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Consolidated Financial Results
for the Three Months Ended October 31, 2017
(Japan GAAP)



December 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 filing securities report: December 8, 2017
Scheduled date of commencing dividend payments: –
Supplementary briefing material for the financial results: Yes
Schedule of financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Three Months Ended October 31, 2017 (August 1, 2017 - October 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	
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%
Three months ended October 31, 2017	8,904	24.8	963	228.4	980	235.3	678	390.9
Three months ended October 31, 2016	7,136	54.8	293	(43.7)	292	(40.8)	138	(52.6)

Note: Comprehensive income (million JPY) Three months ended October 31, 2017: 679 [391.9%]
Three months ended October 31, 2016: 138 [(52.6)%]

	Net income per share-basic	Net income per share-diluted
	JPY	JPY
Three months ended October 31, 2017	35.39	35.23
Three months ended October 31, 2016	7.31	7.28

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million JPY	Million JPY	%
As of October 31, 2017	13,619	8,976	65.3
Fiscal Year ended July 31, 2017	13,140	7,456	56.0

Note: Shareholders' equity (million JPY)

As of October 31, 2017: 8,886
Fiscal Year ended July 31, 2017: 7,360

2. Dividends

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
Fiscal Year ended July 31, 2017	JPY —	JPY 5.00	JPY —	JPY 22.00	JPY 27.00
Fiscal Year ending July 31, 2018	—				
Fiscal year ending July 31, 2018 (forecast)		—	—	32.50	32.50

Note: Revision to dividend forecasts: No

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
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%	JPY
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

Note: Revision to the forecasts for the fiscal year ending July 31, 2018: No

*Notes

- (1) Significant changes in scope of consolidation during the current quarter : No
 * Changes in scope of consolidation of specified subsidiaries:
 Newly consolidated: (—) Newly excluded companies: (—)
- (2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : No
- (3) Changes in accounting policies, accounting projections, or restatement : No
 (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
- (4) Number of shares issued (common stock)
- (i) Number of shares issued at the end of the period (including treasury stock)
- | | |
|------------------------|-------------------|
| As of October 31, 2017 | 19,725,600 shares |
| As of July 31, 2017 | 19,469,800 shares |
- (ii) Number of shares of treasury stock at the end of the period
- | | |
|------------------------|----------------|
| As of October 31, 2017 | 296,662 shares |
| As of July 31, 2017 | 548,662 shares |
- (iii) Average number of shares during the period
- | | |
|-------------------------------------|-------------------|
| Three months ended October 31, 2017 | 19,170,180 shares |
| Three months ended October 31, 2016 | 18,893,851 shares |

Note: The number of shares of common stock at the end of the period used for the calculation of the net assets per share and the average number of shares during the period that forms the basis for the calculation of net income per share-basic are calculated with the shares owned by The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP (Employee Stock Ownership Plan) Trust account and Board Incentive Plan (BIP) Trust account) under the “Stock Grant ESOP Trust” and “Board Incentive Plan (BIP) Trust” included in the treasury stock deducted.

* Quarterly financial results reports are not required to be subjected to quarterly reviews

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

The forward-looking statements including earnings forecasts herein are based on information available to 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, please refer to the “Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” on page 4 of the attachments to this financial results report.

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1. Qualitative Information Regarding Results for the Three Months

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

(1) Explanation of Operating Results

Ateam Inc. and its consolidated subsidiaries adhere to the corporate 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, we are operating business in three core segments.

The Entertainment Business engages in the planning, development and operation of game and tool applications primarily for smart devices. The Lifestyle Support Business engages in the planning, development and operation of various online services that allows users to easily gather and compare valuable information. The E-Commerce Business engages in the planning, development and operation of our online bicycle store under the name “cyma”.

During the three months ended October 31, 2017, both revenue and profit increased significantly year on year.

Steady business performance in each segment and expansion of business scale saw revenue increase year on year. As for operating income, ordinary income, and net income attributable to shareholders of parent company, the concentration of aggressive advertising expenditure in the same period of the previous fiscal year led to profit levels dropping temporarily to lower levels in that period. Consequently, by returning to operating at normal efficiency levels in the three months, income increased significantly year on year.

As a result of the above, during the three months ended October 31, 2017, Ateam posted revenue of 8,904,487 thousand JPY (up 24.8% year on year), operating income of 963,686 thousand JPY (up 228.4% year on year), ordinary income of 980,506 thousand JPY (up 235.3% year on year), and net income attributable to shareholders of parent company of 678,434 thousand JPY (up 390.9% year on year).

The operating performance by segment for the three months ended October 31, 2017 was as follows:

Entertainment Business

We strive to administer fun to consumers worldwide by providing mobile game and tool applications via platforms specializing in the distributions of such applications (such as App Store and Google Play). Although most of our game and tool products are available for free download, our primary revenue source is through in-app purchases (such as in-game currency, items and bonus content).

In the three months ended October 31, 2017, we followed a steady decline of revenue and income over all, mainly due to declining performance by “Valkyrie Connect” (High Fantasy RPG), which was released in June 2016. We kept up efforts to acquire users for “Valkyrie Connect”, including a TV commercial campaign in Japan during October. While continuing to operate efficiently in other existing game applications, we continued our new game developments.

