year), ordinary loss of 219 million JPY (compared with an ordinary income of 895 million JPY in the previous fiscal year), and net loss attributable to shareholders of parent company of 1,337 million JPY (compared with a net income attributable to shareholders of parent company of 877 million JPY in the previous fiscal year).

The operating performance by segment for the fiscal year 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 focus not only on smartphone games but on entire global digital game distribution, including mobile, PC, and home digital distribution. We aim for long-term future growth by collaborating with popular global IPs while also incorporating multi-platform deployment. Moreover, we strive to plan, develop, and operate games in new markets, such as NFT (non-fungible token) and metaverse with skills and know-how cultivated through former game app development.

In the fiscal year ended July 31, 2022, regarding revenue, revenue in the new game title “FINAL FANTASY VII THE FIRST SOLDIER” released in November 2021 was not sufficient to cover the continuous downward trend of existing game

titles, resulted in revenue decline year-on-year. As for segment profit, despite the fourth quarter turning a profit due to the ease of development and advertisement costs compared to the first half of the fiscal year, fiscal year profit significantly decreased year-on-year.

As a result, during the fiscal year, the Entertainment Business posted revenue of 6,316 million JPY (down 13.1% year-on-year) and operating loss of 894 million JPY (compared with an operating income of 369 million JPY in 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 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 “hub” 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 fiscal year ended July 31, 2022, both revenue and segment profit increased year-on-year. This is mainly because of a sales increase in the car appraisal website “Navikuru” and growth in several new services that had been in the investment stage contributing to overall revenue and profit. As for revenue, there was a decrease in moving-related business along with a limited number of customer referrals due to the steep runup in electricity prices. There was a continuous sales increase in “Navikuru” alongside a booming used car market, as well as growth in a recruitment media service “CAREER PICKS” which had been in the investment stage. Regarding the recruitment media service, Ateam conducted acquired Links Inc. (now Ateam Finergy Inc.) that operates the service in February 2021. By utilizing strengths of web marketing in both companies, the business achieved an outstanding revenue increase throughout the fiscal year. As for segment profit, one of the new services in Financial Media turned a profit in the second half of the fiscal year and there was an increase in profit from higher revenue in “Navikuru”, resulted in segment profit to increase year-on-year.

As a result, during the fiscal year, the Lifestyle Support Business posted revenue of 21,147 million JPY (up 3.7% year-on-year) and operating income of 1,610 million JPY (down 11.0% year-on-year).

E-Commerce Business

In the E-Commerce Business, we plan, develop, and operate multiple e-commerce websites that handle various products. “cyma” has three warehouses located throughout the Tokai, Kanto, and Kansai areas, and delivers fully assembled bicycles directly to the consumer’s doorstep, which makes the service highly unique. Also, pet food brand “Obremo” was launched as a new service in August 2021.

Going forward, 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 fiscal year ended July 31, 2022, revenue remarkably increased year-on-year due to “cyma” increasing its sales volume at online shopping malls. Segment profit declined year-on-year due to the investment in developing new products to expand its product lineup in the new service “Obremo”.

As a result, during the fiscal year, the E-Commerce Business posted revenue of 4,326 million JPY (up 20.3% year-on-year) and operating income of 77 million JPY (compared with an operating income of 84 million JPY in the previous fiscal year).

Outlook for Consolidated Performance in the Next Fiscal Year

In the fiscal year ending July 31, 2023, Ateam continues to focus on building creative businesses with high independency and market superiority, as well as strengthening its business portfolio. Additionally, by realizing diverse working styles including working from home, we will also continue to focus on developing human resources, shaping our environment and strengthening our organizational structure and governance, while limiting the number of recruits.

Regarding the consolidated business outlook for the fiscal year ending July 31, 2023, although we will continue to invest in our businesses while realizing a lean management structure and efficient business operation, we will work on operating more creative services and businesses so that ones we have invested in can contribute to overall profit and improve throughout the year.

The outlook for business performance by segment is as follows:

The Entertainment Business will focus on the development and operation of games in a new markets including NFT with crypto-assets and metaverse in order to counter the downward trend in business while continuing to efficiently manage its core game titles such as “Valkyrie Connect” and “Unison League”. Though we expect to record development and operation costs for the pipelines, major expenses recorded in the fiscal year ended July 31, 2022, are not planned.

In the Lifestyle Support Business, we conducted the reorganization of consolidated subsidiaries in February 2021 in order to establish a foundation for further growth in its Digital Marketing Support Business sub segment. Beginning with the reorganization, we will strive to achieve the service philosophy of “Sanpo-Yoshi” by centralizing investments and creating brands. Although we anticipate that several new services in which we have invested in will contribute to boosting overall revenue and profit, limited number of customers referrals corresponding to changes in the electricity market is expected to continue.

The E-Commerce Business will aim to expand its product lineup of petfood brand “Obremo” to grow while operating “cyma” stably and efficiently. Continuous investment in “Obremo” is expected in order to generate sustained earnings in the medium to long term.

The forward-looking statements mentioned above and the earnings forecasts provided below have been prepared based on information readily available to Ateam as of the date of this material’s release. Actual results may differ due to the effect of various factors in the future.

