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Consolidated Financial Results for the Three Months Ended October 31, 2022 (Japan GAAP)



December 9, 2022

Company name: Ateam Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3662
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Scheduled date of filing securities report: December 9, 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 Three Months Ended October 31, 2022 (August 1, 2022 - October 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	%
Three months ended October 31, 2022	7,134	-2.7	213	—	223	—	120	—
Three months ended October 31, 2021	7,334	-2.1	-252	—	-242	—	-145	—

Note: Comprehensive income (million JPY)

Three months ended October 31, 2022: 225 [—%]

Three months ended October 31, 2021: -118 [—%]

	Net earnings per share (basic)	Net earnings per share (diluted)
	JPY	JPY
Three months ended October 31, 2022	6.48	—
Three months ended October 31, 2021	-7.71	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million JPY	Million JPY	%
As of October 31, 2022	14,671	9,847	67.1
Fiscal Year ended July 31, 2022	14,762	9,882	66.9

Note: Shareholders' equity (million JPY)

As of October 31, 2022: 9,847

Fiscal Year ended July 31, 2022: 9,882

2. Dividends

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
Fiscal year ended July 31, 2022	JPY —	JPY 0.00	JPY —	JPY 16.00	JPY 16.00
Fiscal year ending July 31, 2023	—				
Fiscal year ending July 31, 2023 (forecast)		0.00	—	16.00	16.00

Note: No revisions to dividend forecasts

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

Note: No revisions to the forecasts for the fiscal year ending July 31, 2023

*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 restatements

(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 “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto (3) Notes on Quarterly Consolidated Financial Statements (Changes in Account Policies)” on page 9 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)

(ii) Number of shares of treasury stock at the end of the period

(iii) Average number of shares during the period

As of October 31, 2022	19,789,200	As of July 31, 2022	19,789,200
As of October 31, 2022	1,256,188	As of July 31, 2022	1,256,188
Three months ended October 31, 2022	18,533,012	Three months ended October 31, 2021	18,860,077

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 “1. Qualitative Information Regarding Results for the Three Months (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” on page 4 of the attachments to this financial results report.

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1. Qualitative Information Regarding Results for the Three 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 purpose, “Combining Creativity and Tech to Deliver More Convenience and More Fun to All”. Operating in various technical and business fields, the corporate officers and employees unite under this corporate purpose to plan, develop and operate comparison and information websites, game content, and e-commerce sites that are supported and used by individual users via the internet. Specifically, we operate businesses in three core segments.

The Lifestyle Support Business engages in the planning, development and operation of various online services. The Entertainment Business engages in the planning, development and operation of game and tool applications. The E-Commerce Business engages in the planning, development and operation of multiple e-commerce websites that handle various products.

We have reclassified the cosmetic brand “lujo” and the healthcare supplement “minorie”, which had been assigned to the sub-segment “other business” in the Lifestyle Support Business, as part of the E-Commerce Business from the beginning of the first quarter of the current consolidated fiscal year.

During the three months ended October 31, 2022, regarding revenue, although the E-Commerce Business increased from the same quarter of the previous fiscal year, the Lifestyle Support Business and the Entertainment Business decreased, resulting in overall revenue to slightly decrease. Operating income, ordinary income, and net income attributable to shareholders of the parent company increased from the same quarter of the previous fiscal year. This was mainly due to the declined deficit in the Entertainment Business as well as the increased profit in the Lifestyle Support Business despite the decrease in the E-Commerce Business. Also, the decreases in office rent associated with the termination of some offices and in labor costs along with the decrease in number of personnel, resulted in overall fixed costs declining from the same quarter of the previous fiscal year.

Because of the above, during the three months ended October 31, 2022, Ateam posted revenue of 7,134 million JPY (down 2.7 % year on year), operating income of 213 million JPY (compared to an operating loss of 252 million JPY in the same quarter of the previous fiscal year), ordinary income of 223 million JPY (compared to an ordinary loss of 242 million JPY in the same quarter of the previous year), and net income attributable to shareholders of the parent company of 120 million JPY (compared to a net loss attributable to shareholders of parent company of 145 million JPY in the same quarter of the previous fiscal year).

The operating performance by segment for the three months ended October 31, 2022 follows below.

As for the comparison between the current and previous fiscal year, the following numbers from the same quarter of the previous fiscal year are reclassified numbers corresponding to the change in our segments from the first quarter of the current consolidated 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.

From the first quarter of the current consolidated fiscal year, there are two sub-segments in the Lifestyle Support Business (the “Digital Marketing Support Business” and “Platform Business”) due to the segment reclassification of the cosmetic brand “lujo” and the healthcare supplement “minorie”, reassigned as part of the E-Commerce Business

from its assignment to the “Other business” sub-segment in the Lifestyle Support Business.

