The following English translation is for reference purposes only, as it was originally prepared and published by the Company in Japanese and is qualified in its entirety by the original Japanese version submitted to the Tokyo Stock Exchange. Please refer to the Japanese version in the event of any discrepancy between the English and Japanese versions.

Consolidated Financial Results for the Fiscal Year Ended July 31, 2017 (Japan GAAP)

September 8, 2017

Company name: Ateam Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3662
URL: http://www.a-tm.co.jp/en/
Representative: Takao Hayashi, President
Contact: Akinori Mitsuoka, Corporate Officer/IR Officer, General Manager of Corporate Development Division
Phone: +81-52-747-5573
Scheduled date of ordinary general shareholders' meeting: October 26, 2017
Scheduled date of commencing dividend payments: October 6, 2017
Scheduled date of filing securities report: October 26, 2017
Supplementary briefing material for the financial results: Yes
Schedule of financial results briefing: Yes (September 8, 2017, for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2017 (August 1, 2016 - July 31, 2017)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended July 31, 2017	34,603	50.7	4,077	84.3	4,118	96.6	2,579	99.6
Fiscal Year ended July 31, 2016	22,967	45.1	2,212	6.0	2,094	(3.2)	1,292	(5.1)

Note: Comprehensive income (millions of yen) Fiscal Year ended July 31, 2017: 2,579 [99.5%]
Fiscal Year ended July 31, 2016: 1,292 [(5.1)%]

	Net income per share-basic	Net income per share-diluted	Return on equity	Return on asset	Operating income to revenue ratio
	Yen	Yen	%	%	%
Fiscal Year ended July 31, 2017	136.45	135.80	41.8	36.2	11.8
Fiscal Year ended July 31, 2016	68.58	68.23	29.1	24.3	9.6

Note: Equity in earnings of affiliates (millions of yen)
Fiscal year ended July 31, 2017: –
Fiscal year ended July 31, 2016: –

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year ended July 31, 2017	13,140	7,456	56.0	389.03
Fiscal Year ended July 31, 2016	9,586	5,072	51.9	263.36

Note: Shareholders' equity (millions of yen) Fiscal Year ended July 31, 2017: 7,360

Fiscal Year ended July 31, 2016: 4,971

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year ended July 31, 2017	3,462	(1,213)	(768)	5,004
Fiscal Year ended July 31, 2016	1,730	(534)	(766)	3,505

2. Dividends

	Annual dividend per share					Total dividends paid (annual)	Total dividends paid (annual)	Dividends on equity attributable to shareholders of parent company (consolidated)
	Q1	Q2	Q3	Q4	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year ended July 31, 2016	–	5.00	–	7.50	12.50	239	18.2	5.3
Fiscal Year ended July 31, 2017	–	5.00	–	22.00	27.00	517	19.8	13.9
Fiscal year ending July 31, 2018 (forecast)	–	–	–	32.50	32.50		20.1	

3. Forecasts for the Fiscal Year Ending July 31, 2018 (August 1, 2017 - July 31, 2018)

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	18,500	21.0	1,350	32.0	1,350	26.0	900	33.1	46.90
Full year	40,000	15.6	4,700	15.3	4,700	14.1	3,100	20.2	161.59

***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. : No
(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)	As of July 31, 2017	19,469,800	As of July 31, 2016	19,450,000
(ii) Number of shares of treasury stock at the end of the period	As of July 31, 2017	548,662	As of July 31, 2016	574,020
(iii) Average number of shares during the period	Fiscal year ended July 31, 2017	18,904,872	Fiscal year ended July 31, 2016	18,846,317

Note: Regarding the numbers of shares issued (common stock) as of July 31, 2017, the "number of shares of treasury stock at the end of the period" includes 246,100 shares of treasury stock corresponding to shares remaining in "Stock Grant ESOP (Employee Stock Ownership Plan) Trust account" and "Board Incentive Plan (BIP) Trust account" introduced during the fiscal year under review; moreover, there are 248,257 shares corresponding to shares remaining in the aforementioned trust accounts that are included in the treasury stock deducted from "average number of shares during the period."

(Reference) Summary of non-consolidated performance

1. Non-consolidated Performance for the Fiscal Year Ended July 31, 2017 (August 1, 2016 - July 31, 2017)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended July 31, 2017	21,467	53.0	2,287	231.3	3,196	169.0	2,288	155.5
Fiscal Year ended July 31, 2016	14,028	69.6	690	(10.8)	1,188	(10.7)	895	(6.2)

	Net income per share-basic	Net income per share-diluted
	Yen	Yen
Fiscal Year ended July 31, 2017	121.05	120.47
Fiscal Year ended July 31, 2016	47.52	47.28

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year ended July 31, 2017	9,617	5,894	60.3	306.74
Fiscal Year ended July 31, 2016	7,091	3,800	52.2	196.01

Note: Shareholders' equity (millions of yen) Fiscal Year ended July 31, 2017: 5,798
Fiscal Year ended July 31, 2016: 3,699

* Financial results reports are not required to be audited.

* Explanation of the Proper Use of Financial Results Forecast and Other Notes

The forward-looking statements include forecasts herein are based on information available to the Company 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, etc., please refer to the "Outlook for consolidated performance in the next fiscal year" on page 3 of the attachments to this financial results report.

Index of Attachments

1. Overview of Operating Results, etc.

(1) Analysis of operating results

Ateam Inc. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) adhere to the corporate philosophy “to produce happiness through business and to grow for the next 100 years.” 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 and smart devices (**smartphones and tablets**). Specifically, the Group is operating 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 including comparison and information websites that deliver valuable information both for major life events and for daily living. The E-Commerce business plans, develops and operates an online shopping website for bicycles, and possessing its own stock, it realizes the convenience of delivering fully assembled bicycles.

In the fiscal year ended July 31, 2017, the Group achieved record-high revenue, marking four consecutive years of both increased revenue and operating income.

The Group extended its office space at its head office and Osaka office while keeping a close eye on the increase in employees as business expanded. Although this increased fixed costs such as office rent, the growth achieved by our respective businesses allowed operating income to rise year on year to a new record high.

Ordinary income rose significantly year on year to a record high due to foreign currency translation of overseas revenue in the Entertainment business yielding a net gain during the fiscal year under review, in contrast with foreign exchange losses in the previous fiscal year.

In addition, despite recording impairment loss of software assets as extraordinary losses, net income attributable to shareholders of parent company also increased dramatically year on year to a new record high.

As a result of the above, during the fiscal year, the Group posted revenue of ¥34,603,014 thousand (up 50.7% year on year), operating income of ¥4,077,681 thousand (up 84.3% year on year), ordinary income of ¥4,118,300 thousand (up 96.6% year on year), and net income attributable to shareholders of parent company of ¥2,579,584 thousand (up 99.6% year on year).

The operating performance by segment for the fiscal year was as follows:

Effective since the fiscal year ended July 31, 2017, the Group has changed its classification of reportable segments. The figures of the fiscal year under review in the year-on-year comparisons provided below have been restated to reflect the segment classification after the change.