Performance outlook for the fiscal year ending July 31, 2023 (August 1, 2022 - July 31, 2023)

Revenue	31,000 million JPY (down 2.5% year-on-year)
Operating income	500 million JPY (-)
Ordinary income	500 million JPY (-)
Net income attributable to shareholders of parent company	400 million JPY (-)

(2) Overview of Financial Position for the Fiscal Year Ended July 31, 2022

(i) Position of Assets, Liabilities and Net Asset

Assets

As of the end of the fiscal year under review, Ateam posted total assets of 14,762 million JPY, a decrease of 988 million JPY compared with the end of the previous fiscal year. The decrease was mainly attributable to a 811 million JPY decrease in cash and deposits.

Liabilities

As of the end of the fiscal year under review, Ateam posted liabilities of 4,880 million JPY, an increase of 711 million JPY compared with the end of the previous fiscal year. The decrease was mainly attributable to a 839 million JPY increase in accounts payable - other.

Net Assets

As of the end of the fiscal year under review, Ateam posted net assets of 9,882 million JPY, a decrease of 1,700 million JPY compared with the end of the previous fiscal year. The decrease was mainly attributable to a 1,640 million JPY decrease in retained earnings.

(ii) Cash Flows

As of the end of the fiscal year under review, cash and cash equivalents (“cash”) decreased by 811 million JPY from the end of the previous fiscal year to 5,223 million JPY. The respective statuses of cash flows during the fiscal year under review and their contributing factors are as follows:

Cash Flows from Operating Activities

Cash used in operating activities during the fiscal year under review was 302 million JPY (there was income of 451 million JPY the previous consolidated fiscal year). This was mainly due to a 734 million JPY loss before income taxes and income taxes paid of 768 million JPY, despite 377 million JPY of depreciation and 591 million JPY of impairment loss, along with a 836 million JPY increase in account payable – other.

Cash Flows from Investing Activities

Cash provided by investing activities during the fiscal year under review was 332 million JPY, compared to an income of 440 million JPY the previous consolidated fiscal year. This was mainly due to income of 542 million JPY from the sales of investment securities.

Cash Flows from Financing Activities

Cash used in financing activities during the fiscal year under review was 867 million JPY, compared to 1,343 million JPY in the previous consolidated fiscal year. This was mainly due to the expenditure of 537 million JPY for the acquisition of treasury stock.

(Reference) Trends in cash flow indicators

	Fiscal year ended July 31, 2018	Fiscal year ended July 31, 2019	Fiscal year ended July 31, 2020	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Equity ratio (%)	69.3	71.9	72.5	73.0	66.9
Market value equity ratio (%)	273.7	126.6	101.4	176.6	93.0
Cash flow to interest- bearing liabilities ratio (years)	0.1	0.0	0.0	0.0	-
Interest coverage ratio (times)	1,945.7	19,158.8	1,305.2	322.3	-

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Cash flow to interest-bearing debt ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / interest expenses paid

(Notes 1) Market capitalization is calculated based on the number of shares issued excluding treasury stock.

(Notes 2) Cash flow from operating activities is used for cash flow.

(Notes 3) Interest-bearing debt includes all debt reported on the consolidated balance sheets on which interest is paid.

(Notes 4) As for the fiscal year ended July 31, 2022, cash flow to interest-bearing liabilities ratio and interest coverage ratio is not stated due to negative cash flows from operating activities.

(3) Basic Policy Regarding Profit Distribution, and Dividend Payments for Current and Next Fiscal Year

Ateam believes that it is important to solidify the financial base and upgrade its business portfolio through upfront investments in new business creation in pursuit of sustained growth. At the same time, we consider the return of earnings to shareholders to be an important issue and set a dividend policy of providing continuous and stable shareholder returns.

Based on this policy, after comprehensively considering factors such as business performance and financial condition in the fiscal year under review, we have decided to pay a year-end dividend of 16.0 JPY per share. We will continue to provide stable shareholder returns.

(4) Risk Factors

Listed below are the main factors that could pose a risk to the Ateam's business condition. Certain matters that do not constitute risk factors but could be important considerations in investors' investment decisions are also disclosed below from the standpoint of proactively disclosing information to investors. Our policy is to sufficiently recognize the potential for these risks to arise and to work to prevent them from arising and respond swiftly in cases where they do arise.

Among the matters listed below, those that relate to the future, unless otherwise provided, were determined by Ateam as of the date of submission of this report and, as there is inherent uncertainty, actual results may differ. Also, this is not an exhaustive list of all risks that may arise in the future.

1) Risks Related to the Business Environment

The mobile game, internet and e-commerce market, the three business areas that we operate in, have continued to grow significantly due to the spread of smartphones and the increase of internet users. In addition, we strive to deliver services in new markets including NFT games with crypto-assets and metaverse which those markets are expected to be expanding.

However, if those markets' growth rates slow and are affected by deterioration in economic sentiment or actual economic volatility, Ateam's performance and financial position may be affected. Specifically in the crypto market, which is an emerging market, Ateam's business and financial position may be affected by economic and political climate changes, regulatory trends, changes in tax system, and other factors.

In addition, regarding Ateam's E-Commerce Business, if an increase in raw material prices were to occur in relation to sharp rise in oil prices and insufficient supply of raw materials, Ateam's business and performance may be affected.

2) Risks Related to Business

(i) Competition

Ateam provides various content and services for the internet. To improve competitiveness, we strive to provide unique content and create websites in pursuit of optimal usability, and work to diversify services and enhance customer support, among other efforts.

