



Ateam Inc.

# Business Report FY2016

September 9, 2016

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1. FY2016 Financial Results
2. FY2016 Q4 Business Details
3. FY2017 Q1 Progress
4. FY2017 Guidance
5. Medium- and Long-Term Outlook

**NEW** ■ APPENDIX A: Company Overview

**NEW** ■ APPENDIX B: Business Strengths and Growth Strategies

■ APPENDIX C: Supplementary Financial Data

# 1. FY2016 Financial Results

- 2. FY2016 Q4 Business Details
- 3. FY2017 Q1 Progress
- 4. FY2017 Guidance
- 5. Medium- and Long-Term Outlook

# FY2016 Full-Year Financial Summary

## Overall

### Record Revenue & Operating Income Achieved

- Revenue: 22,967 million JPY (Y/Y 145.1% )
- Operating income: 2,212 million JPY (Y/Y 106.0% )
- Net income: 1,292 million JPY (Y/Y 94.9% )

\*Net income = Net income attributable to shareholders of parent company ((holds the same meaning on all following pages)

**Net income down due to software asset transient costs**

## Entertainment

### Both Revenue and Operating Income Up Y/Y, Record Revenue & Operating Income Achieved

- Revenue: 12,559 million JPY (Y/Y 158.7% )
- Segment Profit: 2,297 million JPY (Y/Y 129.7% )

**Stable performance of existing titles and revenue from new titles led to significant growth**

Full-Year  
Revenue Ratio

**54.7**  
%

## Lifestyle Support

### Both Revenue and Operating Income Up Y/Y, Record Revenue & Operating Income Achieved

- Revenue: 10,408 million JPY (Y/Y 131.5% )
- Segment Profit: 1,464 million JPY (Y/Y 123.8% )

**Annual growth has remained at over 20% since the inception of the first lifestyle support service in 2006**

Full-Year  
Revenue Ratio

**45.3**  
%

# FY2016 Full-Year Financial Results vs. Forecasts

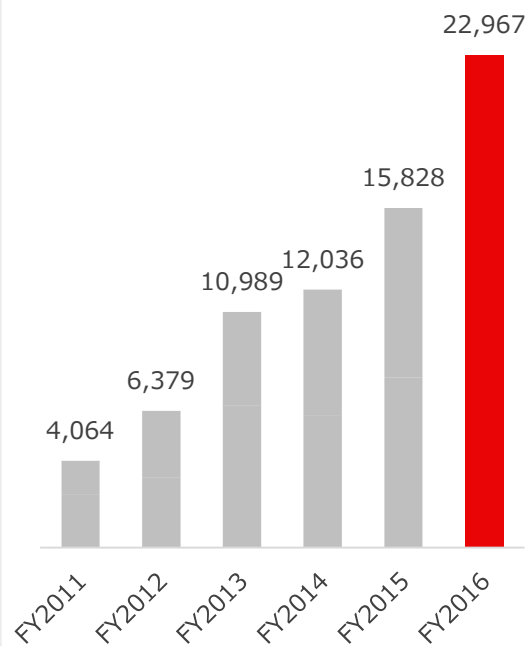
Revenue and Operating Income in Line With Forecasts, Net Income Exceeded Forecasts

- (Reference) Revised forecasts announced Jul 29, 2016: Revenue: 23 billion JPY; Operating income: 2.2 billion JPY; Net income: 1.2 billion JPY

## Revenue

(Million JPY)

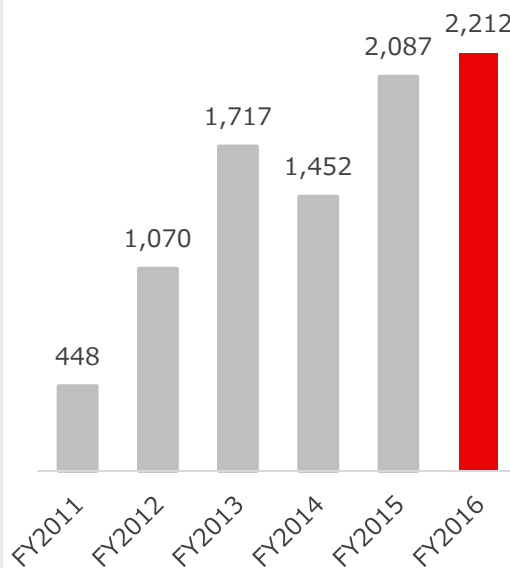
Achieved  
**99.9**  
%



## Operating Income

(Million JPY)

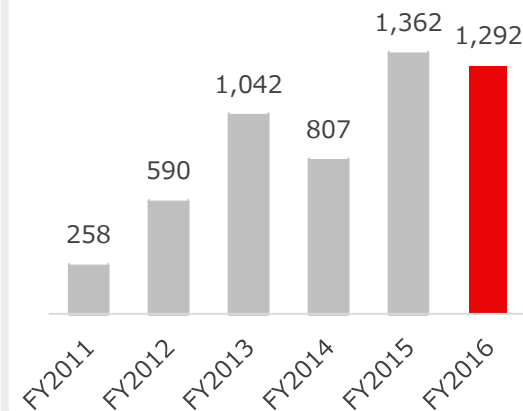
Achieved  
**100.6**  
%



## Net Income

(Million JPY)

Achieved  
**107.7**  
%



# FY2016 Full-Year Financial Results by Segment

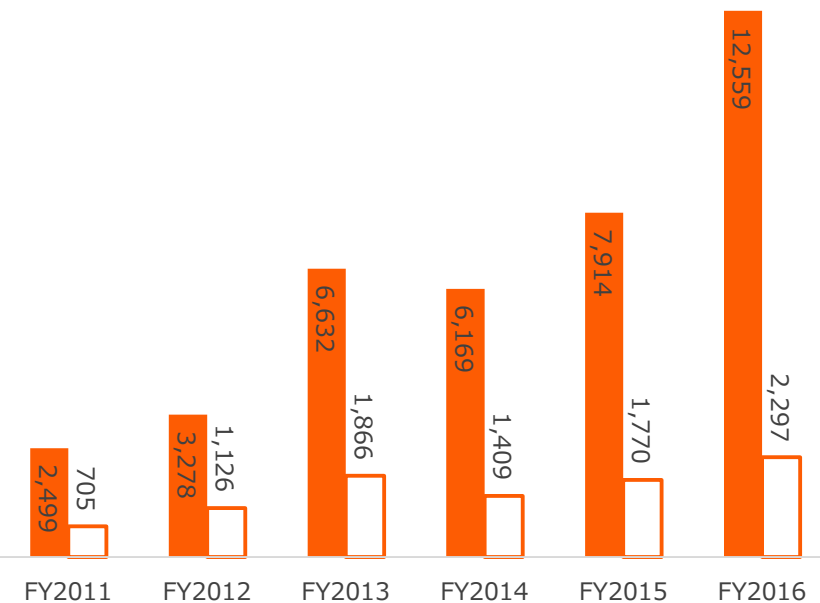
## Entertainment

- Revenue & Operating Income Up Y/Y
- Record Segment Revenue & Operating Income Achieved

(Million JPY)

- Segment Revenue
- Segment Profit

Y/Y  
**+58.7**  
%



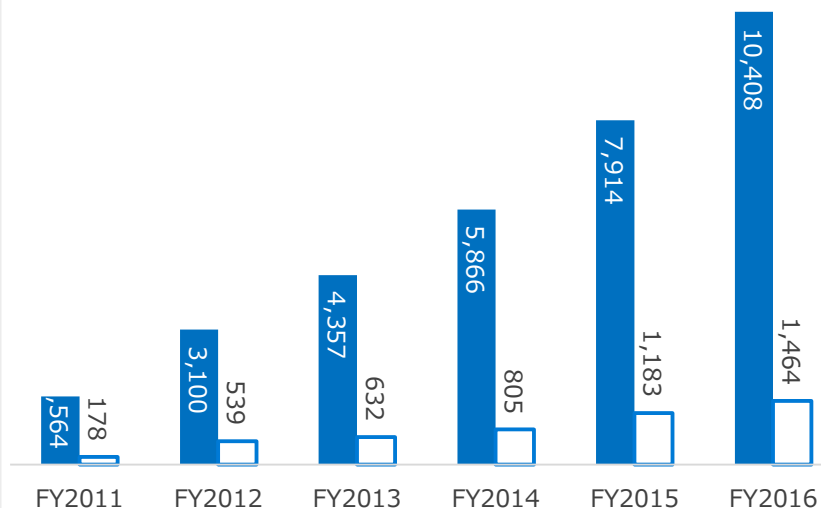
## Lifestyle Support

- Both Revenue & Operating Income Grew Steadily
- Record Segment Revenue & Operating Income Achieved

(Million JPY)

- Segment Revenue
- Segment Profit

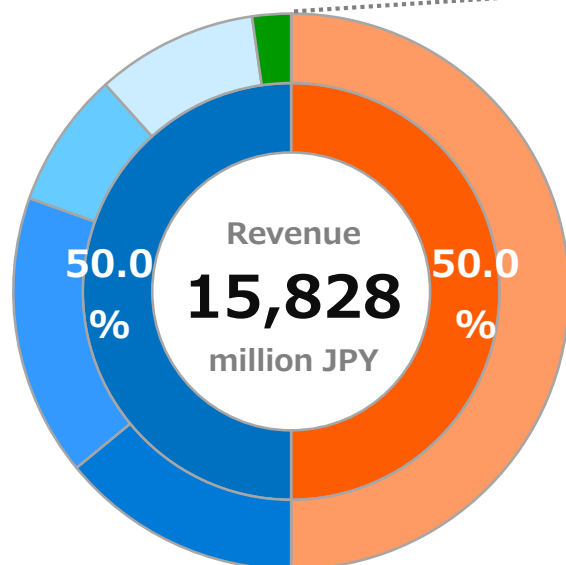
Y/Y  
**+31.5**  
%



# FY2016 Full-Year Financial Result Breakdown

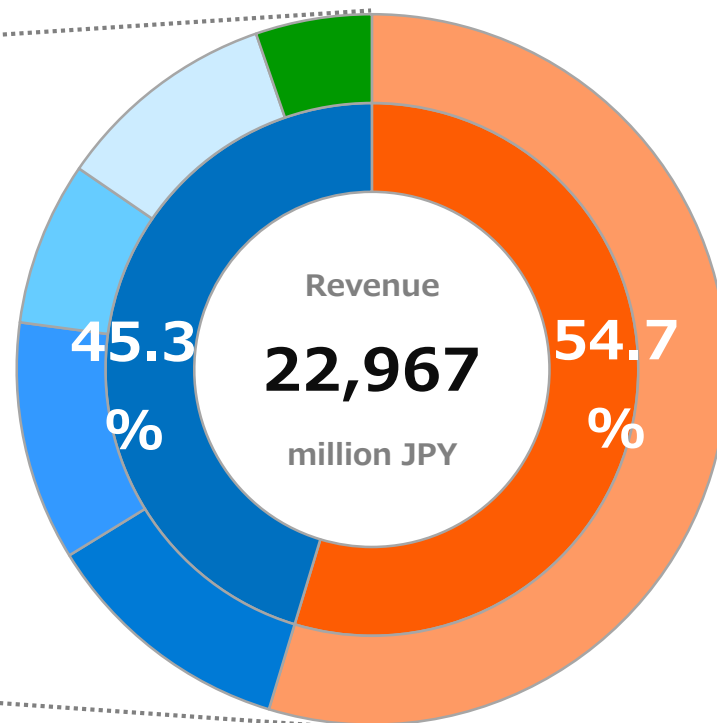
Significant Growth in Entertainment and E-Commerce

## Fiscal Year 2015



- Entertainment
  - Game & Tool Apps
- Lifestyle Support
  - Moving Related
  - Automobile Related
  - Bridal Related
  - Financial Media & Others
  - E-Commerce

## Fiscal Year 2016



## FY2016 Q4 Financial Summary (May - Jul 2016)

### Overall

#### Both Revenue & Operating Income Up Y/Y, Record Revenue Achieved

- Revenue: 6,757 million JPY (Y/Y 148.1%, Q/Q 109.4%)
- Operating income: 748 million JPY (Y/Y 168.2%, Q/Q 93.7%)
- Net income: 504 million JPY (Y/Y 180.7%, Q/Q 105.0%)

### Entertainment

#### Segment Revenue & Profit Up Y/Y & Q/Q, Record Revenue Achieved

- Revenue: 3,857 million JPY (Y/Y 156.5%, Q/Q 120.7%)
- Segment Profit: 706 million JPY (Y/Y 173.1%, Q/Q 117.5%)

**Revenue rose due to new game “Valkyrie Connect”, which launched Jun 9**

### Lifestyle Support

#### Segment Revenue & Profit Up Y/Y, Down Q/Q Due to Seasonality

- Revenue: 2,899 million JPY (Y/Y 138.1%, Q/Q 97.2%)
- Segment Profit: 382 million JPY (Y/Y 123.6%, Q/Q 72.1%)

**Lifestyle Support business grew significantly Y/Y, but decreased Q/Q due to some sub-segment businesses exiting peak business period**



# FY2016 Full-Year and FY2016 Q4 Financial Results

(Million JPY)

FY2016 Full Year (Aug 2015 - Jul 2016)					FY2016 Q4 (May - Jul 2016)					
	FY2016		FY2015	Y/Y		FY2016		Y/Y	FY2016	Q/Q
	Full Year	%	Full Year			Q4	%	Q4	Q3	
Revenue	<b>22,967</b>	100.0%	15,828	<b>145.1%</b>		<b>6,757</b>	100.0%	4,563	<b>148.1%</b>	6,178 <b>109.4%</b>
Operating income	<b>2,212</b>	9.6%	2,087	<b>106.0%</b>		<b>748</b>	11.1%	445	<b>168.2%</b>	798 <b>93.7%</b>
Ordinary income	<b>2,094</b>	9.1%	2,164	<b>96.8%</b>		<b>736</b>	10.9%	452	<b>162.6%</b>	751 <b>98.0%</b>
Net income	<b>1,292</b>	5.6%	1,362	<b>94.9%</b>		<b>504</b>	7.5%	278	<b>180.7%</b>	479 <b>105.0%</b>