Strong performances were achieved in the Entertainment, Lifestyle Support and E-Commerce businesses. Record high revenue and segment profit were recorded in both the Entertainment and Lifestyle Support businesses, while the E-Commerce business, still in the investment stage, realized record high revenue.

Entertainment business

In the Entertainment business, the Group provides in-house developed, original game applications for smart devices (“game app”) to people throughout the world through platforms dedicated to distributing applications (“app”) such as App Store operated by Apple Inc. and Google Play operated by Google Inc. By providing game apps basically free to play and allowing users to purchase items to increase game efficiency and gain in-game advantages, we generate game application revenue from the proceeds of the in-application purchasing of items.

In the fiscal year ended July 31, 2017, we continued efficient operations of existing games and released the new game app “After School Girls Tribe” (rousing battle RPG for girls) in December 2016. In existing game apps, “Valkyrie Connect” (High Fantasy RPG), released in June 2016, is performing well in Japan and overseas. It posted top revenue of all the Group’s game apps released to date and contributed to boost operating results as one of the major titles. “Unison League” (new-experience, real-time RPG), released in December 2014, is continuing strongly, despite being on the market for about three years, and it has attracted solid popularity. Due to our efforts to streamline operations, “Derby Impact” (life-like 3D horse breeding and racing game), released in May 2013, and “Three Kingdoms Smash!” (exhilarating slingshot-battle action game), released in March 2015, are continuously contributing to revenue.

As a result, during the fiscal year, the Entertainment business posted revenue of ¥19,259,248 thousand (up 53.3% year on year) and operating income of ¥3,820,515 thousand (up 66.3% year on year), achieving record highs for both revenue and segment profit.

Lifestyle Support business

In the Lifestyle Support business, the Group forms alliances with businesses who operate services for individual users in various business fields related to relocation, automotive, bridal, and financial media, etc. and operates various convenient online services such as comparison and information websites for major life events and for daily living, under the "Sanpo-Yoshi" (benefit for all three sides) service philosophy of the user, alliance partner and the Group all benefitting. These websites are basically free to access for individual users and the major source of revenue are introduction fees and commissions on contracts from partner companies for introducing prospective customers.

The Lifestyle Support business has the sub-segments of the Relocation business, the Automotive business, the Bridal business, the Financial Media business and other businesses.

In the Relocation and Automotive businesses, we steadily increase users through such measures as making continual and daily improvements to the websites and conducting promotional activities, and continue to maintain top share in the industry. In the Bridal business, which centers on "Hanayume," we are operating wedding consultancy desks at 12 physical locations in six areas nationwide. After enhancing bridal peripheral services such as "Hanayume Set-Price Wedding Packages" and "Hanayume Photo" and changing our service name in November 2016, we worked on further improving the quality of our services and achieved significant growth. In the Financial Media business, which centers on "Navinavi Cashing," we have steadily launched new online services including "Navinavi Credit Card," a credit card comparison and information site, "Navinavi Mortgage", a housing loan comparison and information site, and "Navinavi FX," a foreign exchange comparison and information site, and continued to grow the number of users.

As a result, during the fiscal year, the Lifestyle Support business posted revenue of ¥13,342,546 thousand (up 45.1% year on year) and operating income of ¥1,929,110 thousand (up 17.8% year on year), achieving record highs for both revenue and segment profit.

E-Commerce business

In the E-Commerce business, we have constructed three physical warehouses, one for each of the Tokai, Kanto and Kansai areas, and possessing our own stock, we sell and deliver fully assembled bicycles of more than 200 models procured from Japan and overseas to the user's house and offer maintenance by exclusively contracted professional bicycle repairers. Ours is the only online bicycle store in Japan that does that.

The main revenue of the business is proceeds from the sale of bicycles.

We have been implementing staggered investment to strengthen fulfilment[Note] of the online bicycle store "cyma" since it has been launched in December 2013. Currently, cyma is still at the investment stage, but it is on a steady track as a business. While strengthening promotion under the branding message "Need a bicycle? Go visit "cyma", we are continuing to achieve stable growth in sales volume.

(Note) Fulfilment refers to the overall aspects of the most important core process in an online shopping business, including the management of orders received, management of inventory, product picking, assortment and packaging of products, dispatch, invoicing of proceeds and settlement. Fulfilment also encompasses peripheral operations such as customer support, which includes complaint handling and inquiry response, returns and exchange response, as well as customer data management.

As a result, during the fiscal year, the E-Commerce business posted revenue of ¥2,001,220 thousand (up 64.7% year on year) and operating loss of ¥178,587 thousand (compared with an operating loss of ¥172,530 thousand in the previous fiscal year), achieving a record high in segment revenue.

Outlook for consolidated performance in the next fiscal year

Looking to realize growth in the medium and long term, the Group will continue in the fiscal year ending July 31, 2018, a focus on acquiring and further developing excellent personnel, establishing the right environments and constructing organizational structures. As part of these measures, the Group will newly establish the Fukuoka Office in October 2017 and strengthen recruiting in Fukuoka.

The outlook for business performance by segment is as follows:

In the Entertainment business, the Group will develop new game apps while working to streamline operation of existing game apps such as “Valkyrie Connect” and “Unison League” and expand sales overseas where there is still room for growth. As for performance, conservatively estimates sales contribution from the new game apps scheduled for release (1 or 2 game apps) after taking into account the appropriate investment required for release-time promotion costs while expecting flat sales of existing game apps year on year after taking into consideration the expenses currently supposed for existing game apps and as well as the most recent KPI trend, revenue is being forecast.

In the Lifestyle Support business, each service will strive to mutually promote the other services to customers and to capture repeat customers while working to increase the number of users, increase sales per user and improve profitability in each of the sub-segments consisting of the Relocation business, Automotive business, Bridal business and Financial Media business. Moreover, while continuing to enhance the peripheral services of each sub-segment business, the Group plans to invest in the development of services in new industry fields. As for performance, our forecasts consider the profitability of each service and the statuses of their KPI, and taking also into account all conceivable internal and external factors currently apparent that could make an impact, like seasonal and other factors. In regard to new services, the Group factors in the costs that are currently conceivable.

In the E-Commerce business, the Group considers the quest for growth in the medium and long term and the strengthening of fulfilment to be a greater priority than achieving profitability. In terms of performance, the Kobe distribution center established in the fiscal year under review is on track, and the Group expects sales to increase in line with the expanding delivery capacity. The Group is making reasonable forecasts within a scope of conceivable results while taking into account seasonal and other factors.

Furthermore, in the Entertainment business there is a possibility that the Group will implement large-scale promotion in the first half of the fiscal year for some titles to broaden user targets. Also, a characteristic of the Lifestyle Support business and E-Commerce business, is that in typical years, the third quarter period is the Group’s busiest season, and the contribution to revenues in the second half of the fiscal year is expected to be higher than that for the first half of the fiscal year. Accordingly it is expected that the second half of the fiscal year will yield a result with the higher share of the Group’s operating income, ordinary income and net income attributable to shareholders of parent company.