However, intensifying competition with corporations providing similar services and/or new up-and-coming business operators may affect Ateam's business and performance.

(ii) Relations with Business Partners (Platform Operation Businesses, Service Alliance Businesses and Business

Collaborators)

Ateam's Entertainment Business provides content to users through platforms dedicated to distributing game apps such as App Store operated by Apple Inc. and Google Play operated by Google Inc. We entrust the collection of sales payment from content users and pay the agent commission fees for payment collection and system usage fees to the businesses that operate these services.

Also, Ateam is involved in business collaborations with both domestic and overseas game publishers and sales include shared revenue with these business collaborators. At the same time, revenue for the Lifestyle Support Business includes fee revenue and advertisement revenue from referrals of expected customers and advertisements for service alliance businesses. Ateam complies with contracts with business partners and strives to maintain friendly relations. We also aim for management that keeps portfolio balance of business partners and services in mind so as not to rely too heavily on a specific business partner. However, in the event that, changes to a business partner's policies or business strategies or situations such as rate changes or the dissolution of an alliance were to occur, Ateam's performance and business development may be affected.

(iii) Effect from Foreign Exchange

For Ateam's Entertainment Business, content is provided to overseas users through overseas digital distribution services or through overseas local publishers, and proceeds from the sale of in-content items are collected in local currencies by the overseas platform operation businesses.

In addition, Ateam's E-Commerce Business imports bicycle products (including parts) from overseas manufactures, primarily in China. Ateam will hedge foreign currency exposure with forward exchange contracts and other such instruments as necessary while keeping in mind the balance of its entire revenue and expenditure in foreign currencies, but if Ateam incurs losses as a result of effective exchange rates deviating materially from initially anticipated exchange rates, Ateam's financial position and performance may be affected.

(iv) Collection of Accounts Receivable

In developing its business and services, Ateam makes transactions with various businesses. Those businesses may follow through with management decisions such as reviewing business strategies, withdrawing from business and business integrations with other companies depending primarily on the market environment and the current state of competition for each business. Ateam accordingly endeavors to partner with businesses able to stably and soundly operate on an ongoing basis, but if a business partner discontinues its operations for an aforementioned or other reason, receivables due from the business partner may fall into arrears or become uncollectible. In such an event, Ateam's performance may be affected.

(v) Product Quality Assurance

Ateam sells various products online mainly in the E-Commerce Business. Regarding planning and ordering the products we handle, we procure high-quality products and raw materials and select reliable clients. We also strive to reinforce partnerships with our clients and manage quality control by attending inspection on the production as necessary, as well as training employees and raising awareness for legal compliance.

However, there is still a possibility that the use of products that we sell may cause health and other issues for the customer and a third party related to the customer. In the event of a violation of related laws and regulations, Ateam's business performance may be affected. In addition, if there are unexpectable changes or establishment of laws and regulations in relation to Ateam's E-Commerce services as well as changes in social climate, Ateam's business

performance may be affected.

(vi) Investment and M&A's

Ateam contributes capital in venture investment and investment limited partnerships with the aim of nurturing and supporting companies with high growth potential from an early stage. Of the recipients of such capital contribution, those companies that have yet to make an initial public offering carry uncertainty with respect to their future, including changes in the market environment, and insufficiencies in their development or management capabilities. If such uncertainties manifest and preclude an investee company from achieving expected results and the company's operating performance stagnates or deteriorates, such investment may not be recoverable, and Ateam's business and performance may be affected.

In addition to investment development, Ateam plans to carry out M&A's in order to grow and expand business. Regarding M&A, the financial details of the targeted company along with possible risks will be examined in advance; however, upon acquisition, if an occurrence of contingent liabilities or determination of recognized debt were to emerge after examination, or business development after M&A does not proceed as planned, it may affect the performance and financial condition of the company.

3) Risk Related to Impairment Losses on Non-current Assets

Ateam's Entertainment Business records personnel expenses and subcontracting expenses related to game development as assets on the consolidated balance sheets and depreciates these assets over an appropriate number of years.

However, some games may not be as successful as expected. Ateam's investment in such a title may no longer be recoverable within the anticipated timeframe as a result of a decrease in the asset's utility. In such an event, Ateam may book an impairment loss to reduce the asset's carrying amount to reflect the asset's diminished value. As a result, Ateam's performance may be affected and actual results may differ from the results forecast announced at the beginning of the fiscal year.

4) Risks Related to the Organizational Structure

(i) Over-reliance on a Specific Executive

The President of the Company, Takao Hayashi, is the founder of the Group, and, because he possesses abundant experience as an engineer, he has, since the establishment of Ateam, supported Ateam's growth and fulfilled an extremely important role involving corporate strategy and various other areas. Ateam is striving to create a management structure that doesn't rely too heavily on him. However, if for any reason he was no longer able to participate in the management, Ateam's performance and future business development may be affected.

(ii) Securing and Training Personnel

While continuing to carry out smooth business expansion and execution of corporate management, it is extremely important for us to secure excellent personnel. However, in the event that it is not possible to secure the necessary personnel in a timely and appropriate manner or in the event that skilled personnel leave Ateam, ordinary business operations and business development may be hindered and Ateam's performance may be affected.

(iii) Internal Control Management System

To achieve sustained growth and medium- to long-term corporate value accretion, Ateam plans to continuously strengthen its management foundation in tandem with expansion of its scale of operations while restructuring its

organization and implementing and augmenting an internal control management system in the aim of strengthening its organizational structure to manage its operations more efficiently and appropriately.