As a result, during the three months ended October 31, 2017, the Entertainment business posted revenue of 4,315,517 thousand JPY (up 5.5% year on year) and segment profit of 865,233 thousand JPY (up 186.3% year on year).

Lifestyle Support Business

Currently made up of four sub-segments, each segment revolves around the same business concept of “Sanpo-Yoshi”, a Japanese saying that means benefiting all three sides involved - the consumer, the alliance company and Ateam.

The Moving-related business provides users with competitive prices from several moving companies. The Automobile-related business consists of inputting your car information, and receiving quotes from second-hand car dealers. The Bridal-related business assists with finding the perfect wedding chapel that meets the consumers’ financial budget. And lastly, the Financial Media business lets users analyze prices and benefits for financial related needs. Each business allows the user to compare several different offers for free; our primary revenue source is based on commission via referrals we provide to our partnered companies.

In the Moving-related and Automobile-related businesses, we steadily increase users by focusing on daily improvements to the websites and conducting promotional activities, resulting in continued top share within the industry. In the Bridal-related business, we are operating “Hanayume” wedding consultation desks at 12 physical locations in six areas nationwide. While conducting large-scale renewal of one of the consultation desks located near Shinjuku Station in October 2017 and continuing to enhance bridal peripheral services such as “Hanayume Set-Price Wedding Packages” and “Hanayume Photo”, we have been focusing on improving the quality of our services. A year has passed since we changed our service name to “Hanayume” in November 2016. We have seen an increase in the number of users and the service has been steadily growing. In the Financial Media business, in addition to “Navinavi Cashing”, a cash loan and card loan integrated comparison site, we are continuing to grow our user base by concentrating on launching new online services including the “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.

As a result, during the three months ended October 31, 2017, the Lifestyle Support business posted revenue of 3,954,086 thousand JPY (up 49.1% year on year) and segment profit of 550,591 thousand JPY (up 48.9% year on year).

E-Commerce Business

Our E-Commerce business was established in 2013, with “cyma” being our first service stemming from this concept. We currently own warehouses in the Tokai, Kanto and Kansai areas, which are stockpiled with bicycles we acquired from both domestic and oversea manufacturers. Each warehouse employs certified mechanical staff, making it possible to deliver fully assembled bicycles directly to the consumer’s doorstep. Our primary revenue source is through bicycle purchases and/or related accessories from our online store.

“Cyma” offers more than 200 bicycle models, a broader lineup than a traditional retailer. We also make sure to offer after-sales services, including a one year warranty for certain repairs and/or damages. Since we do not hold physical stores, we are able to maintain low fixed costs and focus on strengthening inventory management more so than traditional retail stores.

This specialized service enables us to fully enjoy the combined perks of both a local bicycle shop and a comprehensive e-commerce service. Such service is still considered unrivaled territory, and we are determined to stay on top by implementing staggered investment to strengthen fulfillment* and promotion of our brand. Although still in its investment stage, we believe that we are on a steady track, and eventually aim to be the No. 1 online bicycle retailer.

*Fulfillment refers to the core process in the mail-order business, including the management of order receipts and inventories, picking, sorting and packaging, shipping, charging, and payment processing. It also includes peripheral work, such as customer support including handling of complaints, questions and returns and exchanges of goods, as well as the management of customer data.

As a result, during the three months ended October 31, 2017, the E-Commerce business posted revenue of 634,883 thousand JPY (up 61.2% year on year) and segment loss of 44,204 thousand JPY (compared with an operating loss of 34,852 thousand JPY in the same period of the previous fiscal year).

(2) Explanation of Financial Position

(i) *Assets*

As of the end of the first quarter under review, we posted total assets of 13,619,165 thousand JPY, an increase of 478,332 thousand JPY compared with the previous fiscal year. The main factors were a decrease of 190,551 thousand JPY in notes and accounts receivable - trade, despite an increase of 552,707 thousand JPY in cash and deposits, and an increase of 68,962 thousand JPY in intangible assets.

(ii) *Liabilities*

As of the end of the first quarter under review, we posted liabilities of 4,642,937 thousand JPY, a decrease of 1,041,001 thousand JPY compared with the previous fiscal year. The main factors were a decrease of 46,000 thousand JPY in short-term loans payable, a decrease of 85,408 thousand JPY in accounts payable - other, and a decrease of 883,848 thousand JPY in income taxes payable.

(iii) *Net assets*

As of the end of the first quarter under review, we posted net assets of 8,976,228 thousand JPY, an increase of 1,519,334 thousand JPY compared with the previous fiscal year. The main factors were an increase of 294,382 thousand JPY in capital stock, an increase of 308,431 thousand JPY in capital surplus, and a decrease of 659,501 thousand JPY in treasury stock.

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

In the fiscal year ending July 31, 2018, looking to realize growth in the medium and long term, Ateam will continue to focus on acquiring and further developing excellent personnel, establishing the right environments and constructing organizational structures. As part of these measures, we had planned to newly establish the Fukuoka Office but we have postponed the opening until February 2018. The effect of this delay on earnings and earnings forecasts will be insignificant.