The aforementioned forward-looking statements and the earnings forecasts provided below have been prepared based on information readily available to the Group 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 six months ending January 31, 2018 (August 1, 2017 - January 31, 2018)

Revenue	¥18,500 million (up 21.0% year on year)
Operating income	¥1,350 million (up 32.0% year on year)
Ordinary income	¥1,350 million (up 26.0% year on year)
Net income attributable to shareholders of parent company	¥900 million (up 33.1% year on year)

Performance outlook for the fiscal year ending July 31, 2018 (August 1, 2017 - July 31, 2018)

Revenue	¥40,000 million (up 15.6% year on year)
Operating income	¥4,700 million (up 15.3% year on year)
Ordinary income	¥4,700 million (up 14.1% year on year)
Net income attributable to shareholders of parent company	¥3,100 million (up 20.2% year on year)

(2) Analysis of financial position

(i) Position of assets, liabilities and net assets

Assets

As of the end of the fiscal year under review, the Group posted total assets of ¥13,140,833 thousand, an increase of ¥3,553,833 thousand compared with the end of the previous fiscal year. The main factors were an increase of ¥240,934 thousand in buildings, net, an increase of ¥1,050,107 thousand in notes and accounts receivable - trade, and an increase of ¥1,499,017 thousand in cash and deposits.

Liabilities

As of the end of the fiscal year under review, the Group posted liabilities of ¥5,683,939 thousand, an increase of ¥1,168,948 thousand compared with the end of the previous fiscal year. The main factors were an increase of ¥371,316 thousand in accounts payable - other and an increase of ¥740,805 thousand in income taxes payable, despite a decrease of ¥534,000 thousand in short-term loans payable.

Net assets

As of the end of the fiscal year under review, the Group posted net assets of ¥7,456,893 thousand, an increase of ¥2,384,884 thousand compared with the end of the previous fiscal year. The main factors were an increase of ¥2,343,490 thousand in retained earnings.

(ii) Cash flows

As of the end of the fiscal year under review, cash and cash equivalents ("cash") increased by ¥1,499,017 thousand from the end of the previous fiscal year to ¥5,004,078 thousand. 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 provided by operating activities during the fiscal year under review was ¥3,462,862 thousand, a year-on-year increase of 100.1%. The main factor was income before income taxes of ¥3,854,019 thousand.

Cash flows from investing activities

Cash used in investing activities during the fiscal year under review was ¥1,213,227 thousand, a year-on-year increase of 126.9%. The main factors were ¥354,074 thousand used for the purchase of property, plant and equipment, ¥440,304 thousand used for the purchase of intangible assets and ¥275,000 thousand used for the purchase of investment securities.

Cash flows from financing activities

Cash used in financing activities during the fiscal year under review was ¥768,499 thousand, a year-on-year increase of 0.3%. The main breakdown of cash used was net decrease in short-term loans payable of ¥534,000 thousand and cash dividends paid of ¥236,305 thousand.

(Reference) Trends in cash flow indicators

	Fiscal Year ended July 31, 2014	Fiscal Year ended July 31, 2015	Fiscal Year ended July 31, 2016	Fiscal Year ended July 31, 2017
Equity ratio (%)	75.1	50.9	51.9	54.5
Market value equity ratio (%)	1,291.8	596.2	389.3	408.06
Cash flow to interest-bearing liabilities ratio (years)	–	1.0	0.6	0.1
Interest coverage ratio (times)	1,993.8	820.9	316.24	1,113.29

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. For the calculation of market capitalization, the total number of issued shares less treasury stock is used.
2. Cash flow from operating activities is used for cash flow.
3. Interest-bearing debt includes all debt reported on the consolidated balance sheets on which interest is paid.

(3) Basic policy regarding profit distribution, and dividend payments for current and next fiscal year

The Group believes that it is important to solidify the financial base and proactively develop business. At the same time, the Group considers the return of earnings to shareholders to be an important management issue and sets a dividend policy of providing a return to shareholders with a full-year payout ratio of around 20%.

Based on this policy, after comprehensively considering factors such as performance in the fiscal year under review, the Group will pay a year-end dividend of ¥22.0 per share. Including the interim dividend, which was paid at the end of the six-month period, this brings the dividend payment for the fiscal year ended July 31, 2017 to ¥27.0 per share. In regard to dividend payments for the next fiscal year (fiscal year ending July 31, 2018), aiming to maintain a full-year payout ratio of around 20% for shareholder returns and based on the full-year forecasts, the Group expects a year-end dividend of ¥32.5 per share.

Up until now the Company has adopted a method of paying dividends has been to pay dividends twice a year as an interim dividend and as a year-end dividend. However, due to the special nature of the businesses being operated by the Company, there is a pattern of bias of profit being concentrated in the second half of the fiscal year. As it is necessary to determine a dividend amount in line with the dividend policy based on the full-year's performance, effective the fiscal year ending July 31, 2018, the Company will pay dividend once annually as a year-end dividend.

(4) Business and other risks

Listed below are the main factors that could pose a risk to the Group's business condition, etc. With respect to matters which are not risk factors, the information below is provided from the standpoint of proactively disclosing to investors information believed to be important in order for them to make investment decisions. The Group's policy is to sufficiently recognize the potential for these risks to arise and to work to prevent them from arising and respond in cases where they do arise.

Among the matters listed below, those that relate to the future, unless otherwise provided, were determined by the Group 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 market as well as the internet market, the business areas that the Group operates in, have continued to grow significantly due to the spread of smartphones and the increase of internet users.

Although this trend is expected to continue going forward, in the event that the speed of future market growth were to decrease or, in the event that business confidence were to deteriorate due to the impact of business fluctuations, the Group's performance and financial position may be affected.

2) Risks related to business

(i) Competition

The Group provides various content and services for the internet and smart devices. To improve competitiveness, the Group strives to provide unique content and create websites in pursuit of optimal usability, and works to diversify services and enhance customer support, among other efforts.

However, intensifying competition with corporations providing services for the internet and smart devices similar to what the Group provides and new business operators may affect the Group's business and performance.

(ii) Relations with business partners (platform operation businesses, service alliance businesses and business collaborators)

The Group's Entertainment business provides content to users through platforms dedicated to distributing apps such as App Store operated by Apple Inc. and Google Play operated by Google Inc. The Group entrusts the collection of sales payment from content users and pay the agent commission fees for payment collection and system usage fees, etc. to the businesses that operate these platforms.

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

(iii) Foreign exchange

For the Group's Entertainment business, some content is provided to overseas users through overseas platforms dedicated to the distribution of apps or through overseas local publishers, and proceeds from the sale of in-content items, etc., are collected in local currencies by the overseas platform operation businesses.

In addition, the Group's E-Commerce business imports products (bicycles of finished products) from overseas manufactures, primarily in China. Going forward, the Group will implement forward exchange contracts when needed and with appropriate timing while keeping in mind the balance of the entire Group's revenue and expenditure in foreign currencies. However, in the event that there is a significant discrepancy between the originally predicted foreign exchange rate and the actual foreign exchange rate, losses may occur and the Group's financial position and performance may be affected.