However, in the event that an adequate internal control management system is not established in time following rapid business expansion, Ateam's performance and business development may be affected.

(iv) Computer Systems and Communication Networks

Ateam's business includes providing services to users through communication networks that connect computer systems such as mobile devices and PCs. To promote stable system operations, Ateam strives for early prevention and avoidance of system trouble primarily by decentralizing servers, making periodic backups and monitoring the operational status of systems. However, in the event of a communication network outage or disruption due to an unforeseen incident (including human error on the part of people within Ateam or not within Ateam) or any other reason, Ateam's business and performance may be significantly affected.

Also, in the event that systems become inoperable for various unforeseeable reasons such as servers being overloaded by a sudden increase in traffic for our sites, or interruptions in the power supply, it is possible that services will be suspended. As a result, Ateam's performance and the brand image for services may be affected.

5) Risks Related to Compliance

(i) Laws and Regulations

Ateam strictly complies with the laws and regulations that are applicable to the business areas that it operates in and is strengthening initiatives related to preventing occurrences such as information leakage, wrongful acquisition of information and virus infection, particularly those that occur by way of the internet. However, depending on the status and details of new legal restrictions and the industry's voluntary regulations that are designed to prevent the above, our future business development may be affected.

Additionally, if new laws or regulations are enacted or legal interpretations change in response to the social climate or other factors and services or content provided by Ateam are affected by the enactment or change, Ateam's performance and corporate image may be affected.

(ii) Intellectual Property Rights

Ateam actively strives to acquire trademark registration for the names of the sites and services that it operates and pays adequate attention to not infringing on the intellectual property rights of third parties. Also, in relation to the services that we provide, there are times when intellectual property rights held by us are licensed to a third party and times when intellectual property rights held by a third party are licensed to Ateam. In situations such as these, Ateam strengthens its management structure primarily by entering into trademark license agreements.

However, in the event that Ateam unintentionally infringes on the intellectual property rights of a third party due mainly to discrepancy in the interpretation of the scope of intellectual property rights or contract terms, we may be sued by the third party regarding the infringement of intellectual property rights or receive a demand to cease the use of said intellectual property. As a result, resolving such an issue could take a large amount of costs and time, and Ateam's performance and future business development may be affected.

(iii) Management of Personal Information

Ateam, at times, will obtain personal information from the users of the services and content that it provides. To prevent external leakage and falsification of personal information, Ateam is thorough regarding work flow and

authorization systems when handling personal information and carries out strict management in compliance with the “Act on the Protection of Personal Information”.

However, in the event that there is trouble such as the leakage or unauthorized use of personal information due to a computer virus, unauthorized access, intentional actions or an accident, we may receive a claim for compensation for damages, the perceived trustworthiness of Ateam may decrease, its corporate image may deteriorate, and more. As a result, Ateam’s performance and business development may be affected.

(iv) Safety and Soundness of Services

Using the service content that Ateam provides, an indeterminably large number of private users can communicate with each other independently. To protect youth, and to maintain and improve soundness, we strive to ensure the safety and soundness of services by clearly indicating in the user agreement that inappropriate use is prohibited, acquiring EMA certification, and performing continuous monitoring. Ateam also responds to those who breach the user agreement with measures such as requesting improvement or cancelling subscriptions.

However, in the event that there is trouble originating from a user’s inappropriate behavior as a result of it being difficult to be fully aware of what users are doing while using the content, as a result of a sudden increase in content users, regardless of the details of the user agreement, our legal responsibility may come into question. Also, even if our legal responsibility does not come into question, its business and performance may be affected by factors such as deterioration of the content’s brand image.

(v) Litigation

Ateam strives to prevent legal violations by promoting compliance that is based on adhering to laws and regulations. However, regardless of whether or not legal violations have been made by Ateam’s officers or employees, we believe there is a risk of unforeseen trouble and litigation, involving users, business partners, and other third parties and litigation regarding the above-mentioned intellectual property rights, personal information, and safety and soundness of services.

Depending on the content and result of such litigations, Ateam’s business and performance may be affected. Also, as a result of a large amount of costs for responding to litigations or deterioration of corporate image, Ateam’s performance and business development may be affected.

6) Risks Related to Disasters, Spread of Infectious Diseases, and Accidents

In the event of an earthquake, a typhoon, a tsunami or other natural disaster, a fire, a power outage, an international conflict, or the spread of infectious diseases including COVID-19 occurs, Ateam’s business operations may be severely affected. In the event that there is a large-scale natural disaster in the areas that we operate services in, an unavoidable temporary suspension of the provision of services is a possibility. Furthermore, in the event of occurrences that hinder the continuation of business such as damage to facilities or power supply restrictions, or in the event of serious material and human losses primarily resulting from various natural disasters or international disputes, the continuation of business itself may become difficult or impossible. If such circumstances arise, Ateam’s performance may be affected.

7) Risks Related to Owning Crypto Assets

Ateam’s Entertainment Business owns crypto assets for the research and development of a game with crypto assets. Since crypto assets have high price volatility, its value may fluctuate significantly during the time of owning them, or

may become substantially less valuable compared to the time of purchase. Moreover, depending on market trends and trading volume, the price liquidity may be impaired, and trading may become impossible or difficult, or even resulting in trading them at an unfavorable price.