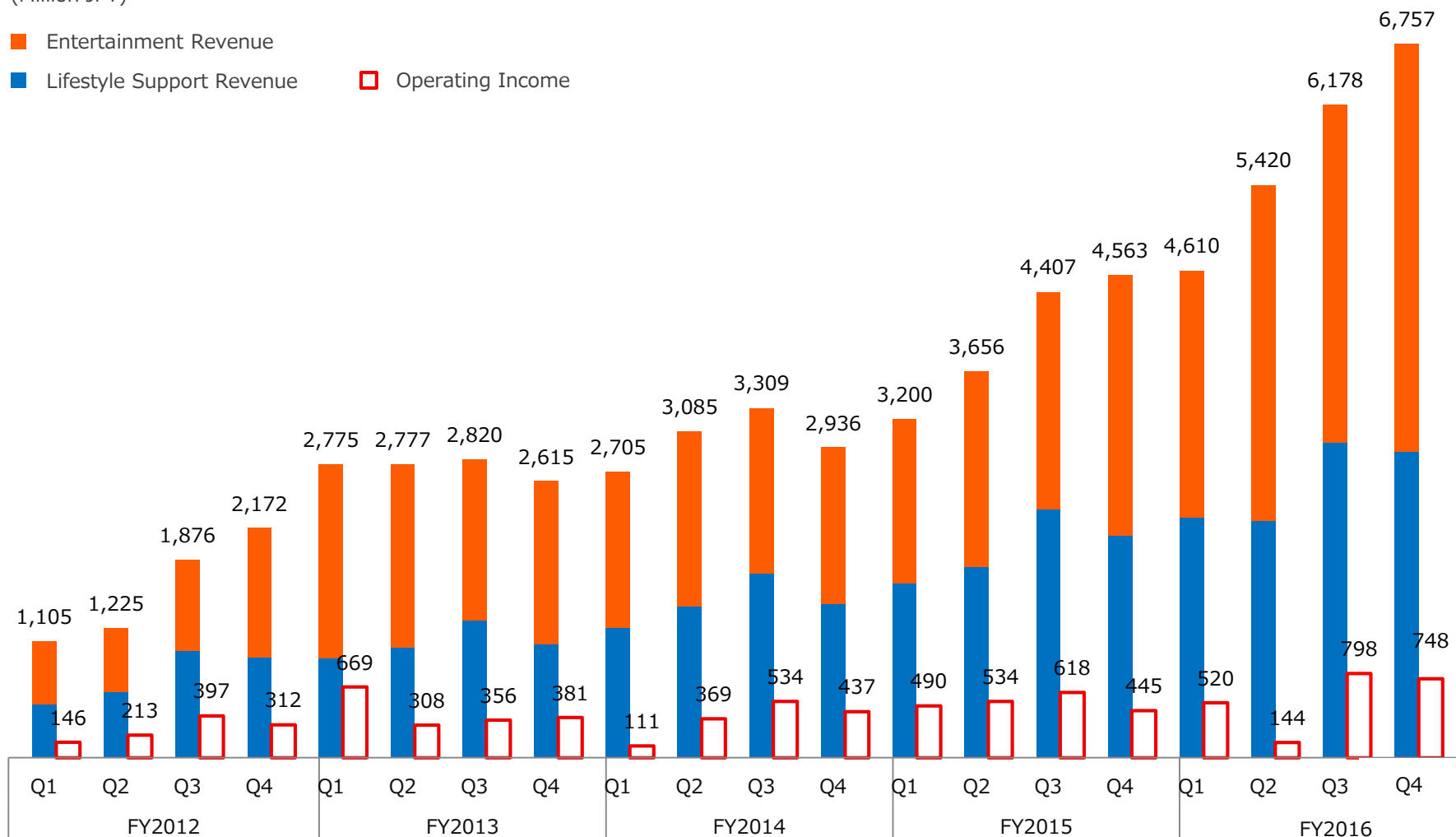
# Consolidated Quarterly Financial Trends

(Million JPY)

Entertainment Revenue

Lifestyle Support Revenue

Operating Income



\*Lifestyle Support revenue peaks in Q3 (Feb - Apr) each year due to seasonal factors (moving-related service peak business period is Feb - Apr, bicycle- and automobile-related service peak business period is Dec - Feb).

# Quarterly Trend of Key Management Indicators

(Million JPY)

	FY2014				FY2015				FY2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	2,705	3,085	3,309	2,936	3,200	3,656	4,407	4,563	4,610	5,420	6,178	<b>6,757</b>
Operating income	111	369	534	437	490	534	618	445	520	144	798	<b>748</b>
Promotional expenses	1,029	1,123	1,213	912	1,132	1,439	1,903	1,955	1,817	2,326	2,433	<b>2,758</b>
Labor costs, recruitment expenses	647	650	649	691	684	682	695	736	745	805	814	<b>884</b>
Commission fees, etc.	356	434	461	484	484	559	671	869	841	1,171	1,177	<b>1,401</b>
Subcontractor expenses, server fees	276	236	153	159	162	190	197	235	257	267	275	<b>235</b>
Office rental fees, utility expenses	102	107	108	100	110	105	105	111	138	235	177	<b>177</b>
Employees (people)	485	502	538	541	531	533	533	530	548	559	574	<b>583</b>

\*Number of employees includes directors, auditors, full-time employees, contract employees, and part-time workers of all Ateam Group companies

\*The number of part-time employees is calculated in FTE (Full-Time Equivalent)

# FY2016 Q4 Operating Cost and Expenses Breakdown

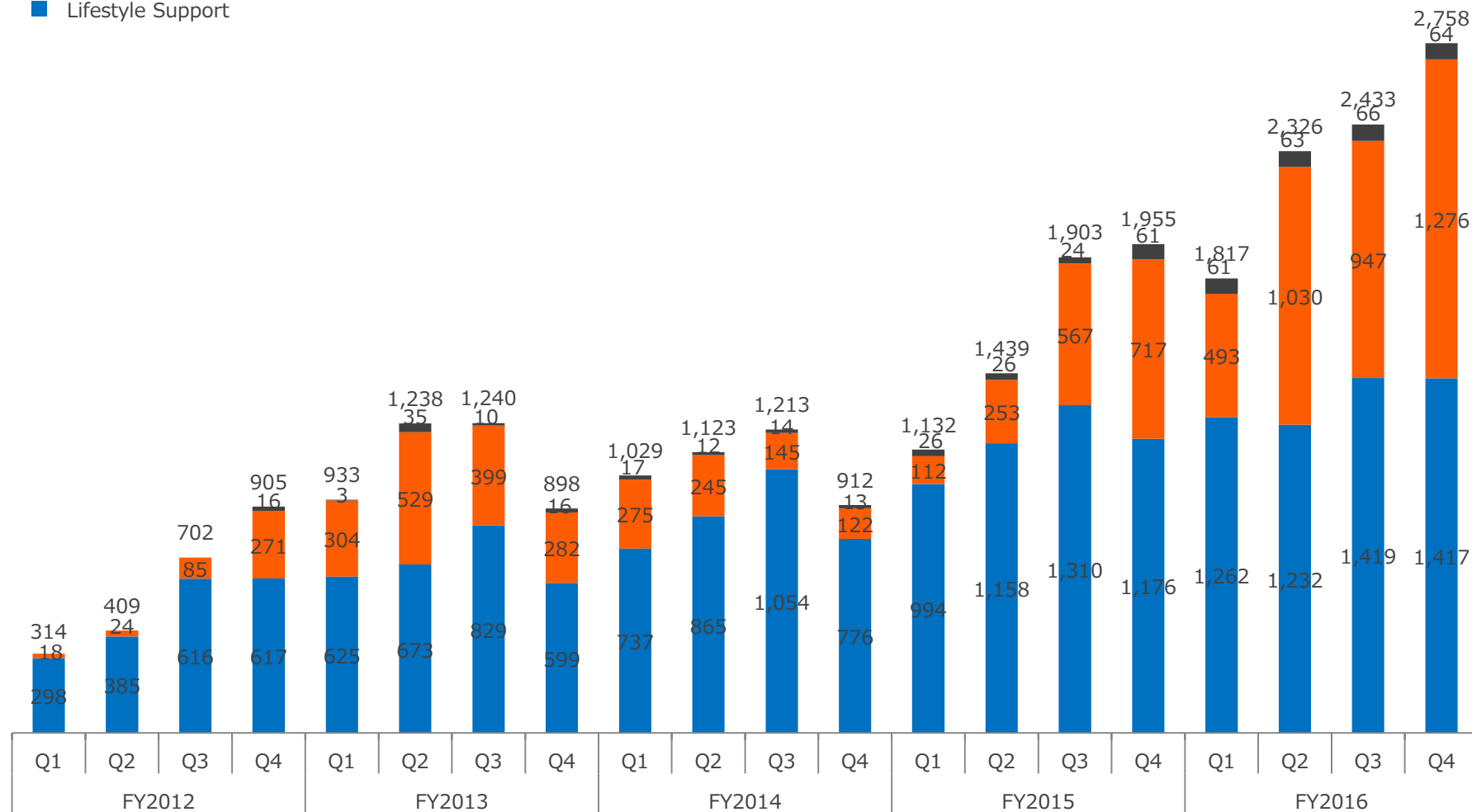
(Million JPY)

	Segment	FY2016 Q4		Q3	Q/Q	Operating Expense Details
		Amount	% of Revenue	Amt.		
Promotional expenses	Ent.	<b>1,276</b>	18.9%	947	+34.8%	Increased due to “Valkyrie Connect” and “Derby Impact” promotional expenses
	Lifestyle	<b>1,417</b>	21.0%	1,419	-0.1%	Moving-related, automobile-related, and E-commerce decreased, but bridal and financial media increased
Labor costs, recruitment expenses	Ent.	<b>345</b>	5.1%	314	+9.8%	Increased due to hiring in April and bonus payment
	Lifestyle	<b>362</b>	5.4%	334	+8.5%	Increased due to hiring in April and bonus payment
Commission fees, etc.	Ent.	<b>1,150</b>	17.0%	932	+23.4%	Increased along with rise in game revenue
	Lifestyle	<b>232</b>	3.4%	214	+8.1%	Increased due to seasonal trends in moving-related business, rise in cyma’s bicycle shipping costs
Sub-contractor expenses, server fees	Ent.	<b>213</b>	3.2%	254	-16.1%	Decreased due to reduction in outsourcing for existing titles
	Lifestyle	<b>17</b>	0.3%	16	+4.5%	—
Office rental fees, utility expenses	Ent.	<b>82</b>	1.2%	80	+1.4%	—
	Lifestyle	<b>83</b>	1.2%	85	-1.8%	—
Others	Ent.	<b>83</b>	1.2%	66	+25.8%	Increased due to factoring in of assets from development of newly released smartphone game
	Lifestyle	<b>403</b>	6.0%	381	+5.8%	Increased due to higher costs in moving- and bridal-related businesses

# Quarterly Promotional Expense Trends

(Million JPY)

- Others
- Entertainment
- Lifestyle Support



# Number of Employees

New Graduates Temporarily Attributed to “Others” Category Completed Training and Were Assigned to Company Divisions as of Jun 1, 2016

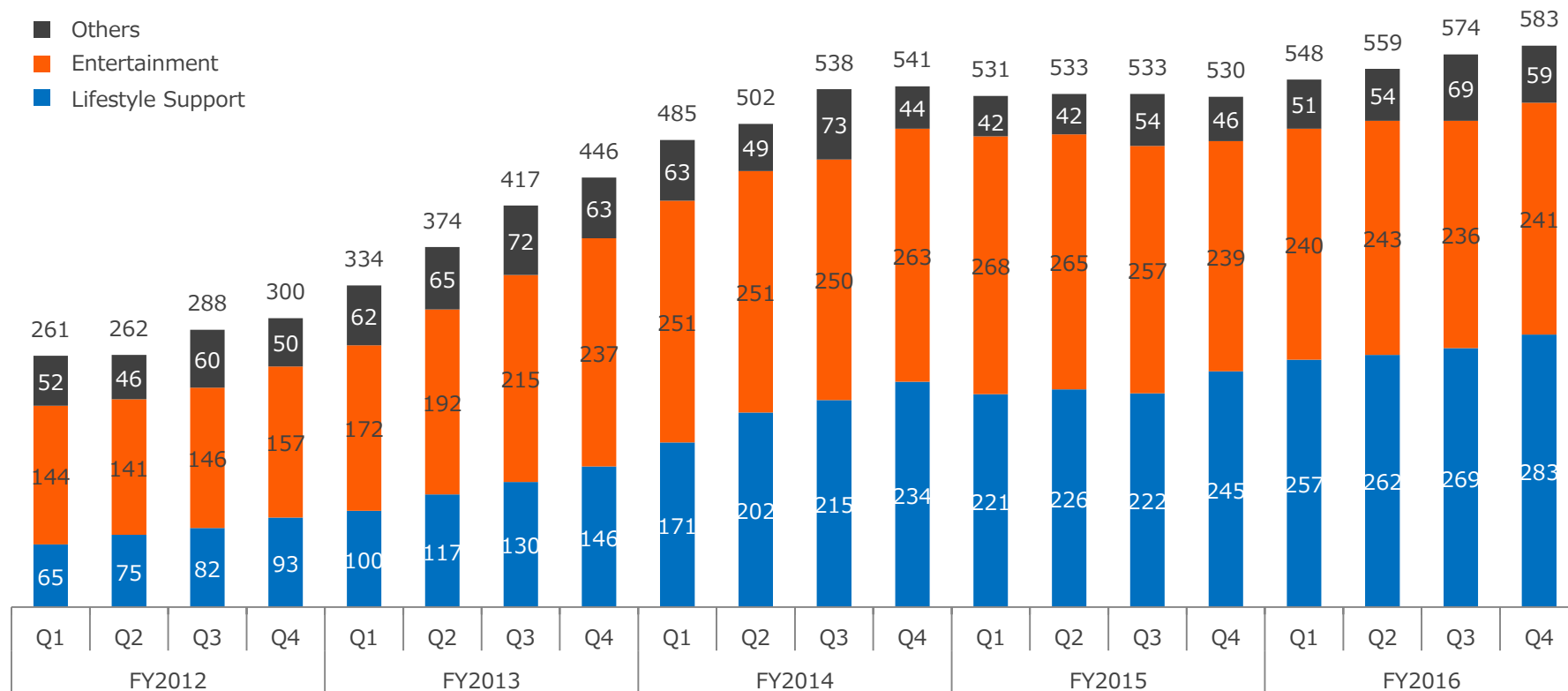
Number of Employees Increased Through Active Recruiting

(People)

Others

Entertainment

Lifestyle Support



\*Number of employees includes directors, auditors, full-time employees, contract employees, and part-time workers of all Ateam Group companies

\*The number of part-time employees is calculated in FTE (Full-Time Equivalent)

# Balance Sheet

Cash and Cash Equivalents Rose

Increase in Accounts Payable Caused Rise in Liabilities

Shareholder's Equity & Net Assets Rose Due to Rise in Retained Earnings

(Million JPY)

	FY2016 Q4	FY2016 Q3
Current assets	<b>6,918</b>	5,642
Cash and cash equivalents	<b>3,505</b>	2,399
Accounts receivable	<b>2,724</b>	2,589
Non-current assets	<b>2,668</b>	2,613
Tangible assets	<b>1,321</b>	1,359
Intangible assets (software)	<b>622</b>	555
Total assets	<b>9,586</b>	8,255

	FY2016 Q4	FY2016 Q3
Current liabilities	<b>4,127</b>	3,312
Non-current liabilities	<b>387</b>	386
Total liabilities	<b>4,514</b>	3,699
Short-term loans payable	<b>1,166</b>	1,262
Shareholder's equity	<b>4,971</b>	4,455
Total net assets	<b>5,072</b>	4,555
Liabilities and net assets	<b>9,586</b>	8,255