(iv) Collection of accounts receivable - trade

In developing its business and services, the Group makes transactions with various businesses. Alliance businesses may follow through with management decisions such as withdrawing from business and business integrations with other companies depending primarily on the market environment and the current state of competition, etc. for each business. As such, although the Group strives to enter partnerships with businesses that have sound financial positions, going forward, in the event that an alliance business' financial position deteriorates and they withdraw from business, etc., for reasons such as those listed above, collection of payment from sales related to said company could be delayed or even become uncollectable. As a result, the Group's performance may be affected.

(v) Product quality assurance

The Group's E-Commerce business purchases bicycles from within Japan and overseas (mainly from China). After receiving an order from a user, a bicycle undergoes secondary assembly and maintenance and is shipped to the location designated by the user. In the event that, as a result of a defect in said assembly and maintenance, any accident or injury occurs involving a bicycle sold by the E-Commerce business, the Group may be expected to pay compensation for damages or reparation.

Furthermore, as a manufacturer is subcontracted to produce some products according to the Company's specifications and then these products are imported and sold, they must comply with the Product Liability Act (PL Act). In regard to planning and ordering these products, the Company requires compliance with Japanese Industrial Standards (JIS) both in Japan and overseas, procures high-quality parts, and selects trustworthy manufacturers. The Group is striving for thorough quality assurance by checking specification details for sample products, requiring final inspections when shipping completed products and inspections of overall quality and function, strengthening ties to manufacturers, and, when needed, sending employees for in person inspections.

Moreover, although the Group has purchased Product liability (PL) insurance for product liability compensation in preparation for the worst case scenario, in the event that an accident occurs related to product liability, aside from the amount for damage compensation, there may be costs such as those related to the recall of products, exchanges and repairs, and design changes, and said accident could harm the business' or the Group's reputation in society. As a result, the Group's performance and the brand image for services may be affected.

(vi) Investment and nurturing

The Group 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 multiple uncertainties with respect to their future, including changes in the market environment, and insufficiencies in their development or management capabilities. If such companies are unable to achieve the results expected of them, and their performances deteriorate, such investment may not be recoverable, and the Group's business and performance may be affected.

3) Risk related to impairment losses on non-current assets, etc.

The Group's Entertainment business records personnel expenses, subcontracting expenses, etc., related to developing games for smart devices as assets on the consolidated balance sheets, and depreciates these assets over a set number of years.

However, in the event that some game titles do not perform as well as expected, asset's profitability decreases and it doesn't seem that the invested amount will be recouped, the Group may record an impairment loss as procedure to reflect this drop in value in the book value of said asset. As a result, the Group'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 is the founder of the Group, and, because he possesses abundant experience as an engineer, he has, since the establishment of the Group, fulfilled an extremely important role involving corporate strategy and various other areas. To enhance the management structure, the Group 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, the Group'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 the Group 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 the Group, ordinary business operations and business development may be hindered and the Group's performance may be affected.

(iii) Internal control system

To promote the sustainable improvement of corporate value, it is the Group's policy to promote the preparation and enhancement of organizational restructuring and an internal control system to strive to increase personnel and form a more efficient organizational structure, in step with the expansion of the scope of business.

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

(iv) Computer systems and communication networks

The Group'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, the Group 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 that the communication network is disconnected due to an unanticipated incident (including human error on the part of people within the Group or not within the Group) or any other reason, the Group's operations 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 the sites, etc., that the Group operates or interruptions in the power supply, it is possible that services will be suspended. As a result, the Group's performance and the brand image for services may be affected.

5) Risks related to compliance

(i) Laws and regulations

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

Also, in the event that, in the future, the content and services provided by the Group were to be in breach of legal restrictions following the enactment of new laws and regulations or changes to legal interpretations due to social conditions or other factors, the Group's performance and corporate image may be affected.

(ii) Intellectual property rights

The Group 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 the Group provides, there are times when intellectual property rights held by the Group are licensed to a third party and times when intellectual property rights held by a third party are licensed to the Group. In situations such as these, the Group strengthens its management structure primarily by entering into trademark license agreements.

However, in the event that the Group unintentionally infringes on the intellectual property rights of a third party due mainly to the scope of intellectual property rights being unclear or discrepancy in the interpretation of contract terms, the Group 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 the Group's performance and future business development may be affected.

(iii) Management of personal information

The Group, at times, will obtain personal information from the users of the services and content that it provides. To prevent external leakage, falsification, etc., of personal information, the Group is thorough in regard to 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, the Group may receive a claim for compensation for damages, the perceived trustworthiness of the Group may decrease, its corporate image may deteriorate, and more. As a result, the Group's performance and business development may be affected.

(iv) Safety and soundness of services

Using the content that the Group provides, an indeterminably large number of private users can communicate with each other independently. To protect youth, and to maintain and improve soundness, the Group strives to ensure the safety and soundness of services by clearly indicating in the user agreement that inappropriate use is prohibited, acquiring EMA certification[Note], and by performing continuous monitoring. The Group 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, the Group's legal responsibility may come into question. Also, even if the Group's 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.

The Group's policy is to take measures necessary to maintain and improve the safety and soundness of content and services in-line with the expansion of its business. However, in the event that there are delays related to the system support and system enhancements under this policy or in the event that costs incurred by responses to inappropriate behavior are unplanned or greater than expected, the Group's performance and corporate image may be affected.

(Note) EMA certification certifies that a community is wholesome by using the Content Evaluation and Monitoring Association's (EMA) system for certifying the operational management structure of a community site.

(v) Litigation

The Group strives to minimize legal violations, etc., by promoting compliance that is based on adhering to laws and regulations. However, regardless of whether or not legal violations, etc., have been made by the Group's officers or employees, the Group believes there is a risk of unforeseen trouble, litigation, etc., 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, the Group'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, the Group's performance and business development may be affected.

6) Risks related to dilution of shares upon exercising subscription rights to shares

To improve the Group's corporate value in the long-term, subscription rights to shares are granted to officers and employees as incentives. It is possible that, to secure excellent officers and employees, subscription rights to shares will be granted as incentives in the future as well.

In addition, the Group carried out financing by issuing subscription rights to shares with exercise price amendment clause by third-party allotment in August 2017 to appropriate funds for development funding, etc., including new establishment expenses and personnel expenses for future development bases; for advertising and promotion for global distribution of existing and new game apps; and for M&A (such as business acquisition).

In the event that these subscription rights to shares are exercised, the total number of issued shares would increase, and the value of shares held by existing shareholders and the ratio of voting rights may be diluted.

7) Risks related to disasters, disputes, accidents, etc.

In the event of natural disasters such as earthquakes, typhoons, and tsunami, or of fires, power outages, the spread of infectious diseases, international disputes, etc., the Group’s business operations may be severely affected.

In the event that there is a large-scale natural disaster in the areas that the Group operates 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. In the event that such circumstances arise, the Group’s performance may be affected.