The “Digital Marketing Support Business” centers on digital marketing support that refers prospective customers to partner companies via our own media and has the potential for speedy horizontal business expansion. This business model accumulates profits by being able to quickly launch and expand services in numerous 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 accumulate and be utilized to enhance unique value to build a 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.

The Platform Business provides Healthcare Services and Engineering Services.

During the three months ended October 31, 2022, revenue slightly declined from the same quarter of the previous fiscal year. This was mainly due to a significant impact of a limited/suspended number of customer referrals alongside the steep runup in electricity prices despite the continuous growth in the recruitment media service and the car appraisal website “Navikuru”. As for segment profit, increases in approval numbers in the Financial Media and in profit from higher revenue in “Navikuru”, as well as a decrease in costs, resulted in overall profit to increase remarkably in comparison to the same quarter of the fiscal year.

As a result, during the three months ended October 31, 2022, the Lifestyle Support Business posted revenue of 4,543 million JPY (down 3.0% year on year) and an operating income of 595 million JPY (up 201.0.% year on year).

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 global digital game distribution in general, including mobile devices, 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 NFTs (non-fungible tokens) and the metaverse with skills and know-how cultivated through previous game app development.

During the three months ended October 31, 2022, revenue decreased from the same quarter of the previous fiscal year due to the continued downward trend in existing game titles. Segment loss reduced from the same quarter of the previous fiscal year. This was mainly due to efficient operation in the existing game titles. In addition, though we continued to invest in new game titles, the scale of investment was smaller compared to the same quarter of the previous fiscal year, resulting in a decrease in expenses.

As a result, during the three months ended October 31, 2022, the Entertainment Business posted revenue of 1,293 million JPY (down 12.6% year on year) and an operating loss of 4 million JPY (compared to an operating loss of 160 million JPY in the same quarter of the previous fiscal year).

E-Commerce Business

The E-Commerce Business operates multiple e-commerce websites that handle various products including the

cosmetic brand “lujo”. The E-Commerce Business plans, develops, and promotes products within the group while using OEM (Original Equipment Manufacturers) to outsource manufacturing, and applies a continuity sales model.

Going forward, we will continue to improve our product lineup, sales methods, and delivery quality, and provide services that allow users to experience shopping that greatly exceeds their expectations.

During the three months ended October 31, 2022, an increase in the number of new customers in “lujo” led to overall revenue to grow in comparison to the same quarter of the previous fiscal year. Segment loss increased from the same quarter of the previous fiscal year due to continued investment in “lujo” and the pet food brand “Obremo”.

As a result, during the three months ended October 31, 2022, the E-Commerce Business posted revenue of 1,297 million JPY (up 10.7% year on year) and an operating loss of 145 million JPY (compared with an operating loss of 40 million JPY in same quarter in the previous year).

(2) Explanation of Financial Position

(i) Assets

As of the end of the first quarter under review, we posted total assets of 14,671 million JPY, a decrease of 90 million JPY compared with the previous fiscal year. This was mainly due to a decrease of 524 million JPY in cash and deposits.

(ii) Liabilities

As of the end of the first quarter under review, we posted liabilities of 4,824 million JPY, a decrease of 55 million JPY compared with the previous fiscal year. This was mainly due to a decrease of 84 million JPY in accounts payable.

(iii) Net Assets

As of the end of the first quarter under review, we posted net assets of 9,847 million JPY, a decrease of 35 million JPY compared with the previous fiscal year. This was mainly due to a decrease of 176 million JPY in retained earnings.

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

In the fiscal year ending July 31, 2023, for our sustained growth and medium- to long-term corporate value accretion, Ateam intends to focus on selection and integration of each segment and to strengthen its business portfolio while continuously investing in businesses to expand. Additionally, by realizing diverse working styles including working from home, we will continue to focus on optimizing fixed costs, including reevaluation of our rented office space.

Each segment's earnings progressed as planned in the beginning of the current fiscal year.

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

The forward-looking statements 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 various factors in the future.

Full Year forecast 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. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Million JPY)

	As of July 31, 2021	As of October 31, 2022
Assets		
Current assets		
Cash and deposits	5,223	4,699
Accounts receivable - trade	3,437	3,111
Inventories	667	956
Other	1,144	1,418
Allowance for doubtful accounts	-1	-2
Total current assets	10,471	10,183
Non-current assets		
Property, plant and equipment		
Buildings, net	685	666
Other, net	158	144
Total property, plant and equipment	844	810
Intangible assets		
Goodwill	195	184
Other	195	206
Total intangible assets	391	391
Investments and other assets		
Investment securities	2,461	2,677
Leasehold and guarantee deposits	575	593
Other	21	18
Allowance for doubtful accounts	-3	-3
Total investments and other assets	3,055	3,285
Total non-current assets	4,290	4,488
Total assets	14,762	14,671