## **2. FY2016 Q4 Business Details**

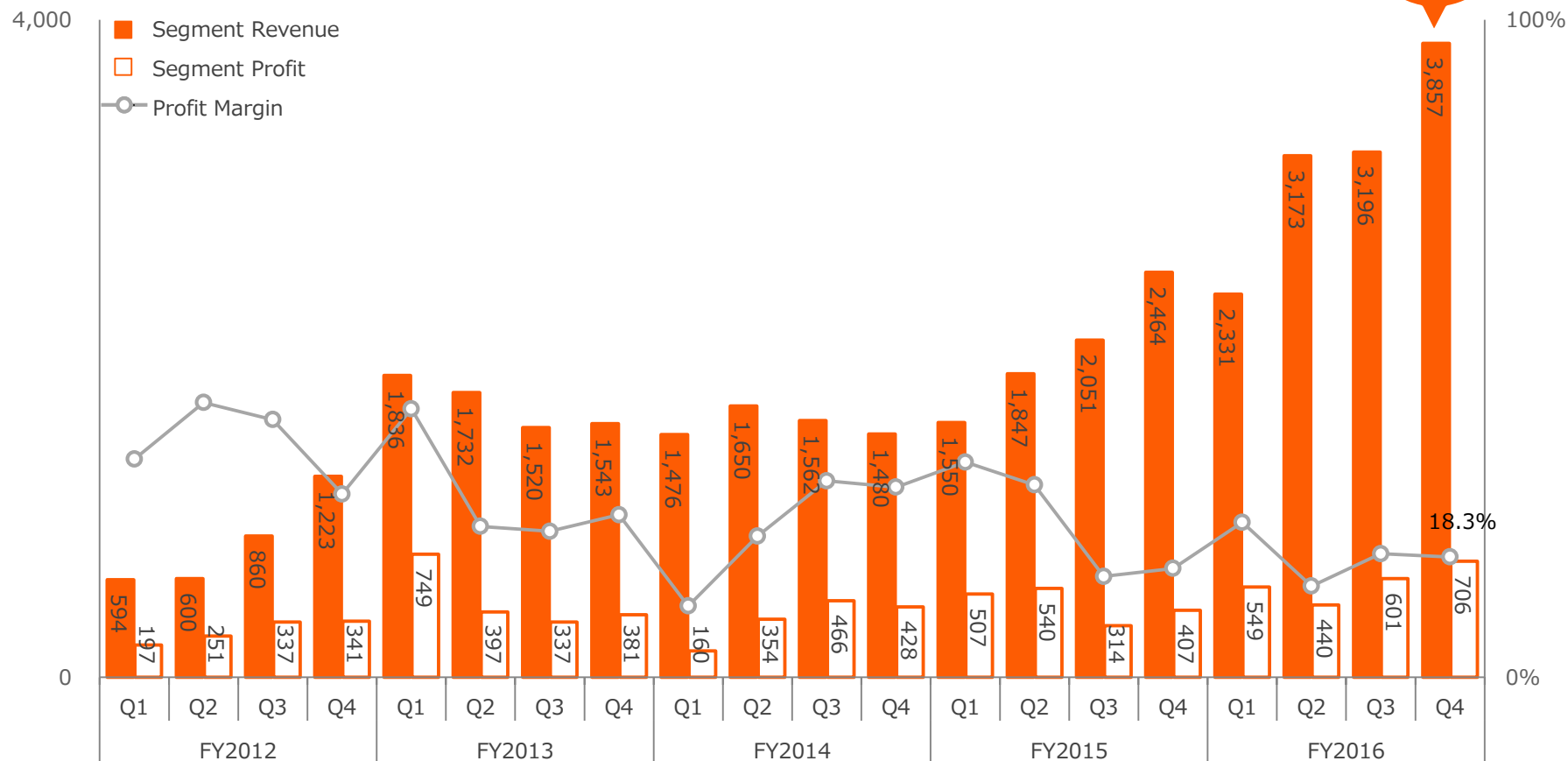
- 3. FY2017 Q1 Progress
- 4. FY2017 Guidance
- 5. Medium- and Long-Term Outlook



# Entertainment Business Performance Trends

Revenue Rose Mainly Due to Newly Launched Game “Valkyrie Connect”

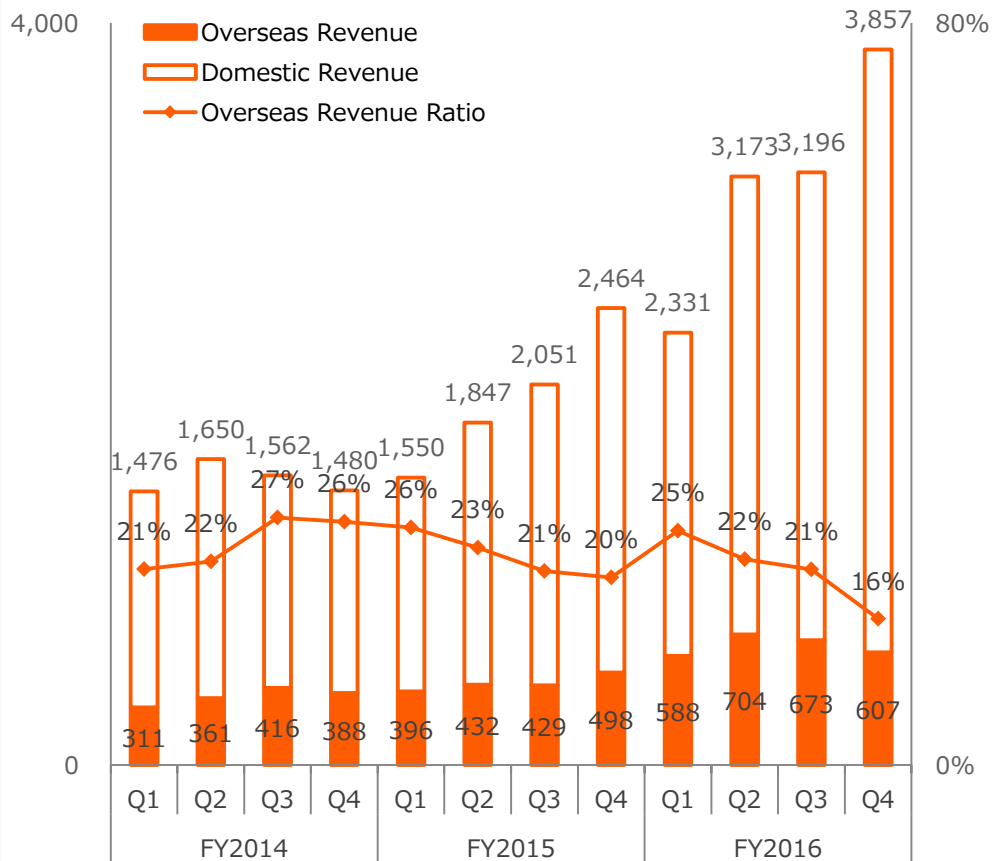
(Million JPY)








# Entertainment Overseas Revenue Ratio Trends

## Overseas Revenue Ratio Down Y/Y & Q/Q

(Million JPY)

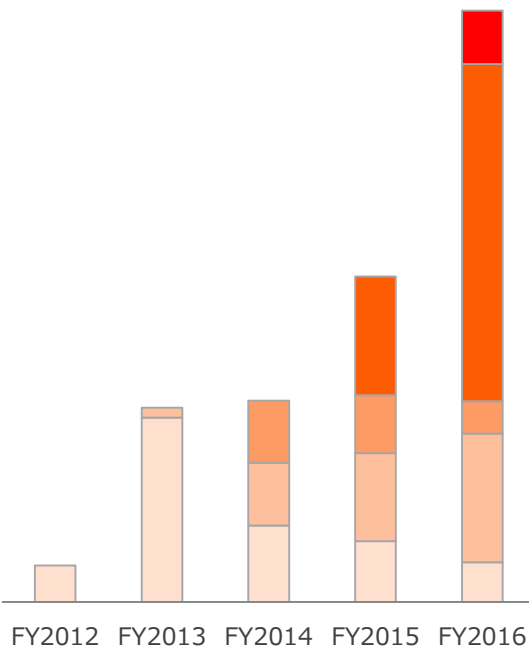


Title	Language	Release Country/Area
 Unison League	<ul style="list-style-type: none"> <li>Japanese</li> <li>English, 5 European Languages</li> <li>Traditional Chinese</li> <li>Southeast Asian Languages</li> <li>Korean</li> </ul>	<ul style="list-style-type: none"> <li>Japan</li> <li>145 Countries worldwide</li> <li>Hong Kong, Taiwan, Macau</li> <li>Southeast Asia</li> <li>South Korea</li> </ul>
 Dark Summoner	<ul style="list-style-type: none"> <li>Japanese</li> <li>English</li> </ul>	<ul style="list-style-type: none"> <li>Japanese</li> <li>153 countries worldwide</li> </ul>
 War of Legions	<ul style="list-style-type: none"> <li>Japanese</li> <li>English</li> </ul>	<ul style="list-style-type: none"> <li>Japanese</li> <li>150 countries worldwide</li> </ul>
 Derby Impact	<ul style="list-style-type: none"> <li>Japanese</li> <li>Traditional Chinese</li> </ul>	<ul style="list-style-type: none"> <li>Japan</li> <li>Hong Kong, Taiwan, Macau, Singapore, Malaysia</li> </ul>
 Three Kingdoms Smash!	<ul style="list-style-type: none"> <li>Japanese</li> <li>Traditional Chinese</li> </ul>	<ul style="list-style-type: none"> <li>Japan</li> <li>Hong Kong, Taiwan, Macau, Singapore, Malaysia</li> </ul>

# Native App Performance Trends by Release Year

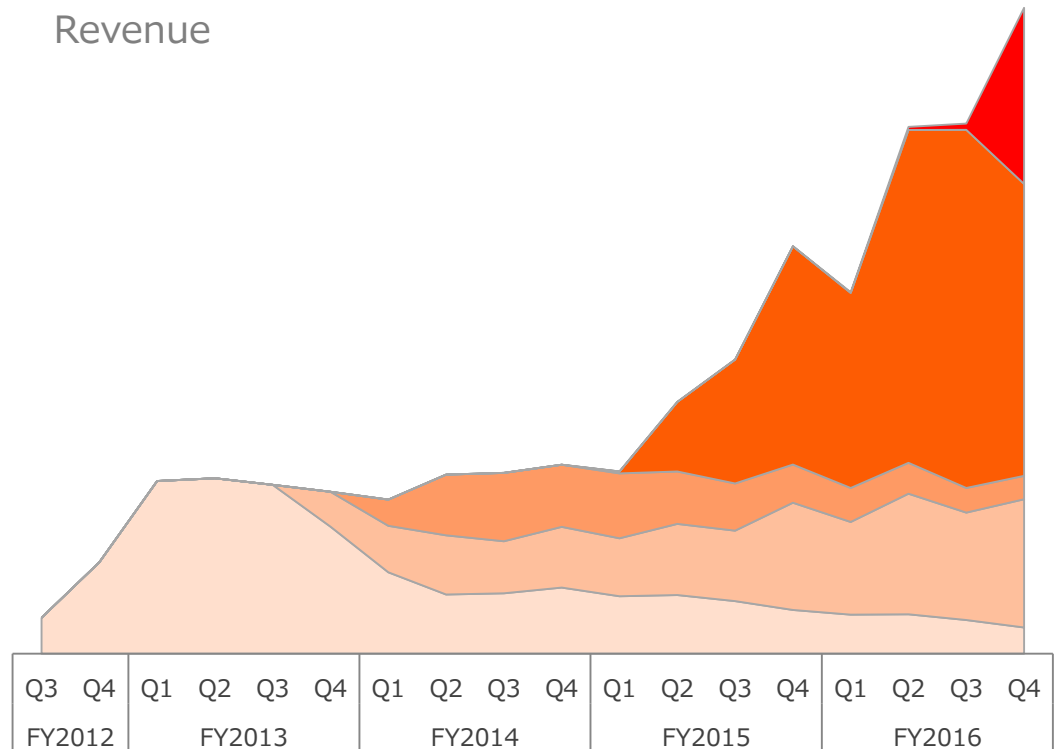
## Trends by Release Year

■ FY2012 Titles  
 ■ FY2013 Titles  
 ■ FY2014 Titles  
 ■ FY2015 Titles  
 ■ FY2016 Titles



## Quarterly Trends by Release Year

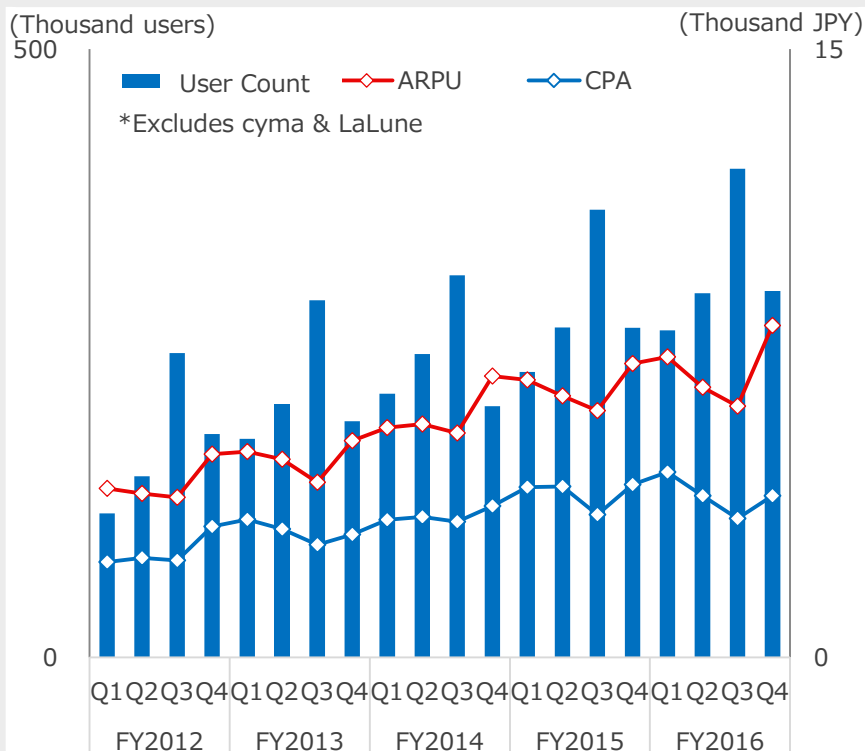
- Derby Impact (FY2013) Continued Performing Well
- Unison League & Three Kingdoms Smash! (FY2015) Made Large Contributions
- Valkyrie Connect (FY2016) Further Drove Up Q4 Revenue



# Lifestyle Support Key Performance Indicator Trends

## User Count, ARPU, CPA

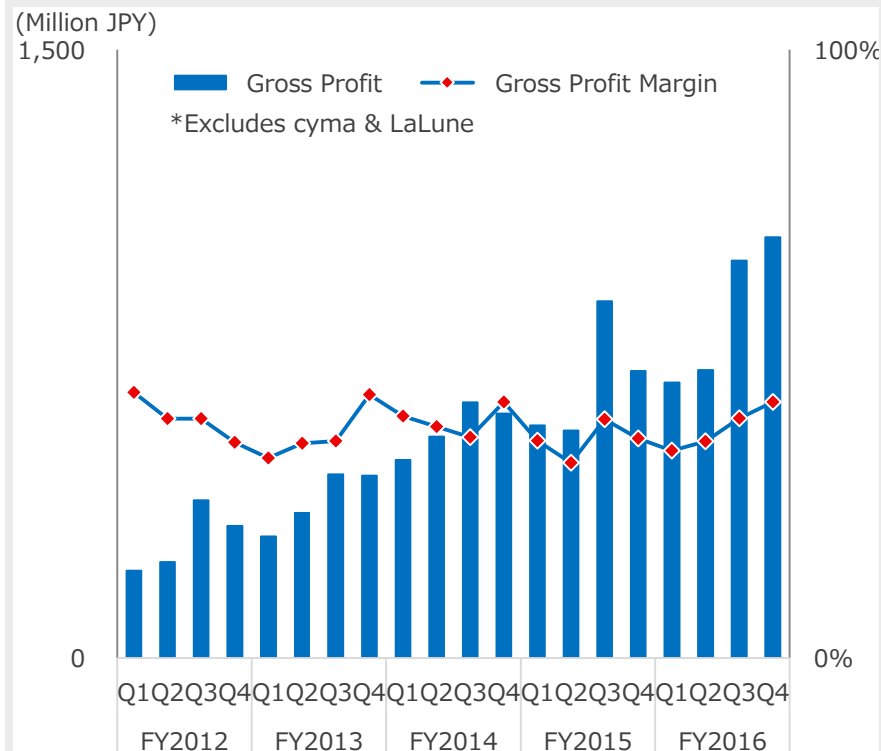
- Q3 Always Sees Peak User Count
- ARPU & CPA Trending Stably



- [① User count]=total users from 4 main sub-segment businesses (users that generated segment revenue)
- [② ARPU: Revenue per user]=segment revenue÷[① User count]
- [③ CPA: Cost per user acquisition]=advertising cost÷[① User count]