2. Status of Corporate Group

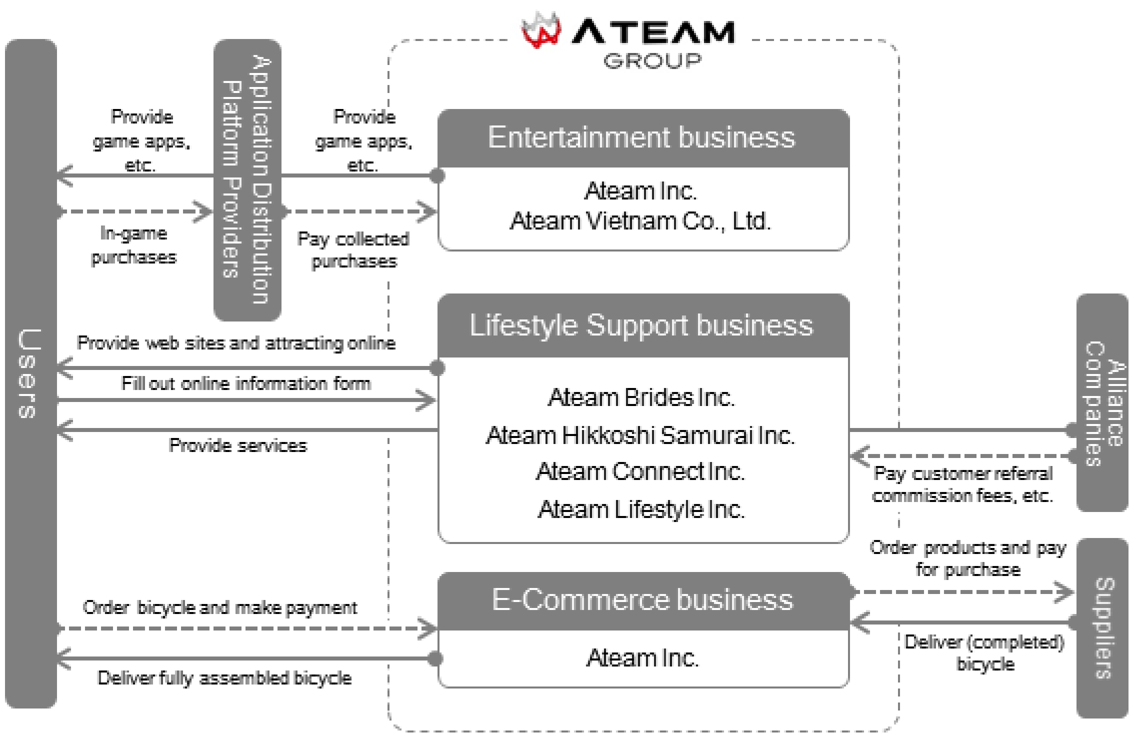
The Group (the Company and its affiliates) is comprised of the Company (Ateam Inc.) and five consolidated subsidiaries.

As for reportable segments, the Company is expanding business in three core segments. The Entertainment business plans, develops and operates games and tool apps for smart devices. These games and tool apps 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 including comparison and information sites that deliver valuable information both for major life events and for daily living. The E-Commerce business plans, develops and operates a website that specializes in online shopping for bicycles and realizes the convenience of delivering fully assembled bicycles, which the Company has in stock.

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

Company name	Segment	Businesses description	Relationship with the Company
Ateam Inc.	Entertainment business E-Commerce business	Planning, development and operation of games and tools apps for smart devices Planning, operation and development of an online bicycle store	–
Ateam Vietnam Co., Ltd.	Entertainment business	Planning, development and operation of games and tools apps for smart devices	Consolidated subsidiary
Ateam Brides Inc.	Lifestyle Support business	Bridal business	Consolidated subsidiary
Ateam Hikkoshi Samurai Inc.	Lifestyle Support business	Relocation business	Consolidated subsidiary
Ateam Connect Inc.	Lifestyle Support business	Telemarketing business	Consolidated subsidiary
Ateam Lifestyle Inc.	Lifestyle Support business	Automobile business and Financial Media business	Consolidated subsidiary

Schematic overview of the Group's business



3. Business Policies

(1) Fundamental business policies

Based on the corporate philosophy which is expressed as "Our mission is to produce happiness through business and to grow for the next 100 years," the Group has a basic policy of providing content and services that continue to be supported and utilized by users through the internet and smart devices in various technical and business fields that are focused on the internet.

Aiming to be a company that will last indefinitely by repeating the phrase "for the next 100 years," the Group operates with a focus on medium and long term continued growth, more so than on short-term or one-time revenue.

(2) Issues to be addressed

The Group's corporate philosophy is expressed as "Our mission is to produce happiness through business and to grow for the next 100 years," and striving for growth in the medium and long term, the Group will swiftly respond to the following seven points that it recognizes as management issues.

(i) Shorten development time, create hit titles and raise major hit rate in the Entertainment business

As a result of the smartphone game market exploding in Japan and overseas, there are more game developers in the market and competition is getting tougher. As a result, users' preferences are diversifying and game quality is rapidly advancing. At the same time, the devices that users own are rapidly advancing in features and diversifying in type. This is making it necessary to conduct development on a much more expansive scale, which tends to lengthen development times.

In order to adapt to these changes in the business environment and realize continual growth, the Group believes the most important management issue is to shorten the development time, create hit titles and raise the major hit rate.

In order to be constantly releasing games that match with market needs with appropriate timing, the Group will prepare the organizational structure, improve development processes, further shorten the time it takes from planning to release, and proactively pursue measures to create mega-hit titles and raise the major hit rate.

(ii) Cooperation among services in the Lifestyle Support business

The Lifestyle Support business provides many different kinds of convenient services both for major life events and daily living such as comparison and information sites in fields related to relocation, automotive, bridal and financial media. The Group believes that a policy of having each service mutually promoting the other services to customers will lead to improved efficiency in capturing customers and improved profitability. The Group will proactively pursue measures that help to secure the users of multiple services and repeat users, not just for existing services but for the new services to be developed in the future as well.

(iii) Strengthening of fulfilment in the E-Commerce business

During the roughly four years that have passed since establishing the online bicycle store of the E-Commerce business, this business has steadily increased its user base, established logistics centers in three locations throughout Japan and is getting on a good business track. The Group believes that the most important management issue to concentrate on in order to obtain greater market share in the future is to strengthen fulfilment. Therefore, maintaining our gaze firmly on growth in the medium and long term, the Group continually devotes its energies to strengthening fulfillment by giving the quality of service and the improvement of usability as greater priority than achieving profitability as soon as possible.

(iv) Proactive efforts to launch new businesses and services

From the fiscal year ended July 31, 2017, the Group has established three core segments: Entertainment business, Lifestyle Support business and E-Commerce business. The Group believes that in order to realize further stabilization of its revenue base and sustainable growth in the future, it will be necessary to diversify its revenue sources. Accordingly, the Group has been proactively working to develop new businesses and services.

As part of these efforts, the Group has designed a system whereby four times annually it calls out for new business from inside the Group. The "Hanayume" bridal website (at the time called "Sugukon Navi") in the Lifestyle Support business and the "cyma" online bicycle store in the E-Commerce business are both businesses that were born from this system. Looking forward, the Group will continue to proactively take on new business and services by utilizing the aforementioned system and through merger and acquisition.