2. Status of Corporate Group

Ateam is currently comprised of Ateam Inc. and eight wholly owned subsidiaries.

As for reportable segments, Ateam is expanding business in three core segments. The Entertainment Business plans, develops and operates games and tool applications for smart devices. These games and tool applications provide amusement to people around the world with the theme of “making connections between people a reality”. The Lifestyle Support Business plans, develops and operates various online services that deliver valuable information for both major life events and daily living. The E-Commerce Business plans, develops and operates multiple E-Commerce websites that handle various products.

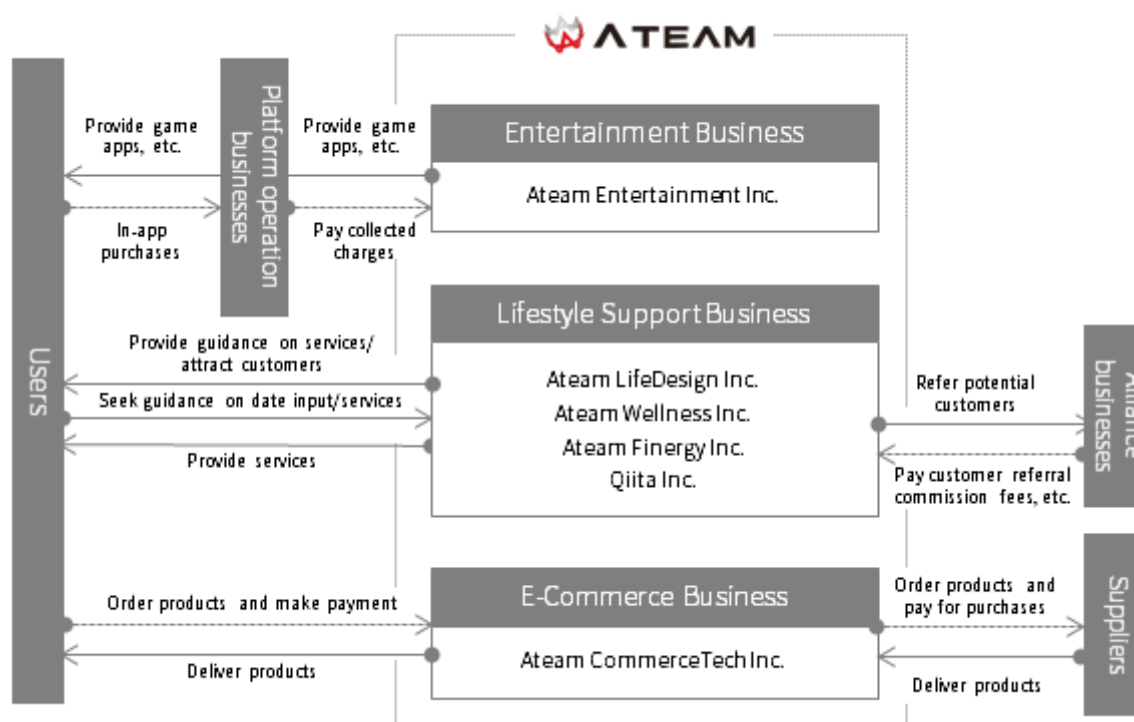
In principle, all three businesses develop products in-house and have accumulated know-how that ranges from planning to operations, which they utilize to develop various services.

As of August 1, 2021, Ateam has transitioned to a holding company structure. In line with the transition, Ateam falls under the category of Specified Listed Companies, etc. as stipulated in Article 49, Paragraph 2 of the Cabinet Office Ordinance on Regulation of Trading of Securities. Therefore, regarding the Immateriality Standards for material fact of insider trading regulations, judgements will be based on consolidated figures.

Company name	Segment	Businesses description	Relationship with the Company
Ateam Inc. *1, 2	-	Business management of group companies	-
Ateam Entertainment Inc. *1	Entertainment Business	Plans, develops and operates games and tool applications for smart devices	Wholly owned subsidiary
Ateam LifeDesign Inc. *5	Lifestyle Support Business	Digital marketing support business	Wholly owned subsidiary
Ateam Wellness Inc. *5	Lifestyle Support Business	Platform business	Wholly owned subsidiary
Ateam Finergy Inc. *3	Lifestyle Support Business	Digital marketing support business	Wholly owned subsidiary
Qiita Inc. *4	Lifestyle Support Business	Platform business	Wholly owned subsidiary
Ateam CommerceTech Inc. *2	E-Commerce Business	Plans, develops and operates e-commerce websites	Wholly owned subsidiary

2 other wholly owned subsidiaries

Schematic overview of Ateam's business



(Note)

*1: As of August 1, 2021, Ateam succeeded the Entertainment Business to the wholly owned subsidiary Ateam Entertainment Inc.

*2: As of August 1, 2021, Ateam succeeded the E-Commerce Business to the wholly owned subsidiary Ateam CommerceTech Inc.

*3: As of August 1, 2021, the consolidated subsidiary Links Inc. was excluded from the scope of consolidation and dissolved in an absorption-type merger with Ateam Finergy Inc., another consolidated subsidiary of Ateam, as the surviving company.

*4: As of December 1, 2021, Increments Inc. changed its name to Qiita Inc.