## Gross Profit, Gross Profit Margin

- Q4 Gross Profit Up Y/Y
- Gross Profit Margin Trends Around 40%

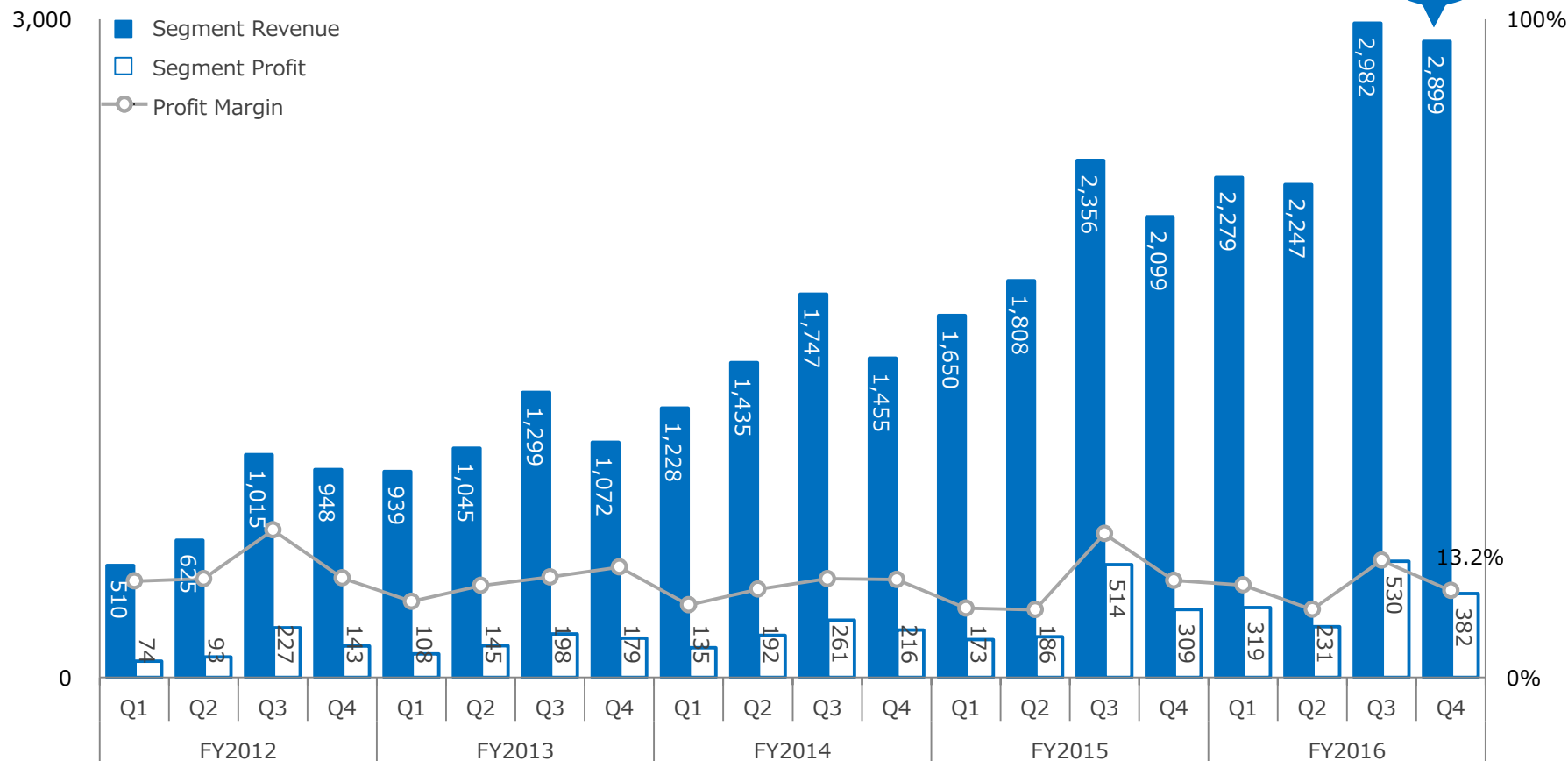


- [④ Gross profit]=segment revenue-(advertising+purchase costs)
- [⑤ Gross profit margin]=[④ Gross profit]÷segment revenue
- \*Purchase costs include A/C, bridal rings, Sugukon photo purchase costs, A/C installation fees, and bridal deferred payment package costs

# Lifestyle Support Business Performance Trends

Y/Y Increase Due to Favorable Performance in Moving-Related, Bridal-Related and E-Commerce Businesses

(Million JPY)



# Lifestyle Support Sub-Segment Businesses Trends

(Million JPY)

Y/Y Q/Q

 Moving-Related Business

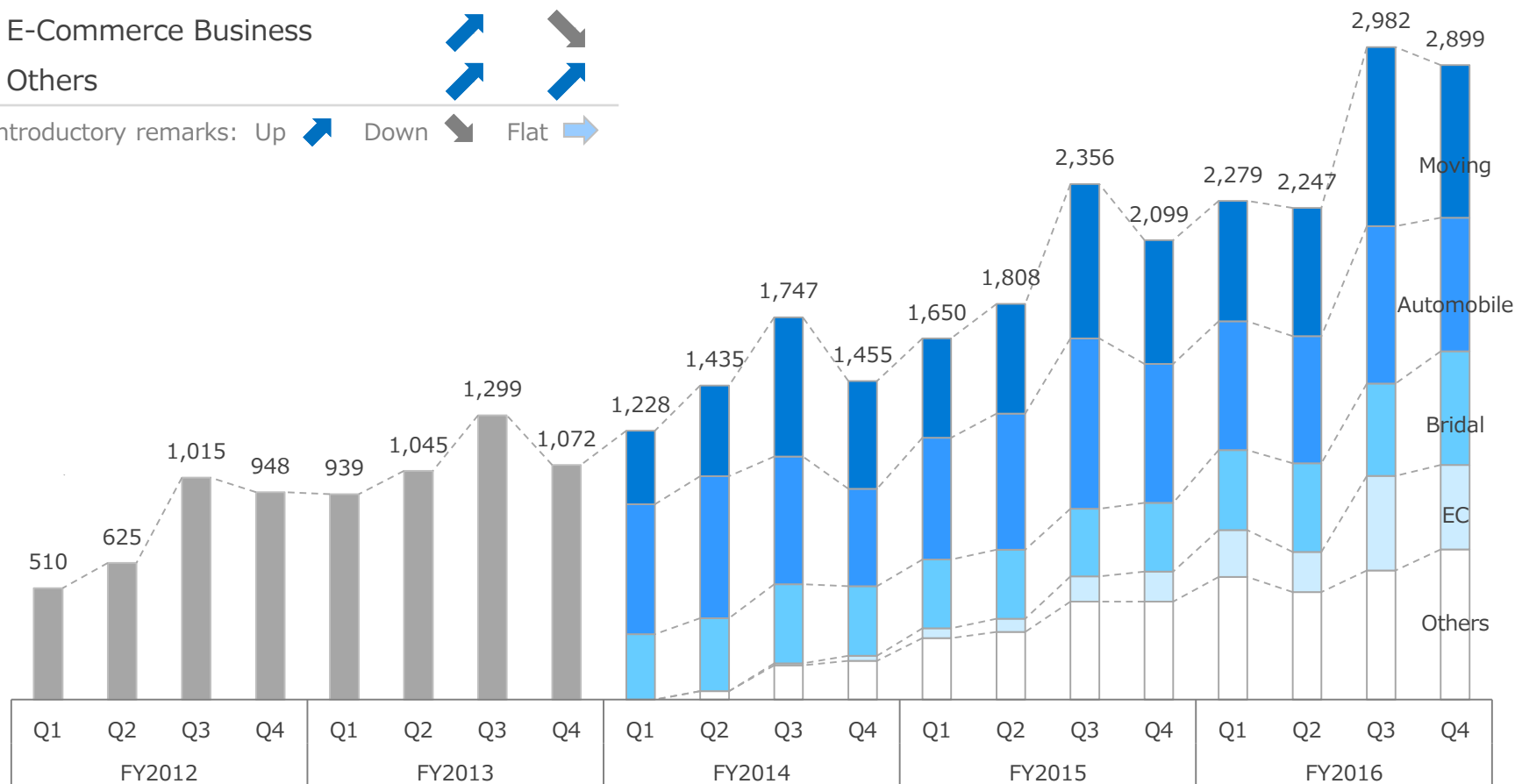
 Automobile-Related Business

 Bridal Related-Business

 E-Commerce Business

 Others


\*Introductory remarks: Up  Down  Flat 



## 3. FY2017 Q1 Progress

- 4. FY2017 Guidance
- 5. Medium- and Long-Term Outlook

# FY2017 Q1 Topics

## Entertainment

### Unison League

- ▶ Japanese version began collaboration event with "Hatsune Miku" on Sep 7, coming to global
- ▶ Ran collaboration event with "Evangeline" from Aug 10, also held in global version from Aug 15
  - **TV commercials aired Aug 10 – Aug 31**



### Valkyrie Connect

- ▶ Trending favorably, preparing global release
- ▶ Surpassed 3 million downloads on Sep 6

### Three Kingdoms Smash!

- ▶ Began second collaboration with anime "Ikki Tousen" on Aug 15

## Lifestyle Support

### Bridal Related

- ▶ Large bridal events planned for Sep 10-11
  - **VR planned for broad release**



### Moving Related

- ▶ Competition increasing, began airing radio commercials

### Automobile Related

- ▶ Maintaining a top market share despite struggling numbers

## EC

### Bicycle EC

- ▶ Continuing to strengthen operating foundation, focusing on customer support



## **4. FY2017 Guidance**

5. Medium- and Long-Term Outlook

# FY2017 Consolidated Financial Forecasts

(Million JPY)

	FY2016 Result		FY2017 (Aug 2016 – Jul 2017) Forecasts				
	Interim Result	Full-Year Result	Q1 Forecasts	Interim Forecasts	Full-Year forecasts	% of Revenue	Full-Year Y/Y
Revenue	10,031	22,967	<b>7,000</b>	<b>14,800</b>	<b>32,000</b>	100.0%	<b>139.3%</b>
Entertainment	5,505	12,559	-	-	<b>19,000</b>	59.4%	<b>151.3%</b>
Lifestyle Support	4,526	9,193	-	-	<b>11,200</b>	35.0%	<b>121.8%</b>
E-Commerce	-	1,214	-	-	<b>1,800</b>	5.6%	<b>148.2%</b>
Operating income	665	2,212	<b>10</b>	<b>300</b>	<b>3,300</b>	10.3%	<b>149.1%</b>
Ordinary income	606	2,094	<b>10</b>	<b>300</b>	<b>3,250</b>	10.2%	<b>155.2%</b>
Net income	308	1,292	<b>6</b>	<b>180</b>	<b>2,150</b>	6.7%	<b>166.3%</b>

\*From FY2017 (Aug 1, 2016), bicycle EC was split into its own segment. Business segments are now Entertainment, Lifestyle Support, and EC.

# FY2017 Initiatives

## Overall

Strengthen Employee Hiring, Training, Work Environment, and Management Structure With a Focus on Mid- to Long-Term Growth

## Entertainment

- | Release new title “After School Girls Tribe”
- | Release global version of “Valkyrie Connect”
- | More efficiently operate existing titles

## Lifestyle Support

- | Increase user count, ARPU, and profit rate of existing services
- | Perform cross-service customer referrals, obtain more returning customers
- | Expand peripheral services of each sub-segment, explore new industrial services

## EC

- | Prioritize strengthening of fulfilment\* over turning profit  
\*Fulfilment: Management of online orders, stock, selection/packaging of goods, shipment, billing/payments, customer data management, customer support, and other vital core processes
- | Increase CVR\*  
\*CVR (Conversion Rate): The percentage of EC site visitors that end up making a purchase

# Notes on FY2017 Guidance

## Overall

### Investments Planned Aimed at Growth in FY2018 and Beyond

- | Expand headquarters office space
- | Advertise with an aim on increasing corporate awareness

## Entertainment

### Future Releases Forecasted Conservatively, Others Forecasted Based on Latest KPI

- | Contributions from future releases forecasted conservatively for second half of the fiscal year, pre-launch promotional investment costs mostly factored in for first half of the fiscal year
- | Valkyrie Connect forecasted based on recent KPI and overseas performance of existing titles
- | Other existing titles forecasted based on recent KPI trends, performance predicted to decrease

## Lifestyle Support

### Forecasted Based on Predictable Range, Peak Business Season Is Q3

- | Forecasted based on latest KPI and predicted seasonal trends
- | Investments are planned, but contributions forecasted for mid-to-long term
- | Only costs factored in for new services which have not yet launched

## EC

### Forecasted Based on Predictable Range, Peak Business Season Is Q3

- | Forecasts include continuing investments into strengthening operating foundation and structure
- | Forecasts made based on current KPI of each service, include predicted seasonal trends

# Notes on FY2017 Q1 Forecasts

## Overall

Planning Investments Aimed at Future Growth,  
Nearly Zero Operating Income Forecasted for Q1

## Ent.

### Large-Scale Promotions Held

- Unison League x Evangelion TV commercial ran in August
- Online promotion of Valkyrie Connect ran in August

Predicted Additional  
Investment

**550**m JPY

## Lifestyle Support

### Promotion to Increase Brand Recognition Planned

- Planning advertising campaigns to strengthen bridal service branding

Predicted Additional  
Investment

**50**m JPY

## EC

### Promotion to Increase Brand Recognition Planned

- Planning advertising campaigns to strengthen cyma branding

Predicted Additional  
Investment

**30**m JPY

## Others

### Investments Into Staff Hiring, Training, etc.

- Hiring and training costs, stock incentive plans (ESOP/BIP), other costs aimed at retaining staff