(v) Securing and further developing excellent personnel, primarily engineers

The Group believes that the securing of excellent personnel, primarily engineers, is absolutely essential for the continual growth of the Group. To facilitate securing such individuals, the Group places attention on improving the workplace environment, enhancing employee benefits, revising the personnel evaluation system and diversifying our recruiting activities.

On the other hand, the Group believes in the importance of creating an organization where everyone shares corporate culture and policy, and can work enjoyably and cooperatively with each other with a long-term outlook. Therefore, the Group also gives high regard not only to the excellence of an individual's skill base, but also to humanistic values and a cooperative spirit when choosing our recruits.

In addition, by further strengthening the systems for in-house training and learning, exercising flexible operation of the intra-group periodic personnel relocation system while sharing experience and knowhow among business operations, the Group will work to construct a personnel development system in which employees can grow together with the company.

(vi) Improving corporate recognition and awareness of services

In order for the Group to constantly enhance its corporate value, it will be necessary to concentrate on not only usability, quality and other such aspects of the services provided, but also increasing awareness of each of these services and expanding the numbers of users.

In addition to the above, also in order to gain greater advantage when recruiting the excellent personnel who supports the Group's overall business operations and when forming alliances with other companies, and so forth, the Group will, while closely monitoring cost effectiveness, proactively implement branding strategies that include advertising and promotional activities for services, and public relations activities to raise corporate recognition.

(vii) Strengthening the Group's management structure and corporate governance

Located in Vietnam, the Group's first overseas development office was established in December 2016. With this new development office, the Group has become a corporate group structure comprised of four domestic consolidated subsidiaries and one overseas consolidated subsidiary.

In order to achieve continual corporate growth and enhancement of corporate value over the medium and long term, the Group is working to ensure the fairness and transparency of management, improve the efficiency of business operations and strengthen the internal management systems, and proactively implementing various measures in line with the basic principles of Japan's Corporate Governance Code. The Group will continue to strengthen the foundation of management to further improve the corporate ethics of the overall Group and maximize corporate value as a corporate group.

4. Basic Rationale for Selecting the Accounting Standards

The Group 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.

In regards to any decisions on adopting IFRS in the future, the policy of the Group is to consider both the internal environment and the external environment and take the appropriate action.

5. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheets

(Thousands of yen)

	As of July 31, 2016	As of July 31, 2017
Assets		
Current assets		
Cash and deposits	3,505,060	5,004,078
Notes and accounts receivable - trade	2,724,573	3,774,680
Merchandise	155,259	362,920
Supplies	754	3,460
Deferred tax assets	91,102	196,101
Other	448,272	477,691
Allowance for doubtful accounts	(6,181)	(9,128)
Total current assets	6,918,840	9,809,802
Non-current assets		
Property, plant and equipment		
Buildings	1,170,193	1,535,328
Accumulated depreciation	(126,726)	(250,927)
Buildings, net	1,043,466	1,284,400
Tools, furniture and fixtures	369,998	548,584
Accumulated depreciation	(91,750)	(167,525)
Tools, furniture and fixtures, net	278,248	381,059
Construction in progress	–	669
Total property, plant and equipment	1,321,715	1,666,130
Intangible assets		
Software	422,985	276,161
Software in progress	199,022	231,535
Total intangible assets	622,008	507,696
Investments and other assets		
Investment securities	106,929	378,235
Deferred tax assets	130,699	168,867
Lease and guarantee deposits	453,190	584,087
Other	38,400	35,020
Allowance for doubtful accounts	(4,784)	(9,006)
Total investments and other assets	724,435	1,157,203
Total non-current assets	2,668,159	3,331,030
Total assets	9,586,999	13,140,833

(Thousands of yen)

	As of July 31, 2016	As of July 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	192,431	405,371
Short-term loans payable	1,166,000	632,000
Accounts payable - other	2,115,955	2,487,271
Income taxes payable	297,129	1,037,934
Provision for sales promotion expenses	4,173	4,646
Provision for stocks payment	39,369	41,459
Provision for management board incentive plan trust	5,602	8,204
Other	306,807	586,010
Total current liabilities	4,127,470	5,202,899
Non-current liabilities		
Asset retirement obligations	387,520	481,040
Total non-current liabilities	387,520	481,040
Total liabilities	4,514,990	5,683,939
Net assets		
Shareholders' equity		
Capital stock	535,045	535,996
Capital surplus	508,845	509,796
Retained earnings	5,149,852	7,493,342
Treasury stock	(1,222,534)	(1,177,659)
Total shareholders' equity	4,971,208	7,361,477
Accumulated other comprehensive income		
Foreign currency translation adjustment	–	(583)
Total accumulated other comprehensive income	–	(583)
Subscription rights to shares	100,800	96,000
Total net assets	5,072,008	7,456,893
Total liabilities and net assets	9,586,999	13,140,833

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended July 31, 2016	Fiscal year ended July 31, 2017
Revenue	22,967,773	34,603,014
Cost of sales	3,615,182	5,669,748
Gross profit	19,352,590	28,933,265
Selling, general and administrative expenses	17,139,991	24,855,584
Operating income	2,212,599	4,077,681
Non-operating income		
Interest income	537	438
Gain on investments in partnership	13,566	1,954
Foreign exchange gains	–	31,638
Commission fee	2,307	5,790
Other	4,437	9,852
Total non-operating income	20,849	49,675
Non-operating expenses		
Interest expenses	5,472	3,110
Loss on retirement of non-current assets	1,942	5,356
Loss on investments in money held in trust	91,887	–
Foreign exchange losses	39,309	–
Other	207	589
Total non-operating expenses	138,819	9,056
Ordinary income	2,094,629	4,118,300
Extraordinary income		
Gain on reversal of subscription rights to shares	7,200	4,800
Total extraordinary income	7,200	4,800
Extraordinary losses		
Impairment loss	243,735	269,080
Total extraordinary losses	243,735	269,080
Income before income taxes	1,858,093	3,854,019
Income taxes - current	627,877	1,417,601
Income taxes - deferred	(62,250)	(143,167)
Total income taxes	565,626	1,274,434
Net income	1,292,466	2,579,584
Net income attributable to shareholders of parent company	1,292,466	2,579,584

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended July 31, 2016	Fiscal year ended July 31, 2017
Net income	1,292,466	2,579,584
Other comprehensive income		
Foreign currency translation adjustment	–	(583)
Total other comprehensive income	–	(583)
Comprehensive income	1,292,466	2,579,001
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	1,292,466	2,579,001

(3) Consolidated statement of changes in equity
Fiscal year ended July 31, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	533,442	507,242	4,263,472	(1,403,649)	3,900,508
Changes of items during period					
Issuance of new shares	1,603	1,603			3,206
Dividends of surplus			(235,424)		(235,424)
Net income attributable to shareholders of parent company			1,292,466		1,292,466
Purchase of treasury stock				(500,887)	(500,887)
Disposal of treasury stock		(170,662)		682,002	511,339
Transfer of loss on disposal of treasury stock		170,662	(170,662)		–
Net changes of items other than shareholders' equity					
Total changes of items during period	1,603	1,603	886,379	181,114	1,070,700
Balance at end of current period	535,045	508,845	5,149,852	(1,222,534)	4,971,208