*5: As of February 1, 2022, the consolidated subsidiaries Ateam Brides Inc. and Ateam Connect Inc. were excluded from the scope of consolidation and dissolved in an absorption-type merger with Ateam Hikkoshi Samurai Inc., another consolidated subsidiary of Ateam, as the surviving company. Also, as of the same date, Ateam Hikkoshi Samurai Inc. changed its name to Ateam LifeDesign Inc. as well as Ateam Lifestyle changing its name to Ateam Wellness Inc.

3. Business Policies

Fundamental Business Policies

Based on the corporate philosophy which is expressed as “To Be a Company Where All Can Achieve Happiness Together”, “To Be a Company that Continues 100 Years from Today”, Ateam has a basic policy of providing content and services that continue to be supported and utilized by users through PCs and smart devices in various technical and business fields that are focused on the internet.

By leveraging our strengths in digital marketing know-how, strategic business development and technological skills, Ateam focuses on developing multiple businesses with different characteristics simultaneously, resulting in a business portfolio that optimizes operational stability. We rely on stable and continuous growth in the Lifestyle Support Business and aim for further success with the Entertainment Business which provides explosive yet high potential growth. And as a new challenge, we aim to create a new revenue source through the E-Commerce Business.

In addition, this fiscal we have an “Ateam Purpose” of “Combining Creativity and Tech to Deliver More Convenience

and More Fun to All”. With this in mind, we will continue to strive in providing creative and value-added services to contribute to a better, sustainable society. While pursuing our goals and preparing our organization to achieve them, we will make efforts to enhance our corporate value through constructive communication with our stakeholders, and proactively work to strengthen our governance system and cope with sustainability-related issues.

Policies in Each Business Segment

In the Entertainment Business, up until now, we have developed original game content for smartphones while operating mainly within Japan. However, in consideration of changes to the market, we have adjusted our approach to partner more with globally popular IPs (intellectual properties) and steer ourselves toward global growth and delivering our content through all major platforms including mobile, PC and home digital distribution. Moreover, we strive to plan, develop, and operate games in new markets such as NFT (non-fungible token) and metaverse with skills and know-how obtained from previous game app development.

As for the Lifestyle Support Business, we provide services to make not only the major milestones of life but also everyday life including areas of employment, marriage, childbirth, nursing care, and funeral services more convenient and less stressful.

In the E-Commerce Business, we strive to realize better customer experience and increase profitability through service delivery on multiple e-commerce websites that handle a variety of products.

4. Basic Rationale for Selecting the Accounting Standards

Ateam chooses to use Japanese accounting standards based on comprehensive consideration of the business environment encompassing the Group, the current deployment of business operations, and other factors.

Ateam plans to appropriately consider adopting International Financial Reporting Standards (IFRS) in the future, comprehensively taking into account its internal environment, external environment and Group’s management strategy.

5. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Million JPY)

	As of July 31, 2021	As of July 31, 2022
Assets		
Current assets		
Cash and deposits	6,035	5,223
Notes and accounts receivable - trade	3,109	—
Accounts receivable - trade	—	3,437
Merchandise	405	611
Supplies	44	55
Other	792	1,144
Allowance for doubtful accounts	-4	-1
Total current assets	10,383	10,471
Non-current assets		
Property, plant and equipment		
Buildings	1,694	1,471
Accumulated depreciation	-741	-786
Buildings, net	953	685
Tools, furniture and fixtures	711	675
Accumulated depreciation	-523	-555
Tools, furniture and fixtures, net	187	120
Other, net	55	38
Total property, plant and equipment	1,195	844
Intangible assets		
Goodwill	239	195
Software	168	103
Software in progress	384	92
Total intangible assets	792	391
Investments and other assets		
Investment securities	2,148	2,461
Deferred tax assets	549	—
Leasehold and guarantee deposits	665	575
Other	19	21
Allowance for doubtful accounts	-3	-3
Total investments and other assets	3,380	3,055
Total non-current assets	5,368	4,290
Total assets	15,751	14,762

	As of July 31, 2021	As of July 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	533	446
Accounts payable - other	1,873	2,712
Income taxes payable	370	80
Provision for sales promotion expenses	191	76
Provision for share awards	34	35
Other	636	854
Total current liabilities	3,640	4,205
Non-current liabilities		
Deferred tax liabilities	—	161
Asset retirement obligations	496	499
Other	31	12
Total non-current liabilities	527	674
Total liabilities	4,168	4,880
Net assets		
Shareholders' equity		
Share capital	838	838
Capital surplus	832	832
Retained earnings	10,955	9,315
Treasury shares	-1,394	-1,896
Total shareholders' equity	11,232	9,088
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	287	827
Deferred gains or losses on hedges	-22	-60
Foreign currency translation adjustment	3	27
Total accumulated other comprehensive income	268	793
Share acquisition rights	82	—
Total net assets	11,582	9,882
Total liabilities and net assets	15,751	14,762

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income (Cumulative)

Consolidated Statements of Comprehensive Income (Cumulative)

(Million JPY)