	As of July 31, 2021	As of October 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	446	419
Accounts payable - other	2,712	2,628
Income taxes payable	80	60
Provision for bonuses	—	26
Provision for sales promotion expenses	76	79
Provision for share awards	35	—
Provision for share awards for directors (and other officers)	—	5
Other	854	840
Total current liabilities	4,205	4,059
Non-current liabilities		
Asset retirement obligations	499	500
Other	174	263
Total non-current liabilities	674	764
Total liabilities	4,880	4,824
Net assets		
Shareholders' equity		
Share capital	838	838
Capital surplus	832	832
Retained earnings	9,315	9,138
Treasury shares	-1,896	-1,861
Total shareholders' equity	9,088	8,947
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	827	931
Deferred gains or losses on hedges	-60	-61
Foreign currency translation adjustment	27	29
Total accumulated other comprehensive income	793	899
Total net assets	9,882	9,847
Total liabilities and net assets	14,762	14,671

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (Cumulative)

(Million JPY)

	Three months ended October 31, 2021	Three months ended October 31, 2022
Revenue	7,334	7,134
Cost of sales	2,076	1,492
Gross profit	5,258	5,642
Selling, general and administrative expenses	5,510	5,428
Operating income (loss)	-252	213
Non-operating income		
Interest and dividend income	0	0
Foreign exchange gains	5	29
Commission income	9	6
Other	3	3
Total non-operating income	18	40
Non-operating expenses		
Interest expenses	0	0
Loss on sale of receivables	6	7
Loss on investments in investment partnerships	—	21
Other	1	1
Total non-operating expenses	8	30
Ordinary income (loss)	-242	223
Extraordinary losses		
Loss on sale of investment securities	12	—
Total extraordinary losses	12	—
Profit (loss) before income taxes	-254	223
Income taxes	-109	103
Net income (loss)	-145	120
Net income (loss) attributable to shareholders of parent company	-145	120

Quarterly Consolidated Statements of Comprehensive Income (Cumulative)

(Million JPY)

	Three months ended October 31, 2021	Three months ended October 31, 2022
Net income (loss)	-145	120
Other comprehensive income		
Valuation difference on available-for-sale securities	20	104
Deferred gains or losses on hedges	4	-0
Foreign currency translation adjustment	2	2
Total other comprehensive income	27	105
Comprehensive income	-118	225
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-118	225

(3) Notes on Quarterly Consolidated Financial Statements

Notes on Premise of Going Concern

Not applicable.

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

Not applicable.

Changes in Accounting Policies

(Implementation Guidance on Accounting Standard for Fair Value Measurement.)

"Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021. Hereafter "Fair Value Accounting Standard") has been applied from the beginning of the first quarter of the current consolidated fiscal year, and we have decided to operate under the new accounting policy prescribed by Fair Value Accounting Standard for the foreseeable future by following the transitional treatment prescribed by Paragraph 27-2 of Fair Value Accounting Standard. This change has no effect on the quarterly consolidated financial statements.

Additional Information

(Application of handling related to the Group Total System)

Ateam and Ateam's domestic consolidated subsidiaries shifted from the Consolidated Taxation System to the Group Total System from the first quarter of the current consolidated fiscal year. In accordance with the application, for accounting and disclosure of income taxes and local taxes as well as tax effect accounting, we follow "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No.42, August 12, 2021). Also, based upon Practical Solution No.42 Paragraph 32 (1), we consider that there is no effect of this change associated with application of Practical Solution No.42.

Segment Information

Three months ended October 31, 2021 (from August 1, 2021 to October 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
	Lifestyle Support Business	Entertainment Business	E-Commerce Business	Total		
Revenue						
Outside customers	4,683	1,479	1,171	7,334	–	7,334
Inter-segment sales and transfers	–	–	–	–	–	–
Total	4,683	1,479	1,171	7,334	–	7,334
Segment profit (loss)	197	-160	-40	-3	-249	-252

(Notes) 1. Adjustment of minus 249 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

Not applicable.

Three months ended October 31, 2022 (from August 1, 2022 to October 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
	Lifestyle Support Business	Entertainment Business	E-Commerce business	Total		
Revenue						
Outside customers	4,543	1,293	1,297	7,134	–	7,134
Inter-segment sales and transfers	–	–	–	–	–	–
Total	4,543	1,293	1,297	7,134	–	7,134
Segment profit (loss)	595	-4	-145	444	-231	213

(Notes) 1. Adjustment of minus 231 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

Not applicable.

3. Matters concerning changes in reportable segment

From the first quarter of the current consolidated fiscal year, the cosmetic and healthcare brands are assigned to

the E-Commerce Business from the Lifestyle Support Business. By reassessing the segment classification based upon similarities and commonalities of business strategy and performance evaluation methods, we determined that the change helps evaluate business performance more appropriately.

The segment information during the first quarter of the previous fiscal year is recalculated in a reclassified segment.