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	–	–	108,000	4,008,508
Changes of items during period				
Issuance of new shares				3,206
Dividends of surplus				(235,424)
Net income attributable to shareholders of parent company				1,292,466
Purchase of treasury stock				(500,887)
Disposal of treasury stock				511,339
Transfer of loss on disposal of treasury stock				–
Net changes of items other than shareholders' equity	–	–	(7,200)	(7,200)
Total changes of items during period	–	–	(7,200)	1,063,500
Balance at end of current period	–	–	100,800	5,072,008

Fiscal year ended July 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	535,045	508,845	5,149,852	(1,222,534)	4,971,208
Changes of items during period					
Issuance of new shares	951	951			1,902
Dividends of surplus			(236,094)		(236,094)
Net income attributable to shareholders of parent company			2,579,584		2,579,584
Purchase of treasury stock				(96)	(96)
Disposal of treasury stock				44,972	44,972
Net changes of items other than shareholders' equity					
Total changes of items during period	951	951	2,343,490	44,875	2,390,268
Balance at end of current period	535,996	509,796	7,493,342	(1,177,659)	7,361,477

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	–	–	100,800	5,072,008
Changes of items during period				
Issuance of new shares				1,902
Dividends of surplus				(236,094)
Net income attributable to shareholders of parent company				2,579,584
Purchase of treasury stock				(96)
Disposal of treasury stock				44,972
Net changes of items other than shareholders' equity	(583)	(583)	(4,800)	(5,383)
Total changes of items during period	(583)	(583)	(4,800)	2,384,884
Balance at end of current period	(583)	(583)	96,000	7,456,893

(4) Summary of consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended July 31, 2016	Fiscal year ended July 31, 2017
Cash flows from operating activities		
Income before income taxes	1,858,093	3,854,019
Depreciation	381,888	478,221
Impairment loss	243,735	269,080
Increase (decrease) in allowance for doubtful accounts	(2,276)	7,169
Increase (decrease) in provision for sales promotion expenses	(9,859)	472
Increase (decrease) in provision for stocks payment	39,369	2,090
Increase (decrease) in provision for management board incentive plan trust	5,602	2,601
Interest income	(537)	(438)
Interest expenses	5,472	3,110
Foreign exchange losses (gains)	22,855	(18,465)
Loss (gain) on money held in trust	91,887	–
Loss on retirement of non-current assets	1,942	5,356
Decrease (increase) in notes and accounts receivable - trade	(936,911)	(1,050,107)
Decrease (increase) in inventories	(100,748)	(210,366)
Increase (decrease) in notes and accounts payable - trade	59,595	249,747
Increase (decrease) in accounts payable - other	1,100,457	248,570
Other, net	(235,666)	349,616
Subtotal	2,524,900	4,190,678
Interest income received	537	438
Interest expenses paid	(5,472)	(3,110)
Income taxes paid	(789,301)	(725,144)
Net cash provided by (used in) operating activities	1,730,664	3,462,862
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,022,855)	(354,074)
Purchase of intangible assets	(584,213)	(440,304)
Purchase of investment securities	(40,000)	(275,000)
Proceeds from liquidation of affiliates	116,722	–
Proceeds from cancellation of money held in trust	961,620	–
Payments for lease and guarantee deposits	(182,040)	(139,351)
Proceeds from collection of lease and guarantee deposits	206,241	1,233
Other, net	9,862	(5,730)
Net cash provided by (used in) investing activities	(534,662)	(1,213,227)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(534,000)	(534,000)
Proceeds from issuance of common stock	3,206	1,902
Purchase of treasury stock	–	(96)
Cash dividends paid	(235,286)	(236,305)
Net cash provided by (used in) financing activities	(766,080)	(768,499)
Effect of exchange rate change on cash and cash equivalents	(22,855)	17,881
Net increase (decrease) in cash and cash equivalents	407,065	1,499,017
Cash and cash equivalents at beginning of period	3,097,994	3,505,060
Cash and cash equivalents at end of period	3,505,060	5,004,078

(5) Notes to consolidated financial statements

Notes on premise of going concern

Not applicable.

Segment information, etc.

[Segment information]

1. Overview of reportable segments

The reportable segments of the Company 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.

The Group 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 game and tool apps mainly for smart devices; and the Lifestyle Support business mainly plans, develops and operates comparison sites, information sites and other websites primarily for major life events and daily living: and the E-Commerce business mainly plans, develops and operates an online bicycle shop that delivers fully assembled bicycles.

2. Calculation 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 description in "Significant matters forming the basis of preparing the consolidated financial statements." The income from reportable segments is the figure based on operating income.

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

Fiscal year ended July 31, 2016 (from August 1, 2015 to July 31, 2016)

(Thousands of yen)

	Reportable segment				Adjustment (Note) 1	Amount on the consolidated statements of income (Note) 2
	Entertainment business	Lifestyle Support business	E-Commerce business	Total		
Revenue						
Outside customers	12,559,584	9,193,481	1,214,706	22,967,773	–	22,967,773
Inter-segment sales and transfers	–	–	–	–	–	–
Total	12,559,584	9,193,481	1,214,706	22,967,773	–	22,967,773
Segment profit (loss)	2,297,028	1,637,256	(172,530)	3,761,754	(1,549,155)	2,212,599
Other items						
Depreciation	261,482	53,155	6,999	321,636	60,251	381,888
Impairment loss	218,946	15,254	9,534	243,735	–	243,735

(Notes) 1. Adjustment of ¥1,549,155 thousand is corporate expenses not attributable to reportable segments.
2. Adjustments are made between segment profit 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, 2017 (from August 1, 2016 to July 31, 2017)

(Thousands of yen)

	Reportable segment				Adjustment (Note) 1	Amount on the consolidated statements of income (Note) 2
	Entertainment business	Lifestyle Support business	E-Commerce business	Total		
Revenue						
Outside customers	19,259,248	13,342,546	2,001,220	34,603,014	–	34,603,014
Inter-segment sales and transfers	–	–	–	–	–	–
Total	19,259,248	13,342,546	2,001,220	34,603,014	–	34,603,014
Segment profit (loss)	3,820,515	1,929,110	(178,587)	5,571,038	(1,493,356)	4,077,681
Other items						
Depreciation	350,404	83,707	7,265	441,376	36,844	478,221
Impairment loss	269,080	–	–	–	–	269,080

(Notes) 1. Adjustment of ¥1,493,356 thousand is corporate expenses not attributable to reportable segments.
2. Adjustments are made between segment profit 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

(Yen)

	Fiscal year ended July 31, 2016 (from August 1, 2015 to July 31, 2016)	Fiscal year ended July 31, 2017 (from August 1, 2016 to July 31, 2017)
Net assets per share	263.36	389.03
Net income per share-basic	68.58	136.45
Net income per share-diluted	68.23	135.80

(Note) The basis of calculating net income per share-basic and net income per share-diluted is as follows:

	Fiscal year ended July 31, 2016 (from August 1, 2015 to July 31, 2016)	Fiscal year ended July 31, 2017 (from August 1, 2016 to July 31, 2017)
Net income per share-basic		
Net income attributable to shareholders of parent company (Thousands of yen)	1,292,466	2,579,584
Net income attributable to shareholders of parent company regarding common stock (Thousands of yen)	1,292,466	2,579,584
Average number of shares of common stock during period (Shares)	18,846,317	18,904,872
Net income per share-diluted		
Increase in number of shares of common stock (Shares)	95,753	90,950
[Stock acquisition rights of the above (Shares)]	[95,753]	[90,950]
Dilutive shares not included in calculation of net income per share-diluted due to being non-dilutive	–	–

(Note) The number of shares of common stock at the end of the period used for the calculation of the net assets per share for the fiscal year ended July 31, 2017 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” (246,100 shares at the end of the fiscal year and an average of 248,257 shares during the period) included in the treasury stock deducted.