	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Revenue	31,252	31,790
Cost of sales	8,193	8,463
Gross profit	23,059	23,327
Selling, general and administrative expenses	22,357	23,625
Operating income (loss)	701	-298
Non-operating income		
Interest and dividend income	2	0
Foreign exchange gains	7	40
Commission income	23	29
Gain on investments in investment partnerships	175	34
Subsidy income	6	0
Other	12	5
Total non-operating income	227	110
Non-operating expenses		
Interest expenses	1	0
Loss on sale of receivables	19	25
Other	12	6
Total non-operating expenses	33	32
Ordinary income (loss)	895	-219
Extraordinary income		
Gain on sale of investment securities	770	6
Gain on reversal of share acquisition rights	—	82
Total extraordinary income	770	89
Extraordinary losses		
Impairment losses	107	591
Loss on sale of investment securities	—	12
Loss on valuation of investment securities	46	—
Total extraordinary losses	154	603
Profit (loss) before income taxes	1,511	-734
Income taxes - current	832	139
Income taxes - deferred	-198	463
Total income taxes	633	602
Net income (loss)	877	-1,337
Net income (loss) attributable to shareholders of parent company	877	-1,337

(Million JPY)

	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Net income (loss)	877	-1,337
Other comprehensive income		
Valuation difference on available-for-sale securities	314	539
Deferred gains or losses on hedges	-22	-37
Foreign currency translation adjustment	0	23
Total other comprehensive income	291	525
Comprehensive income	1,169	-811
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,169	-811

(3) Consolidated Statement of Changes in Equity

Fiscal year ended July 31, 2021

(Million JPY)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	837	831	10,391	-397	11,663
Changes during period					
Issuance of new shares	0	0			0
Dividends of surplus			-313		-313
Profit (loss) attributable to owners of parent			877		877
Purchase of treasury shares				-1,034	-1,034
Disposal of treasury shares				38	38
Net changes in items other than shareholders' equity					
Total changes during period	0	0	564	-996	-430
Balance at end of period	838	832	10,955	-1,394	11,232

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred hedge gain/loss	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	-26	-	3	-23	82	11,722
Changes during period						
Issuance of new shares						0
Dividends of surplus						-313
Profit (loss) attributable to owners of parent						877
Purchase of treasury shares						-1,034
Disposal of treasury shares						38
Net changes in items other than shareholders' equity	314	-22	0	291	-	291
Total changes during period	314	-22	0	291	-	-139
Balance at end of period	287	-22	3	268	82	11,582

Fiscal year ended July 31, 2022

(Million JPY)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	838	832	10,955	-1,394	11,232
Changes during period					
Dividends of surplus			-303		-303
Profit (loss) attributable to owners of parent			-1,337		-1,337
Purchase of treasury shares				-537	-537
Disposal of treasury shares				34	34
Net changes in items other than shareholders' equity	—	—	-1,640	-502	-2,143
Total changes during period	838	832	9,315	-1,896	9,088

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred hedge gain/loss	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	287	-22	3	268	82	11,582
Changes during period						
Dividends of surplus						-303
Profit (loss) attributable to owners of parent						-1,337
Purchase of treasury shares						-537
Disposal of treasury shares						34
Net changes in items other than shareholders' equity	539	-37	23	525	-82	442
Total changes during period	539	-37	23	525	-82	-1,700
Balance at end of period	827	-60	27	793	-	9,882

(4) Summary of Consolidated Statements of Cash Flows

(Million JPY)

	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	1,511	-734
Depreciation	425	377
Impairment losses	107	591
Amortization of goodwill	21	43
Increase (decrease) in allowance for doubtful accounts	-6	-3
Increase (decrease) in provision for sales promotion expenses	45	-114
Increase (decrease) in provision for share awards	-3	1
Interest and dividend income	-2	-0
Interest expenses	1	0
Foreign exchange losses (gains)	-3	-36
Loss (gain) on sale of investment securities	-770	5
Loss (gain) on valuation of investment securities	46	—
Loss (gain) on investments in investment partnerships	-175	-34
Gain on reversal of share acquisition rights	—	-82
Subsidy income	-6	-0
Decrease (increase) in trade receivables	-247	-324
Decrease (increase) in inventories	-102	-216
Increase (decrease) in trade payables	77	-87
Increase (decrease) in accounts payable - other	-362	836
Increase (decrease) in guarantee deposits received	—	2
Other, net	160	256
Subtotal	716	482
Interest and dividends received	2	0
Interest paid	-1	-0
Income taxes paid	-864	-786
Income taxes refund	592	1
Subsidies received	6	0
Net cash provided by (used in) operating activities	451	-302
Cash flows from investing activities		
Purchase of property, plant and equipment	-40	-25
Purchase of intangible assets	-281	-182
Proceeds from sale of investment securities	773	542
Purchase of investment securities	-85	-192
Proceeds from withdrawal of investment securities	19	—
Proceeds from distributions from investment partnerships	221	136
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-271	—
Payments of leasehold and guarantee deposits	-9	-23
Proceeds from refund of leasehold and guarantee deposits	130	85
Other, net	-17	-7
Net cash provided by (used in) investing activities	440	332
Cash flows from financing activities		
Proceeds from issuance of shares	0	—
Purchase of treasury shares	-1,034	-537
Proceeds from disposal of treasury shares	38	—
Dividends paid	-314	-304

Other, net	-34	-24
Net cash provided by (used in) financing activities	-1,343	-867
Effect of exchange rate change on cash and cash equivalents	7	25
Net increase (decrease) in cash and cash equivalents	-445	-811
Cash and cash equivalents at beginning of period	6,480	6,035
Cash and cash equivalents at end of period	6,035	5,223

(5) Notes on Consolidated Financial Statements

Notes on Premise of Going Concern

Not applicable.