Predicted Additional  
Investment

**70**m JPY

## FY2016 Dividends and FY2017 Dividend Forecasts

FY2016 Full-Year Dividend: 12.5 JPY Per Share; Pay Out Ratio: 18.2%

FY2017 Full-Year Dividend Forecast: 20 JPY Per Share

Aiming for Payout Ratio of 20% Subject to Full-Year Performance

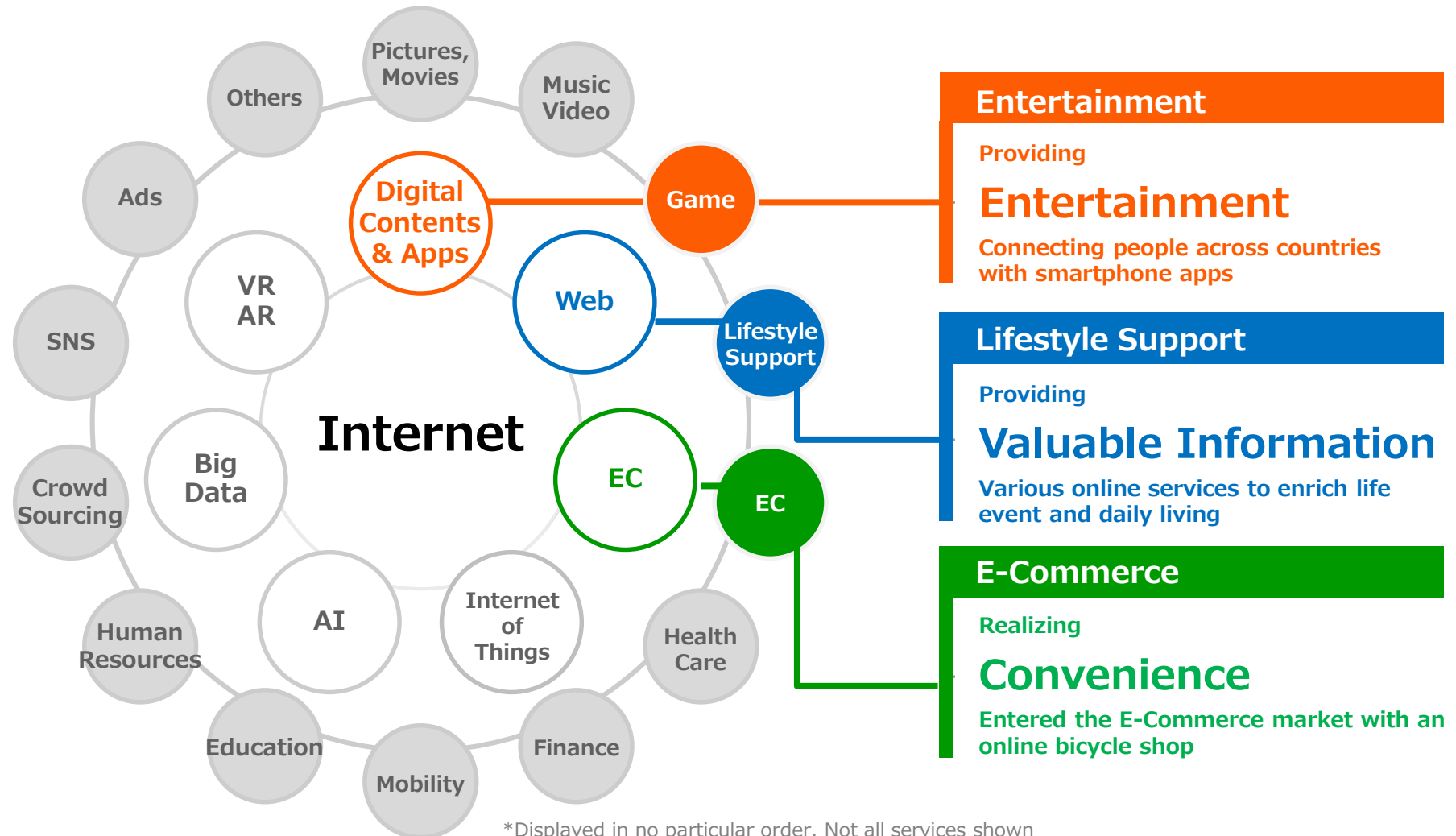
	FY2015 Result		FY2016 Result		FY2017 Forecasts	
	Interim	Year-End	Interim	Year-End	Interim	Year-End
Date of right allotment	Jan 31, 2015	Jul 31, 2015	Jan 31, 2016	<b>Jul 31, 2016</b>	<b>Jan 31, 2017</b>	<b>Jul 31, 2017</b>
Date of distribution	Apr 3, 2015	Oct 13, 2015	Apr 4, 2016	<b>Oct 7, 2016 (Planned)</b>	<b>Apr 2017 (Planned)</b>	<b>Oct 2017 (Planned)</b>
Dividend per share	5.00	7.50	5.00	<b>7.50</b>	<b>5.00</b>	<b>15.00</b>
Total dividend amount	238,021,850 JPY		95,590,400 JPY	<b>143,606,100 JPY</b>	-	-
Full year pay out ratio	17.7%		<b>18.2%</b>		<b>Around 20% (Planned)</b>	

\*The company carried out a 2-for-1 split of its common stock with May 1, 2015 as the effective date. The dividend per share figures listed above reflect this split

# **5. Medium- and Long-Term Outlook**

# Our Vision of the Future

We Will Continue to Challenge Varied Businesses that Utilize the Internet





# Medium- and Long-Term Business Outlook

## Overall

Pursue New Markets and Generate New Revenue Sources in Three Core Segments

## Entertainment

- | Provide Entertainment to the World
  - Expand beyond North America into European and Asian markets
- | Create Several Game Titles with 1b JPY+ Monthly Revenue
  - Aim to increase overseas revenue ratio above 50%

## Lifestyle Support

- | Expand Four Main Services to 5b JPY Annual Revenue
  - Total annual revenue of 20-30b JPY from four main services
- | Introduce More Convenient Services to Enrich Users' Lives

## EC

- | Aim to be the Number One Bicycle EC Site
  - Target a 3% domestic bicycle EC market share within 3 years
- | Attempt Sales of Products Not Yet Readily Available from EC

## APPENDIX A

# **Company Overview**

# Company Profile as of July 31, 2016

Company Name	Ateam Inc.
Stocks listed on	Section 1 of the Tokyo Stock Exchange (3662)
Headquarters	Dai Nagoya Building 32F
Osaka studio	Umeda Hankyu Building Office Tower 26F
Tokyo studio	Shinagawa East One Tower 8F
Incorporated on	February 29, 2000
Account settled in	July
Affiliated banks	The Bank of Tokyo Mitsubishi UFJ Nagoya Main Office SMBC Nagoya Ekimae Branch
Auditor	Deloitte Touche Tohmatsu (DTT)
Group companies (Fully owned subsidiaries)	A.T.brides Inc. Hikkoshi Samurai Inc. Ateam Lifestyle Inc. A.T.Support Inc.
Consolidated revenue	22,967,773 thousand JPY (FY2016)
Consolidated ordinary income	2,094,629 thousand JPY (FY2016)
Number of employees	535 (excluding part-time employees), 9 directors



Dai Nagoya Building



Headquarters Reception



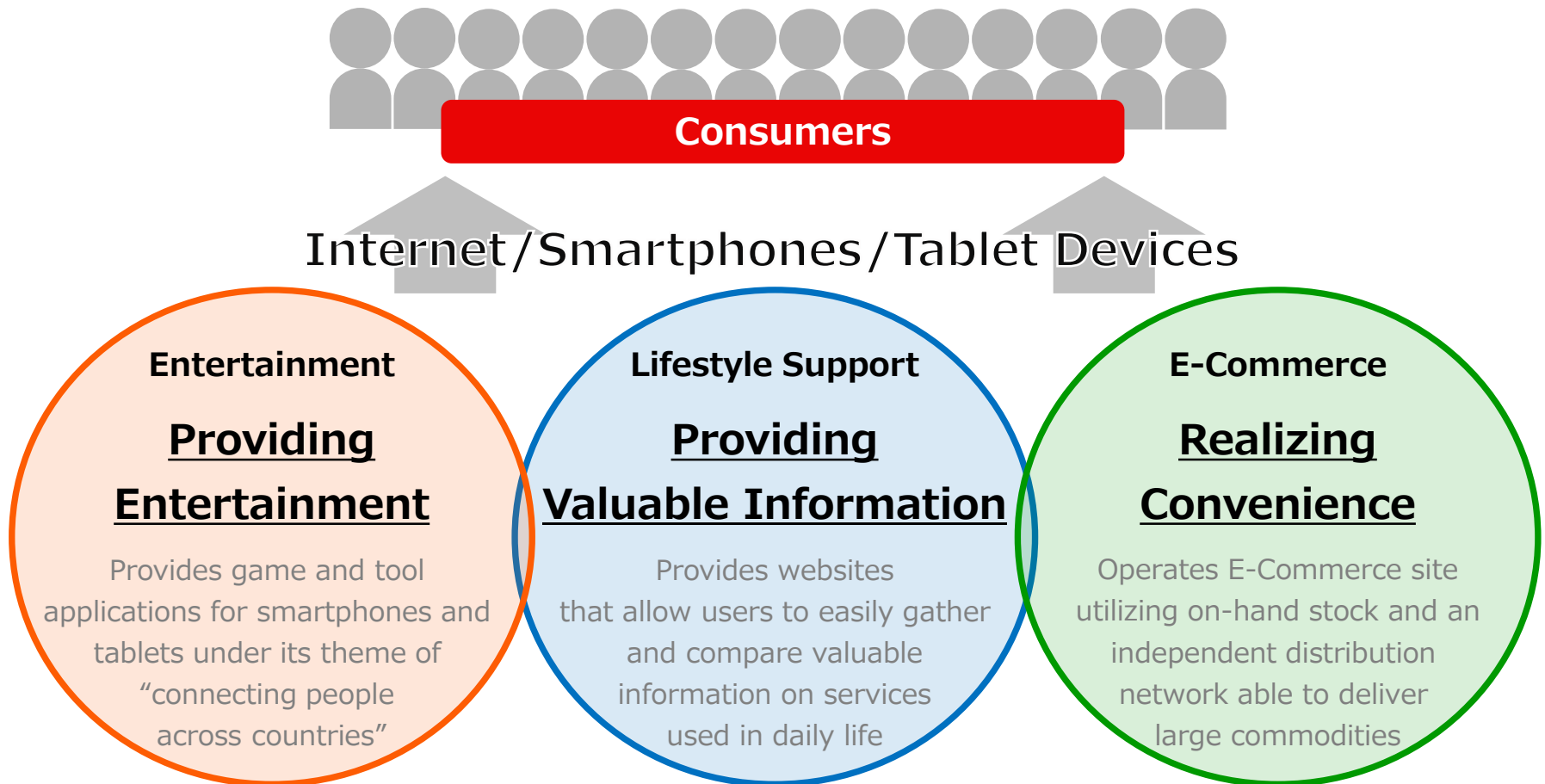
Umeda Hankyu Building



East One Tower

# Three Businesses

We Provide Various Services to Consumers Through the Internet and Smart Devices (Smartphones and Tablets)



\*From FY2017 (Aug 1, 2016), bicycle EC was split into its own segment. Business segments are now Entertainment, Lifestyle Support, and EC.

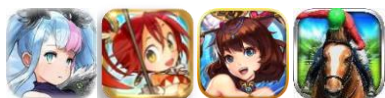
# Business Segments



## Entertainment

Provides games and tool apps for smartphones and tablets

### Game Apps



### Tool Apps



## Lifestyle Support

Provides various online services for daily living

### Moving Related



### Automobile Related



### Bridal Related



### Financial Media



## EC

Provides online bicycle shop that offers free repairs for one year from purchase



### Bicycle E-Commerce



\*From FY2017 (Aug 1, 2016), bicycle EC was split into its own segment. Business segments are now Entertainment, Lifestyle Support, and EC.

# Entertainment Product Line-up

## Game Apps

### Mid-Core Role Playing Games



After School  
Girls Tribe



Valkyrie Connect



Unison League



War of Legions



Dark Summoner



Three Kingdoms  
Smash!

### Simulation



Derby Impact

### Strategy



Big Bang Galaxy

### Puzzle



Pongo Combo

### Mahjong



Mahjong - Rising -

### Feature Phone Games



Eternal Zone



Million Versus

## Tool Apps

### Social Networks



Jam



Whoop

### Customization



[+]HOME

### ZeoApp Series



Good Nights  
Sleep Alarm



Quick Calorie  
Control



Eye Training  
3D



3 minute  
Workout



fast  
flashcards



Customizable  
Mirror

# Lifestyle Support Service Line-up

## Moving-Related Business



Hikkoshi Samurai

- Users can receive quotations from up to 10 moving companies by filling out an online form detailing their moving needs
- In partnership with more than 230 moving companies nationwide
- Maintaining a top market share

## Automobile-Related Business



Navikuru

- Users can receive quotations from up to 10 car dealers by filling out an online form detailing their car information
- In partnership with carefully chosen top used car dealers
- Maintaining a top market share

## Bridal-Related Business



Sugukon Navi

- Website and free consultation desks provide referrals to over 700 wedding halls
- Wedding consultation desks located in Kanto, Tokai, Kansai, and Kyushu areas
- Various payment options available, including deferred payment

## Financial Media Business



Navi Navi Cashing

- Thorough comparisons of select top banks and consumer credit services
- Allows users to easily find a service that matches their needs

## Women's Health Consultation Business



LaLune

- Women's health consultation application
- Simple graphs and features to track daily fertility, fetal growth, body temperature, manage body weight, and more
- Discuss fertility, contraception, and more with medical professionals



# EC Service Introduction

## Bicycle EC

**cyma** -サイマ-  
life & discovery  
cyma

- Selection of over 200 bicycle models
- Bicycles assembled and prepared by specialists, shipped ready-to-ride
- cyma support includes one year of free maintenance and repair, etc.



**cyma** -サイマ-  
life & discovery



### [B2C] Income from Consumers (Gross)



\*From FY2017 (Aug 1, 2016), bicycle EC was split into its own segment. Business segments are now Entertainment, Lifestyle Support, and EC.



## APPENDIX B-1

### Entertainment

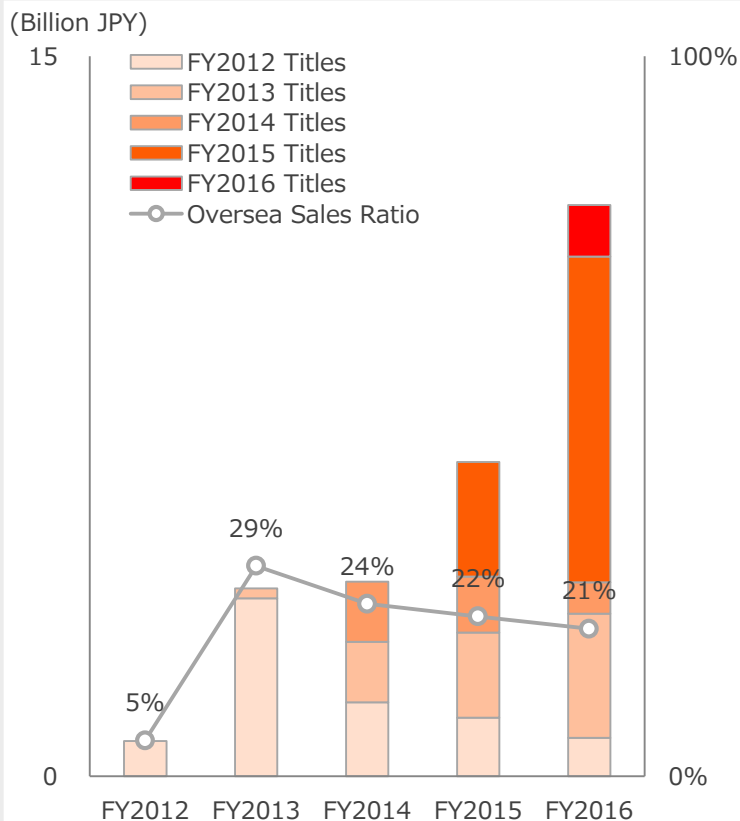
# Business Strengths and Growth Strategies

# Entertainment Business Strengths

Develops Original Game Titles, Maintains High Hit Ratio

Utilizes Overseas Promotion, Monetization, and Operation Knowhow

## Revenue and Overseas Sales Ratio



## Title

(Order of Release)

>100m JPY ← → <100m JPY

Hit Ratio

Title (Order of Release)	>100m JPY ← → <100m JPY		Hit Ratio
	FY2016 Titles	Valkyrie Connect	BBG Trivia Saga
	FY2015 Titles	Unison League	Three Kingdoms Smash! Pongo Combo
	FY2014 Titles	War of Legions	
	FY2013 Titles	Derby Impact	Dark Rebirth
FY2012 Titles	Dark Summoner	Code de My Shop	

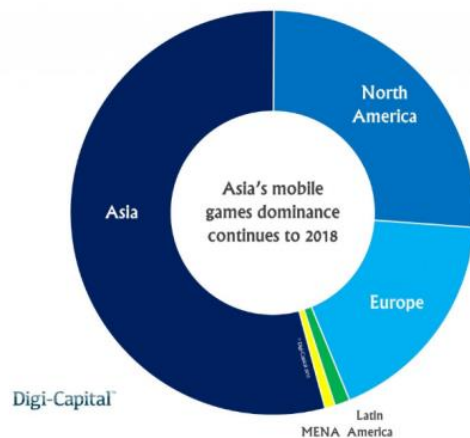
# Entertainment Business Strategies

- Goal of Releasing 1-2 Titles Per Year While Maintaining High Hit Ratio
- Aim for Further Growth in Overseas Mobile Game Markets

## Global Mobile Game Market Scale

- The global game market was valued at \$29b US in 2015, and is predicted to **grow to \$45b US by 2018**

Mobile games revenue from \$29B in 2015 to \$45B by 2018



■ Source: Digi Capital, "Games leaders to dominate \$45 billion mobile games revenue forecast by 2018", May 2015

## Overseas Strategy

- Continue to aim for further growth in North American market
- Expand to new targets in European markets
- Strengthen presence and performance in traditional Chinese language markets (Taiwan, Hong Kong, Macau)
- Mid- to long-term plans to expand efforts towards new targets in regions with high potential