Significant subsequent events

(1) Issuance of subscription rights to shares with exercise price amendment clause

At the Company's Board of Directors meeting held on August 8, 2017, a resolution was passed to issue of the No. 6, No. 7 and No. 8 subscription rights to shares with exercise price amendment clause by third-party allotment (collectively the "Subscription Rights to Shares" or written separately, depending on context) and to enter into a commitment agreement, and the payment of the total amount of the issue values of the Subscription Rights to Shares was completed on August 25, 2017.

(1) Date of allotment of subscription rights to shares	August 25, 2017
(2) Number of issued subscription rights to shares	18,000 units No. 6 subscription rights to shares: 5,000 units No. 7 subscription rights to shares: 5,000 units No. 8 subscription rights to shares: 8,000 units
(3) Issue value	¥772 per No. 6 subscription right to shares ¥362 per No. 7 subscription right to shares ¥171 per No. 8 subscription right to shares (Total amount of payments for the Subscription Rights to Shares: ¥7,038,000)
(4) Number of dilutive shares by such issuance	Total number of dilutive shares: 1,800,000 shares (100 shares per one Stock Acquisition Right) No. 6 subscription rights to shares: 500,000 shares No. 7 subscription rights to shares: 500,000 shares No. 8 subscription rights to shares: 800,000 shares Under the lower limit exercise price, the number of dilutive shares is 1,800,000 shares.
(5) Amount of proceeds	¥9,853,538,000 (after-deduction estimate) (Note)
(6) Exercise price and amendment condition of exercise price	Initial exercise price No. 6 subscription rights to shares: ¥2,705 No. 7 subscription rights to shares: ¥5,000 No. 8 subscription rights to shares: ¥7,500 There is no upper limit exercise price. The lower limit exercise prices are ¥1,623 for No. 6 subscription rights to shares, ¥5,000 for No. 7 subscription rights to shares, and ¥7,500 for No. 8 subscription rights to shares. The exercise price shall be amended to the amount equivalent to 92% of the closing price of the Company's common stock on the trading day immediately prior to the effective date of each request for the exercise of the Subscription Rights to Shares. However, if this price is below the Lower Limit Exercise Price, the Lower Limit Exercise Price shall be the amended exercise price.
(7) Method of offering or allotment	Through the method of a third-party allotment
(8) Planned allottee	Daiwa Securities Co. Ltd.
(9) Exercise period for the Subscription Rights to Shares	No. 6 subscription rights to shares The exercise period shall be from August 28, 2017 to August 27, 2019 (provided, however, that if the Company acquires all of the subscription rights to shares, the exercise period shall be to the banking business day preceding the effective date of acquisition by the Company). If the last day of the exercise period falls on a bank holiday, the last day shall be the preceding banking business day. No. 7 subscription rights to shares The exercise period shall be from August 28, 2017 to August 27, 2020 (provided, however, that if the Company acquires all of the subscription rights to shares, the exercise period shall be to the banking business day preceding the effective date of acquisition by the Company). If the last day of the exercise period falls on a bank holiday, the last day shall be the preceding banking business day. No. 8 subscription rights to shares The exercise period shall be from August 28, 2017 to August 27, 2020 (provided, however, that if the Company acquires all of the subscription rights to shares, the exercise period shall be to the banking business day preceding the effective date of acquisition by the Company). If the last day of the exercise period falls on a bank holiday, the last day shall be the preceding banking business day.
(10) Amount of capital stock and legal capital surplus to be increased if shares are issued upon exercise of the Subscription Rights to Shares	The amount of capital stock to be increased if shares are issued upon the exercise of the Subscription Rights to Shares shall be one-half of the maximum amount of increase in capital stock and others as calculated pursuant to Article 17 of the Rules of Corporate Accounting, with any fraction of less than one yen resulting from the calculation rounded up. The amount of legal capital surplus to be increased shall be the amount obtained by deducting the increase in capital stock from the maximum amount of increase in capital stock and others.

<table>
<tr><td>(11) Specific purpose of proceeds</td><td><table><tr><th>Specific purpose</th><th>Amount
(Thousands of yen)</th></tr><tr><td>(i) Development funds and advertising expenses in the Entertainment business</td><td>5,000,000</td></tr><tr><td>(ii) M&A funds</td><td>4,853,538</td></tr><tr><td>Total</td><td>9,853,538</td></tr></table></td></tr>
<tr><td>(12) Other</td><td>Following the coming into effect of the notification based on the Financial Instruments and Exchange Act, the Company has entered into a purchase agreement relating to the Subscription Rights to Shares (“Subscription Rights to Shares Purchase Agreement”) and a commitment agreement with Daiwa Securities Co. Ltd. (“Planned Allottee”).
The commitment agreement will set forth the following:
・ Requests for exercise of the Subscription Rights to Shares by the Company
・ Prohibitions on exercise of the Subscription Rights to Shares by the Company
・ Requests related to the acquisition of Subscription Rights to Shares by the Planned Allottee.
In addition, under the Subscription Rights to Shares Purchase Agreement and the commitment agreement, it is stipulated that the Planned Allottee is unable to transfer the Subscription Rights to Shares to a third party other than the Company without approval from the Company’s Board of Directors and if the Planned Allottee does transfer the Subscription Rights to Shares, the details of the transfer limitations and the commitment agreement in regard to the party that is to be transferee must be signed by the transferee and the Company beforehand, and if the party that is to be transferee makes a further transfer to another party, the related contents are similarly signed with the Company. It is not precluded that the Planned Allottee transfers shares that have been delivered by exercise of the Subscription Rights to Shares to a third party.</td></tr>
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(Note) The amount of proceeds shall be the amount remaining after deducting the estimate of various costs of issuing the Subscription Rights to Shares from the sum obtained by adding the total amount of the value of assets contributed for the exercise of the Subscription Rights to Shares to the total paid-in amount of the Subscription Rights to Shares. Note that the total amount of the value of assets contributed for the exercise of the Subscription Rights to Shares is the amount that would exist supposing all the Subscription Rights to Shares are exercised for the initial exercise price. When the exercise price is amended or adjusted, the amount of proceeds will be increased or decreased. In addition, if the Subscription Rights to Shares are not exercised within the exercise period and the Company cancels the acquired Subscription Rights to Shares, the amount of proceeds will be decreased.