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 exchanges 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.

Regarding the consolidated balance sheets for the previous fiscal year, “notes and account receivable – trade” stated in “current assets” is included in “accounts receivable” and stated under that name from this consolidated fiscal year. However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year due to the new display format.

Because of the above, as for the consolidated statements of income, revenue decreased 52 million JPY and cost of sales decreased 0 million JPY as well as increase of 51 million JPY in each operating loss, ordinary loss, and loss before income taxes in comparison with the previous fiscal year.

There is no effect on the beginning balance of retained earnings in the consolidated statement of changes in shareholders' equity.

The effect on per share information is minor.

(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 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 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.

In addition, we will apply “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No.42, August 12, 2021) which prescribes the accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting in the case of applying the group totalization system from the next fiscal year.

Segment Information

1. Overview of reportable segments

The reportable segments of Ateam are constituent units of the Group whose separate financial information is available, and which are periodically examined by the Board of Directors in deciding the allocation of management resources and in evaluating performance.

Ateam is composed of segments classified according to services based on the business divisions. It has three reportable segments: Entertainment Business, Lifestyle Support Business and E-Commerce Business. The Entertainment Business mainly plans, develops and operates games and tool applications mainly for smart devices (smartphones and tablets); and the Lifestyle Support Business mainly plans, develops and operates comparison sites, information sites, e-commerce sites and other websites primarily for daily living; and the E-Commerce Business mainly plans, develops and operates multiple e-commerce websites that handle various products.

2. Accounting method for the amounts of revenue, income or loss, assets, liabilities and other items by reportable segment

The accounting method for the business segments that are reported is largely the same as the accounting policies applied in the preparation of the consolidated financial statements. The income from reportable segments is the figure based on operating income.

As mentioned in Changes in Account Policies, “Account 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, 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, in the fiscal year ended July 31, 2022, the Entertainment Business segment revenue declined 15 million JPY and segment loss increase 15 million JPY, the Lifestyle Support Business segment revenue declined 24 million JPY and segment profit decreased 23 million JPY, and the E-Commerce Business segment revenue declined 12 million JPY and segment loss increased 12 million JPY.

3. Information regarding the amounts of revenue, income or loss, assets, liabilities, and other items by reportable segment

Fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)

(Million JPY)

	Entertainment Business	Lifestyle Support Business	E-Commerce Business	Total	Adjustment (Note) 1	Amount on the consolidated statements of income (Note) 2
Revenue						
Outside customers	7,272	20,384	3,595	31,252	–	31,252
Inter-segment sales and transfers	–	–	–	–	–	–
Total	7,272	20,384	3,595	31,252	–	31,252
Segment profit (loss)	369	1,450	84	1,904	-1,203	701
Other items						
Depreciation	250	149	7	362	62	425
Amortization of goodwill	–	21	–	21	–	21

(Notes)

1. Adjustment of 1,203 million JPY is corporate expenses not attributable to reportable segments.
2. Adjustments are made between segment profit (loss) and operating income reported in the consolidated statements of income.
3. Segment assets have not been shown, as they are not used as the basis for deciding the allocation of management resources and evaluating performance.

Fiscal year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)

(Million JPY)

	Reportable segment					
	Entertainment Business	Lifestyle Support Business	E-Commerce Business	Total	Adjustment (Note) 1	Amount on the consolidated statements of income (Note) 2
Revenue						
Outside customers	6,316	21,147	4,326	31,790	–	31,790
Inter-segment sales and transfers	–	–	–	–	–	–
Total	6,316	21,147	4,326	31,790	–	31,790
Segment profit (loss)	-894	1,610	-77	639	-937	-298
Other items						
Depreciation	160	48	3	212	165	377
Amortization of goodwill	–	43	–	43	–	43

(Notes)

1. Adjustment of 937 million JPY is corporate expenses not attributable to reportable segments.
2. Adjustments are made between segment profit (loss) and operating income reported in the consolidated statements of income.
3. Segment assets have not been shown, as they are not used as the basis for deciding the allocation of management resources and evaluating performance.

Per Share Information

(JPY)

	Fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)	Fiscal year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)
Net assets per share	605.98	533.23
Net income per share-basic	45.07	-71.68
Net income per share-diluted	45.07	—

(Notes)

1. Although a diluted net income per share exists, due to a basic net loss per share, the net income per share-diluted is not listed.
2. The basis of calculating net income per share-basic and net income per share-diluted is as follows:

	Fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)	Fiscal year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)
Net income per share-basic		
Net income attributable to shareholders of parent company (Million JPY)	877	-1,337
Net income attributable to shareholders of parent company regarding common stock (Million JPY)	877	-1,337
Average number of shares of common stock during period (Shares)	19,477,509	18,651,778
Net income per share-diluted		
Adjustment of net income attributable to shareholders of parent company (Thousand JPY)	—	
Increase in number of shares of common stock (Shares)	1,197	—
Share acquisition rights of the above (Shares)	(1,197)	(—)
Dilutive shares not included in calculation of net income per share-diluted due to being non-dilutive	Fifth series of share acquisition rights: 69,000 shares	—

(Notes)

3. 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” (148,000 shares at the end of the previous fiscal year and an average of 149,868 shares during the previous period, 128,200 shares at the end of the current fiscal year and an average of 131,454 shares during the current period) included in the treasury stock deducted.

Significant Subsequent Events

Not applicable.