## APPENDIX B-2

### Lifestyle Support

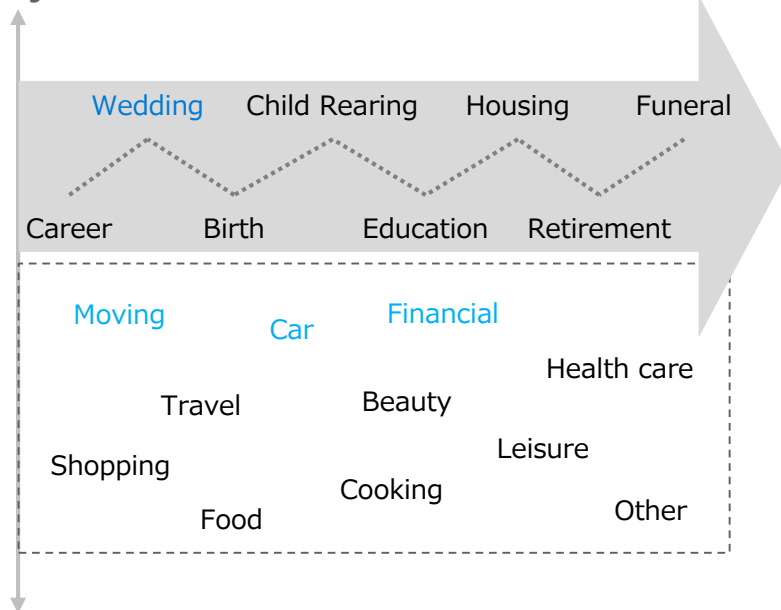
# Business Strengths and Growth Strategies

# Lifestyle Support Business Overview

Lifestyle Support Includes Both **Platforms (Online + Physical)** to Enrich Major Milestones at All Points in Users' Lives and **Affiliate Websites (Online Only)** to Ease Life Events That Are Often Complex

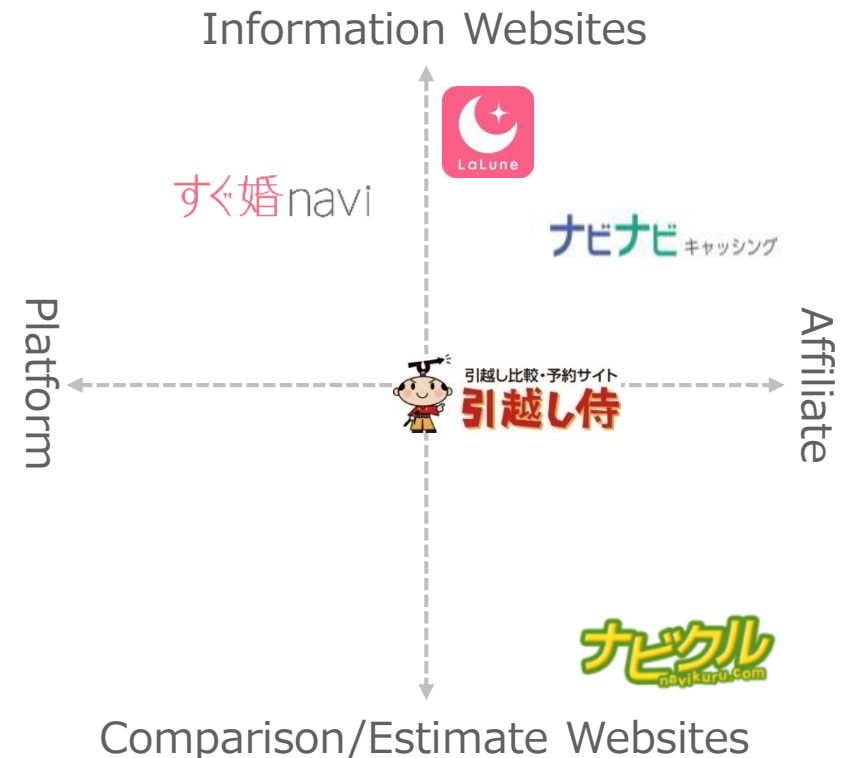
## Service Type Classification 1

Platforms (Online + Physical) to Enrich Major Milestones at All Points in Users' Lives



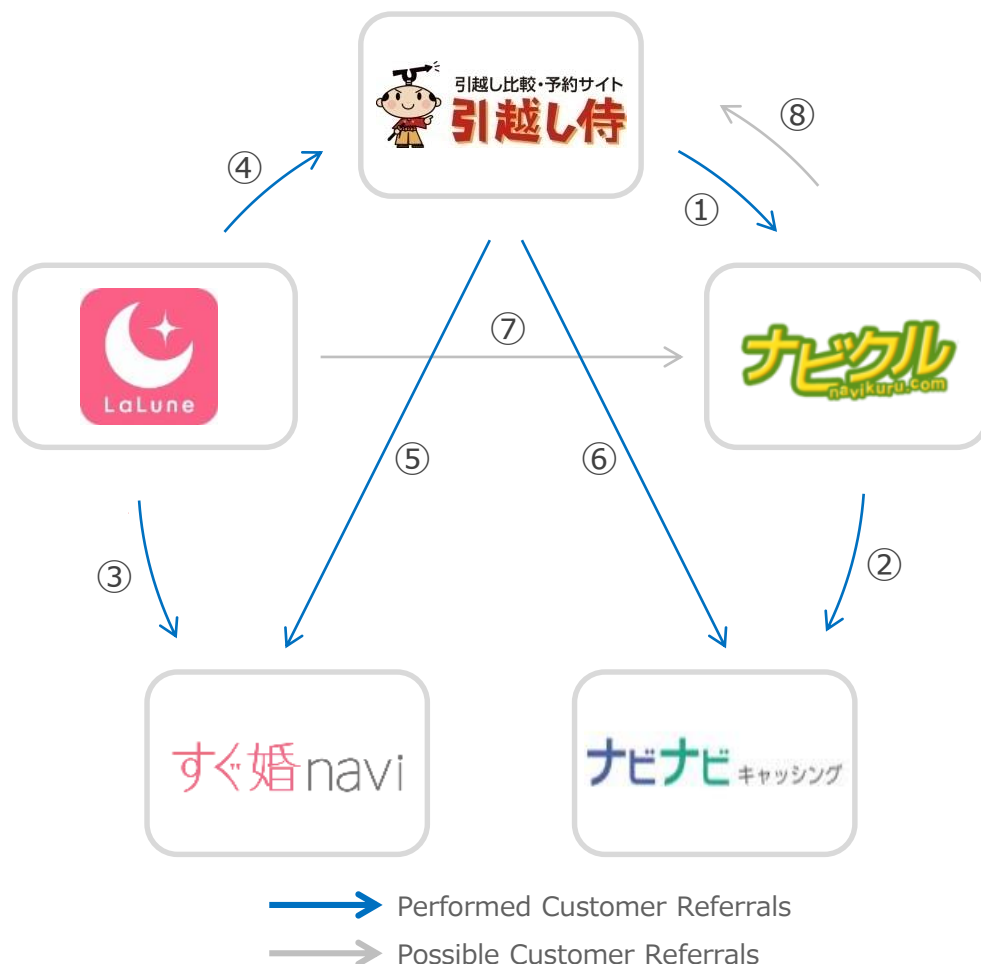
Online Services & Applications to Ease Life Events That Are Often Complex

## Service Type Classification 2



# Lifestyle Support Business Features

Perform Cross-Service Customer Referrals, Plans to Strengthen User Acquisition Efforts

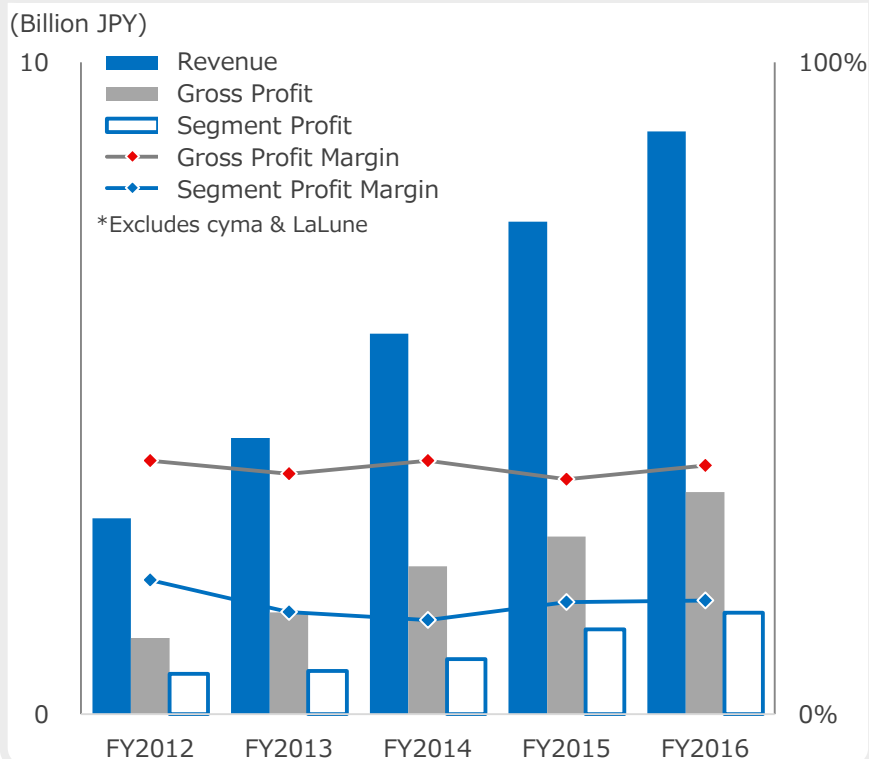


- 1** Hikkoshi Samurai users request car estimates through Navikuru
  - 2** Navikuru users compare card loans through Navinavi Cashing
  - 3** LaLune users search wedding halls through Sugukon Navi
  - 4** LaLune users compare estimates through Hikkoshi Samurai
  - 5** Hikkoshi Samurai users search wedding halls with Sugukon Navi
  - 6** Hikkoshi Samurai users compare card loans with Navinavi Cashing
- 
- 7** LaLune users receive car appraisals through Navikuru
  - 8** Navikuru users compare moving estimates with Hikkoshi Samurai

# Lifestyle Support Key Performance Indicator Trends

## Revenue, Gross Profit/Gross Profit Margin, Segment Profit/Segment Profit Margin

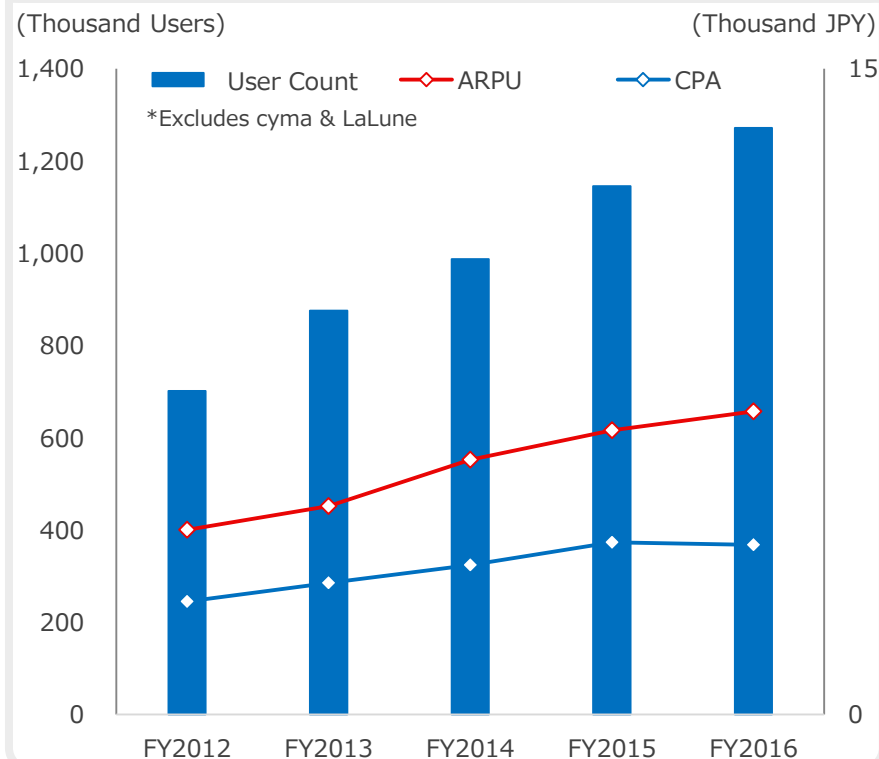
- Revenue and Profit Increasing Annually
- Gross Profit Margin Trends Stable Around 40%, Segment Profit Margin Near 20%



- Revenue and operating income are totals from four main services (excluding cyma and LaLune)
- See page 20 for definitions of "gross profit" and "gross profit margin"

## User Count, ARPU, CPA

- User Count Increasing Favorably
- ARPU Increasing, CPA Trending Down



- See page 20 for definitions of "user count", "ARPU", and "CPA"

## APPENDIX B-2'

# Lifestyle Support Sub-Segments

## **Business Strengths and Growth Strategies**



# Moving-Related Business Strengths

- Service Strength:** Offers a choice between (A) making a reservation online from a list comparing moving companies and (B) receiving quotations from up to 10 companies
- Operation Strengths:** Partnered with over 230 moving companies, implements improvements based on user feedback, continually brings value to partnered companies
- Marketing Strength:** Possesses strong search engine optimization knowhow allowing for higher profit margins through efficiency

[B2B2C]

Revenue from Partnered Companies: Commission Fees/Revenue Share (Net)

On the Hikkoshi Samurai website, choose

(A) Online comparison & reservation,  
then enter your residence info or

(B) Multi-company quote

## A: Compare & Reserve

- Compare estimates
- User reviews
- Online reservations

## B: Quotes

- Receive estimates from up to 10 companies
- Communicate via e-mail or telephone

Introduce various peripheral services often needed when moving



Piano Sales  
Quote Service

Piano Moving  
Quote Service



[B2C]

Revenue from Users (Gross)

Online A/C Sales

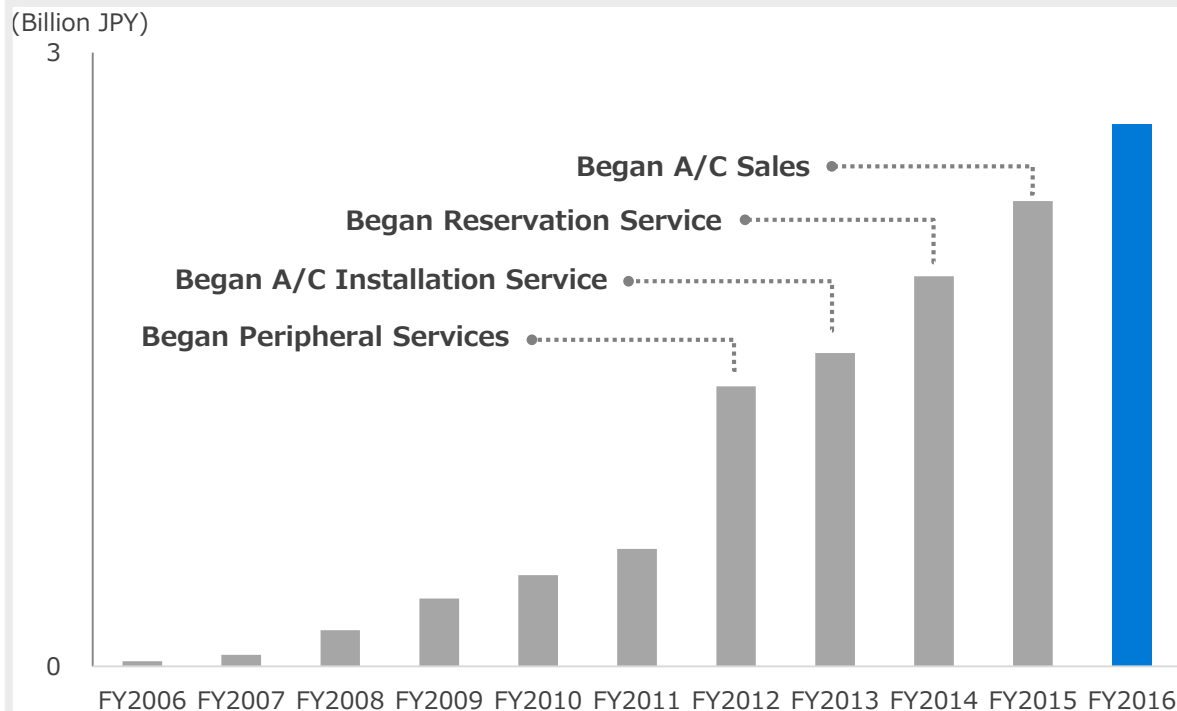
A/C Installation  
Quote Service



# Moving-Related Business Strategies

- Service Strategy:** Further expand moving-related peripheral services, focus on becoming a “one-stop” service
- Market Strategy:** Perform mass marketing aimed at increasing brand recognition, approach users that select a moving company without utilizing comparison sites

## Moving-Related Service Revenue Trends

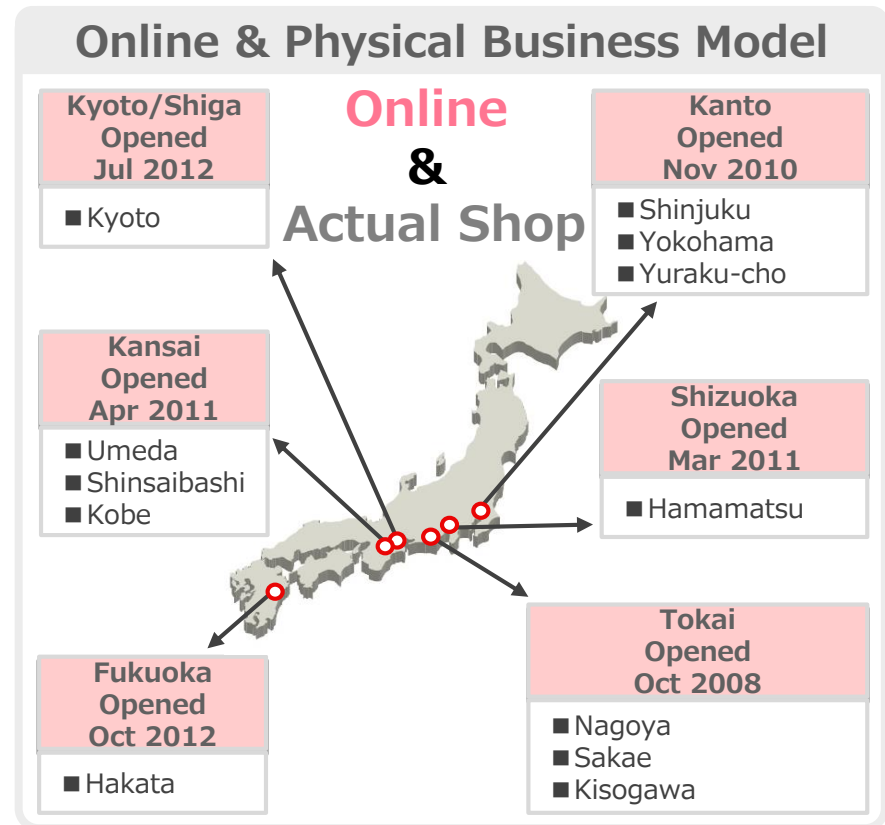
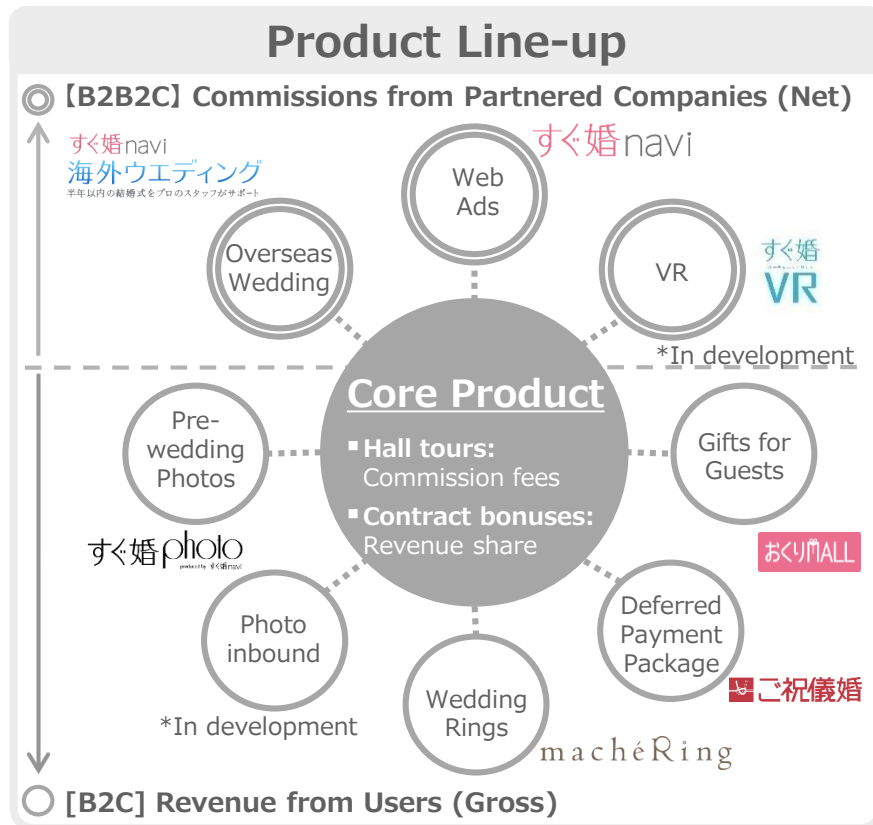


## Focal Points

- Increase CVR and ARPU of comparison and reservation services
- Raise ARPU by further expanding peripheral services
- Strengthen A/C installation and sales

# Bridal-Related Business Strengths

- Business Model Strength:** Original hybrid business model of online + physical shops
- Service Strength:** Defined target user for each product, unified management of online & physical shop customers
- Revenue Structure Strength:** Substantial service portfolio, varied monetization methods



# Bridal-Related Business Strategies

**Product Strategy:** Create multiple revenue opportunities via varied product line-up, increase value per customer

**Target Strategy:** Improve user friendliness, approach a wider range of user types, increase user count, expand market share

## Introductory Notes



Current Status of Major Competitor Service

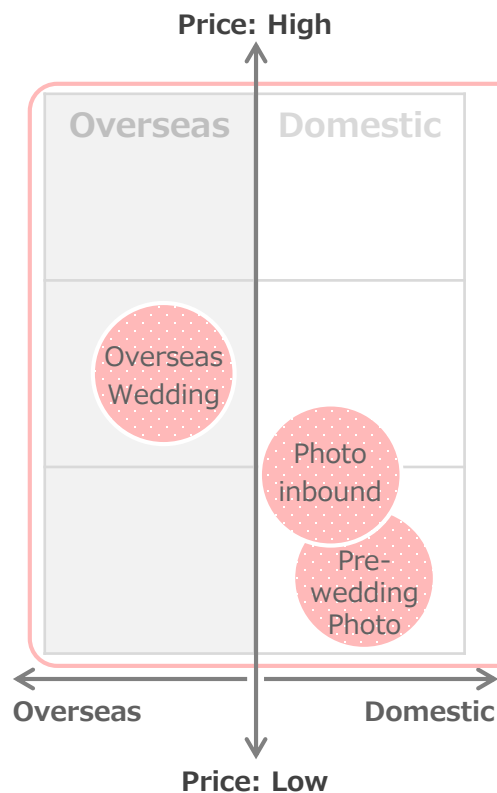


Current Status of Ateam Bridal-Related Business

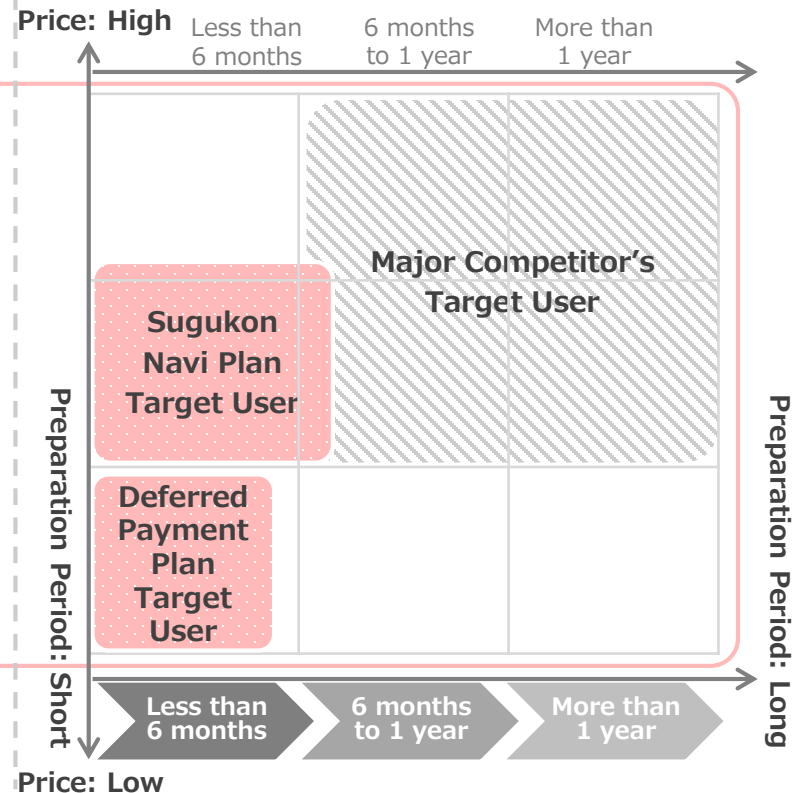


Future Prospects of Ateam Bridal-Related Business

## No Wedding Held in Japan



## Wedding Held in Japan



# Automobile-Related Business Strengths & Strategies

## Strengths:

- Operation with original customer referral system, **online marketing knowhow**
- Business scheme developed with JADRI (Japan Automobile Distribution Research Institute)

## Future Strategy:

- Expand peripheral services such as automobile sales, insurance, etc.

### [B2B2C] Revenue from Partnered Companies: Customer Referral Fees (Net)



# Financial Media Business Strengths & Strategies

## Strength:

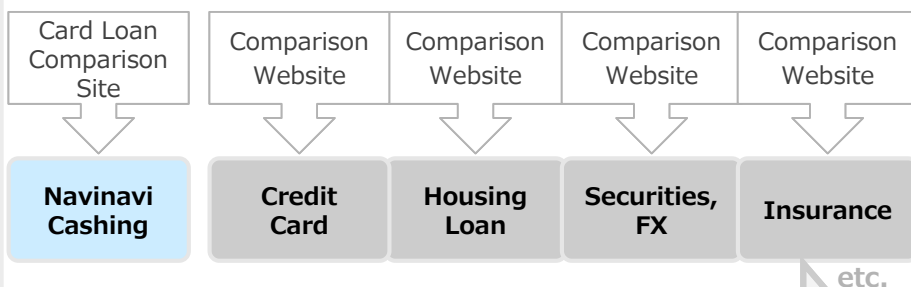
Operation with original customer referral system, **online marketing knowhow**

## Future Strategy:

Plans to develop media platform combining features from various comparison sites, further plans to monetize through data management platform

### Future Service Image

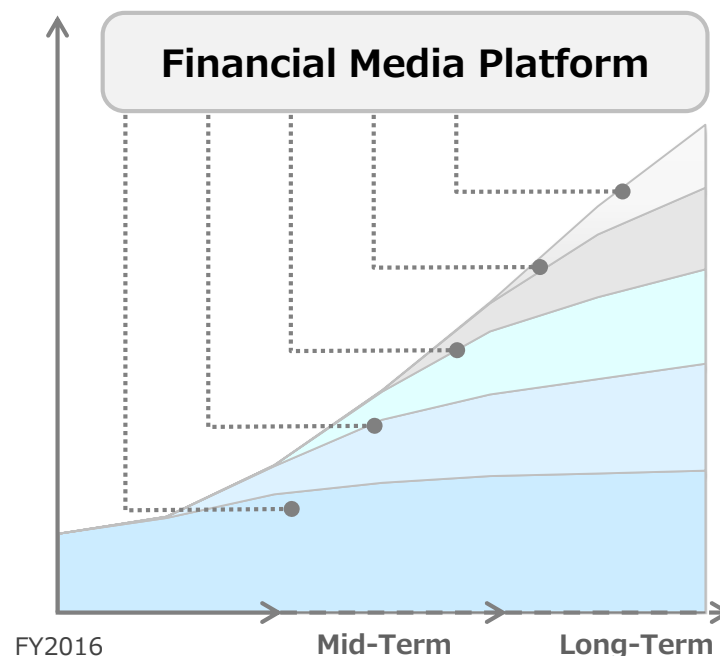
[B2B2C] Income from Partnered Companies:  
Commission Fees/Revenue Share (Net)



Plans to rapidly expand many financial comparison sites

**Financial Media Platform**

### Mid- to Long-Term Growth Image



## APPENDIX B-3

### E-Commerce

# **Business Strengths and Growth Strategies**

# EC Business Strengths





## Strength: Compared to Local Shops

- | No actual shop = reduced fixed costs
- | All products assembled in-house, bicycles delivered ready to ride
- | Offer B2B sales, gift vouchers, etc.

## Strength: Compared to Stock-less EC

- | No direct competitor
- | Developed and operated in-house, independent shipping network allows for lower prices
- | Includes free one-year warranty

## Bicycle EC Combining Strengths of Local Bicycle Shops & Online Sales

	Purchase Condition	Product Selection	Warranty	Old Bicycle Collection
Local Shop	◎ Ready to ride	△ Shop stock + order	○ Available at shop only	△ Varies by shop
Online Sales	△ Assembly required	◎ Varied lineup	△ Warranty provided	△/× Fee often required
cyma	◎ 	◎ 	◎ 	◎ 
	<ul style="list-style-type: none"> <li>  Licensed technicians on staff</li> <li>  Delivered ready-to-ride</li> </ul>	<ul style="list-style-type: none"> <li>  Over 10,000 bikes on hand</li> <li>  Shipping from owned warehouse</li> </ul>	<ul style="list-style-type: none"> <li>  Free one-year warranty</li> <li>  24-hour support</li> </ul>	<ul style="list-style-type: none"> <li>  Free collection service offered</li> </ul>



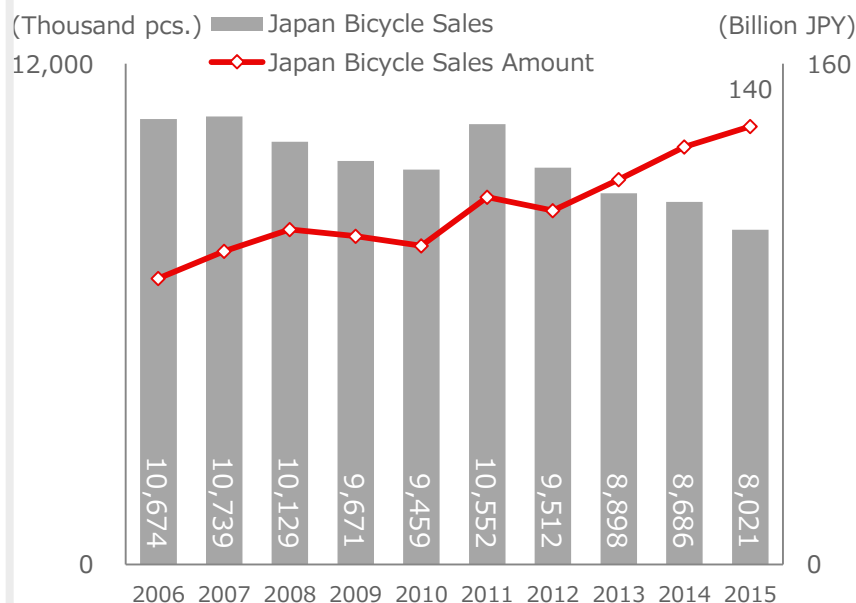
# Japanese Bicycle Market Size

Japan Bicycle Purchase Price Base Trending Up

B2C EC Market Valued Over 13 Trillion JPY

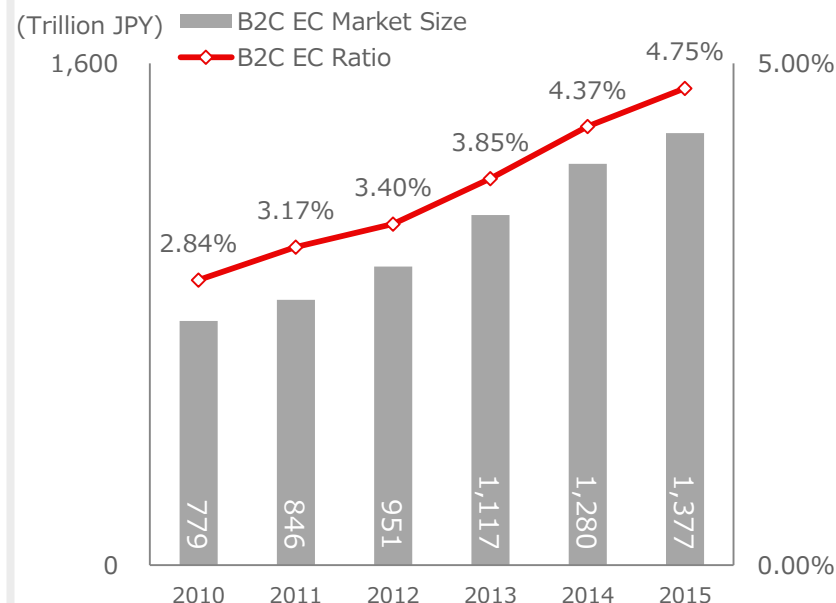
4.75% of Total Market Converted to EC, Increasing Yearly

## Bicycle Production & Imports



■ Source: Japan Bicycle Promotion Institute - Bicycle production dynamics, import and export. Calculation method: Domestic production+imports (purchase price base)

## B2C EC Market Size & EC Ratio

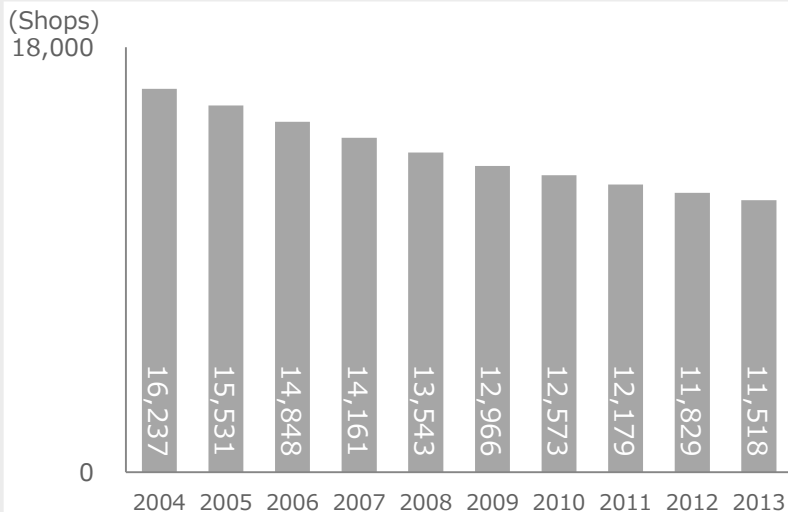


■ Source: 2015 Results of the E-Commerce Market Survey Compiled (Market scale of cross-border EC among three countries, namely, Japan, the U.S., and China) (March 2016)

# EC Business Strategies

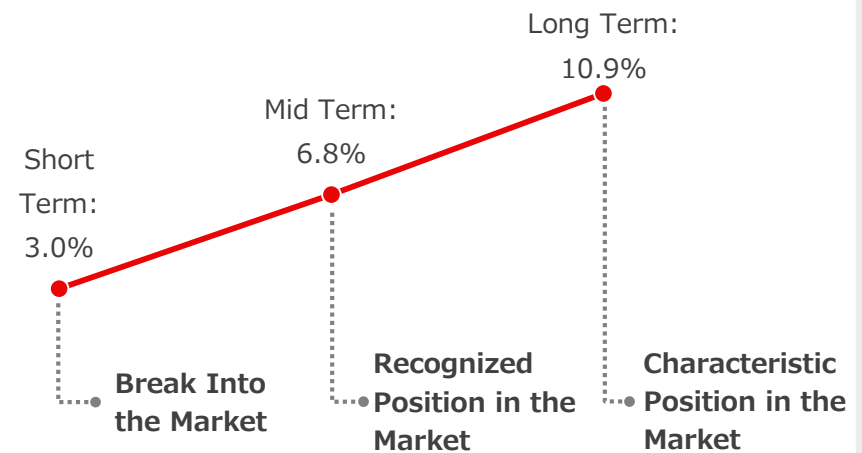
- Brand Strategy:** Make online bicycle purchases the norm, make “cyma” synonymous with online bicycle sales
- Market Strategy:** Utilize relationships made with moving companies developed through moving-related business
- Target Market Share:** Initial target of 3% domestic and import sales. Aim to rise above B2C-EC ratio in the mid term and raise brand awareness among consumers in the long term, plan to expand product lineup to items other than bicycles

## Bicycle Shop Registration Trends



■ Source: TownPage Data Base (NTT East, West Japan) created by NTT TownPage Corporation

## Target Market Share



## APPENDIX C

# **Supplementary Financial Data**

# P/L (FY2014 Q4 - FY2016 Q4)

(Million JPY)

	FY2014	FY2015				FY2016			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	<b>2,936</b>	<b>3,200</b>	<b>3,656</b>	<b>4,407</b>	<b>4,563</b>	<b>4,610</b>	<b>5,420</b>	<b>6,178</b>	<b>6,757</b>
Q/Q (%)	-11.3	9.0	14.2	20.6	3.5	1.0	17.6	14.0	9.4
Entertainment	1,480	1,550	1,847	2,051	2,464	2,331	3,173	3,196	3,857
Lifestyle Support	1,455	1,650	1,808	2,356	2,099	2,279	2,247	2,982	2,899
Cost of revenues	475	521	533	615	718	763	825	987	1,038
Cost rate (%)	16.2	16.3	14.6	14.0	15.8	16.6	15.2	16.0	15.4
Selling, G&A expenses	2,023	2,189	2,587	3,173	3,399	3,326	4,450	4,392	4,969
Selling, G&A expenses ratio (%)	68.9	68.4	70.8	72.0	74.5	72.1	82.1	71.1	73.6
Total cost and G&A expenses	2,499	2,710	3,121	3,789	4,118	4,089	5,276	5,380	6,008
Labor costs & recruitment expenses	691	684	682	695	736	745	805	814	884
Promotional expenses	912	1,132	1,439	1,903	1,955	1,817	2,326	2,433	2,758
Entertainment	122	112	253	567	717	493	1,030	947	1,276
Lifestyle Support	776	994	1,158	1,310	1,176	1,262	1,232	1,419	1,417
Commissions, etc.	484	484	559	671	869	841	1,171	1,177	1,401
Subcontractor expenses, server fees	159	162	190	197	235	257	267	275	235
Office rental fees, utility expenses	100	110	105	105	111	138	235	177	177
Other expenses	150	136	145	215	209	289	470	501	551
Operating income	<b>437</b>	<b>490</b>	<b>534</b>	<b>618</b>	<b>445</b>	<b>520</b>	<b>144</b>	<b>798</b>	<b>748</b>
Q/Q (%)	-18.2	12.0	9.0	15.7	-28.0	17.0	-72.2	452.0	-6.3
Entertainment	428	507	540	314	407	549	440	601	706
Lifestyle Support	216	173	186	514	309	319	231	530	382
Operating income margin	14.9	15.3	14.6	14.0	9.8	11.3	2.7	12.9	11.1
Ordinary income	437	495	565	650	452	493	112	751	736
Net income	<b>215</b>	<b>328</b>	<b>353</b>	<b>401</b>	<b>278</b>	<b>291</b>	<b>17</b>	<b>479</b>	<b>504</b>

# P/L (FY2011 - FY2016)

(Million JPY)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	Y/Y (%)
Revenue	<b>4,064</b>	<b>6,379</b>	<b>10,989</b>	<b>12,036</b>	<b>15,828</b>	<b>22,967</b>	<b>+45.1</b>
Y/Y (%)	15.5	57.0	72.3	9.5	31.5	45.1	—
Entertainment	2,499	3,278	6,632	6,169	7,914	12,559	+58.7
Lifestyle Support	1,564	3,100	4,357	5,866	7,914	10,408	+31.5
Cost of revenues	906	927	1,392	2,132	2,389	3,615	+51.3
Cost rate (%)	22.3	14.5	12.7	17.7	15.1	15.7	+0.6
Selling, G&A expenses	2,709	4,381	7,880	8,451	11,351	17,139	+51.0
Selling, G&A expense ratio (%)	66.7	68.7	71.7	70.2	71.7	74.6	+2.9
Total cost and G&A expenses	3,615	5,309	9,272	10,583	13,740	20,755	+51.0
Labor costs & recruitment expenses	1,297	1,540	2,083	2,638	2,816	3,250	+16.1
Promotional expenses	1,035	2,331	4,310	4,279	6,430	9,335	+45.2
Entertainment	125	399	1,571	789	1,651	3,748	+126.9
Lifestyle Support	907	1,914	2,673	3,431	4,640	5,330	+14.9
Commissions, etc.	530	624	1,600	1,737	2,586	4,592	+77.6
Subcontractor expenses, server fees	218	250	528	826	785	1,035	+31.8
Office rental fees, utility expenses	151	190	337	420	433	728	+67.8
Other expenses	383	371	411	682	706	1,812	+156.6
Operating income	<b>448</b>	<b>1,070</b>	<b>1,717</b>	<b>1,452</b>	<b>2,087</b>	<b>2,212</b>	<b>+6.0</b>
Y/Y (%)	82.7	138.5	60.4	-15.4	43.8	6.0	—
Entertainment	705	1,126	1,866	1,409	1,770	2,297	+29.7
Lifestyle Support	178	539	632	805	1,183	1,464	+23.7
Operating income margin	11.0	16.8	15.6	12.1	13.2	9.6	-3.6
Ordinary income	446	1,047	1,718	1,470	2,164	2,094	-3.2
Pre-tax income	435	1,008	1,688	1,364	2,091	1,858	-11.2
Net income	<b>258</b>	<b>590</b>	<b>1,042</b>	<b>807</b>	<b>1,362</b>	<b>1,292</b>	<b>+9.5</b>

\*From FY2013 Q3, Ateam releases consolidated financial statements that contain figures for businesses spun off through absorption-type demerger into subsidiaries. Figures listed above therefore include data from the same businesses, and are listed for easier comparison to past fiscal years.

# B/S (FY2011 - FY2016)

(Million JPY)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Assets</b>						
Current assets	1,340	2,709	3,760	4,034	6,334	6,918
Cash and cash equivalents	553	1,339	1,944	2,217	3,097	3,505
Non-current assets	460	443	881	1,470	1,322	2,668
Tangible assets	40	45	102	120	125	1,321
Intangible assets	159	120	410	355	460	622
Investments and other assets	261	277	367	994	736	724
<b>Total assets</b>	<b>1,801</b>	<b>3,153</b>	<b>4,641</b>	<b>5,504</b>	<b>7,656</b>	<b>9,586</b>
<b>Liabilities</b>						
Current liabilities	657	1,153	1,136	1,305	3,648	4,127
Non-current liabilities	105	0	0	0	0	387
<b>Total liabilities</b>	<b>763</b>	<b>1,153</b>	<b>1,136</b>	<b>1,305</b>	<b>3,648</b>	<b>4,514</b>
Interest-bearing liabilities	270	100	0	0	1,700	1,166
<b>Net assets</b>						
Shareholder's equity	1,038	1,999	3,500	4,130	3,900	4,971
Treasury stock	0	0	0	0	-1,403	-1,222
Stock option	0	0	5	67	108	100
<b>Total net assets</b>	<b>1,038</b>	<b>1,999</b>	<b>3,505</b>	<b>4,198</b>	<b>4,008</b>	<b>5,072</b>
<b>Total liabilities and net assets</b>	<b>1,801</b>	<b>3,153</b>	<b>4,641</b>	<b>5,504</b>	<b>7,656</b>	<b>9,586</b>

\*From FY2013 Q3, Ateam releases consolidated financial statements that contain figures for businesses spun off through absorption-type demerger into subsidiaries. Figures listed above therefore include data from the same businesses, and are listed for easier comparison to past fiscal years.

# Others (FY2011 - FY2016)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Number of shares issued (year-end)	16,050,000	18,393,000	19,195,000	19,349,200	19,405,600	19,450,000
Treasury stock (shares)	0	0	0	0	580,020	574,020
Average number of shares during the FY	16,050,000	16,882,352	18,933,262	19,255,641	19,310,191	18,846,317
EPS (JPY)	<b>16.09</b>	<b>34.99</b>	<b>55.04</b>	<b>41.96</b>	<b>70.54</b>	<b>68.58</b>
EPS Y/Y (%)	—	117.5	57.3	-23.8	45.6	-2.8
ROA (Ordinary income on total assets, %)	<b>25.9</b>	<b>42.3</b>	<b>44.1</b>	<b>29.0</b>	<b>32.9</b>	<b>24.3</b>
Net assets per share (JPY)	64.7	108.7	182.4	213.5	207.2	263.4
Dividend per share (JPY)	0.00	0.00	10.61	10.00	12.50	12.50
Interim dividend (JPY)	0.00	0.00	5.00	5.00	5.00	5.00
Total dividend amount (JPY)	0.00	0.00	203	192	238	239
Payout ratio (%)	<b>0</b>	<b>0</b>	<b>19.3</b>	<b>23.8</b>	<b>17.7</b>	<b>18.2</b>
Shareholder's equity ratio (%)	57.6	63.4	75.4	75.0	50.9	51.9
Equity ratio (%)	57.6	63.4	75.4	75.1	50.9	51.9
ROE (%)	<b>28.4</b>	<b>38.9</b>	<b>37.9</b>	<b>21.2</b>	<b>33.9</b>	<b>29.1</b>
ROIC (= ① ÷ ②, %)	<b>20.3</b>	<b>29.9</b>	<b>30.3</b>	<b>20.8</b>	<b>21.0</b>	<b>25.1</b>
① Net operating income after taxes	266	626	1,059	859	1,178	1,539
② Invested capital (=③+④)	1,308	2,099	3,500	4,130	5,600	6,137
③ Shareholder's equity	1,038	1,999	3,500	4,130	3,900	4,971
④ Short-term loans payable	270	100	0	0	1,700	1,166

\*The company carried out common stock splits of 100-for-1 on Oct 27, 2011, 3-for-1 on Jun 1, 2012, and 2-for-1 on May 1, 2015. The per share figures listed above have been adjusted to reflect these splits, and some therefore differ from those in previous materials released by the company.

# **Our Mission Is to Produce Happiness Through Business and to Grow for the Next 100 Years**



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