In regard to the earnings forecasts for the first six months, we expect to generally meet the forecast for revenue and there are signs that income may end higher than the forecast.

The outlook for business performance by segment is as follows:

Entertainment Business: Ateam now expects that the release of new titles scheduled for the first half of the fiscal year will be held back until the second half. This means that we may not spend the anticipatory investment costs for new titles that we factored into the first half of the year. That aside, starting in October 2017, we have begun screening TV commercials nationwide for “Valkyrie Connect” as a large-scale promotion for expanding the user base. Accordingly we expect an increase in advertising expenses in the second quarter period compared with the first quarter period.

Lifestyle Support Business: The segment is on track to slightly exceed the earnings forecasts, with the Moving-related business, the Automobile-related business, the Bridal-related business, and the Financial Media business, which are the sub-segments of this segment, all performing well. While continuing to focus on existing businesses, we are also actively working to develop new service areas. We expect our earnings for the first six months and beyond to keep to a trend that is similar to that of a typical year.

E-Commerce Business: Based on the segment results for the three months, the segment is on track to slightly exceed the earnings forecasts. For the first six months and beyond, Ateam expects that earnings will keep to a trend that is similar to that of a typical year. Specifically, the second quarter period (November through January) is a low-demand period for bicycle sales and revenue in the second quarter is expected to be lower than revenue in the first quarter.

Also, a characteristic of the Lifestyle Support business and E-Commerce business, is that in typical years, the third quarter period is our 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 operating income, ordinary income and net income attributable to shareholders of parent company. Although the earnings results may differ somewhat from the earnings forecasts in terms of balance between the first half and second half, due to such factors as changes in the release dates of new titles in the Entertainment business, in terms of progress toward achieving the full-year earnings forecasts, we are generally on track.

As a result, the earnings forecasts have not been revised as of the date of this material’s release.

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

Performance outlook for the six months ending January 31, 2018 (August 1, 2017 - January 31, 2018)

Revenue	18,500 million JPY (up 21.0% year on year)
Operating income	1,350 million JPY (up 32.0% year on year)
Ordinary income	1,350 million JPY (up 26.0% year on year)
Net income attributable to shareholders of parent company	900 million JPY (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 JPY (up 15.6% year on year)
Operating income	4,700 million JPY (up 15.3% year on year)
Ordinary income	4,700 million JPY (up 14.1% year on year)
Net income attributable to shareholders of parent company	3,100 million JPY (up 20.2% year on year)

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Thousand JPY)

	As of July 31, 2017	As of October 31, 2017
Assets		
Current assets		
Cash and deposits	5,004,078	5,556,786
Notes and accounts receivable - trade	3,774,680	3,584,129
Inventories	366,380	410,541
Other	673,792	685,007
Allowance for doubtful accounts	(9,128)	(10,175)
Total current assets	9,809,802	10,226,289
Non-current assets		
Property, plant and equipment		
Buildings, net	1,284,400	1,275,862
Other, net	381,729	383,525
Total property, plant and equipment	1,666,130	1,659,387
Intangible assets	507,696	576,659
Investments and other assets		
Investment securities	378,235	377,706
Lease and guarantee deposits	584,087	584,575
Other	203,887	203,553
Allowance for doubtful accounts	(9,006)	(9,006)
Total investments and other assets	1,157,203	1,156,829
Total non-current assets	3,331,030	3,392,876
Total assets	13,140,833	13,619,165
Liabilities		
Current liabilities		
Accounts payable - trade	405,371	378,098
Short-term loans payable	632,000	586,000
Accounts payable - other	2,487,271	2,401,863
Income taxes payable	1,037,934	154,086
Provision for sales promotion expenses	4,646	5,517
Provision for stocks payment	41,459	–
Provision for management board incentive plan trust	8,204	5,602
Other	586,010	629,803
Total current liabilities	5,202,899	4,160,971
Non-current liabilities		
Asset retirement obligations	481,040	481,966
Total non-current liabilities	481,040	481,966
Total liabilities	5,683,939	4,642,937
Net assets		
Shareholders' equity		
Capital stock	535,996	830,379
Capital surplus	509,796	818,228
Retained earnings	7,493,342	7,755,512
Treasury stock	(1,177,659)	(518,158)
Total shareholders' equity	7,361,477	8,885,961
Accumulated other comprehensive income		
Foreign currency translation adjustment	(583)	688
Total accumulated other comprehensive income	(583)	688
Subscription rights to shares	96,000	89,578
Total net assets	7,456,893	8,976,228
Total liabilities and net assets	13,140,833	13,619,165

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income (Cumulative)

(Thousand JPY)

	Three months ended October 31, 2016	Three months ended October 31, 2017
Revenue	7,136,422	8,904,487
Cost of sales	1,105,177	1,476,370
Gross profit	6,031,245	7,428,117
Selling, general and administrative expenses	5,737,830	6,464,430
Operating income	293,414	963,686
Non-operating income		
Interest income	181	60
Gain on investments in partnership	4,638	9,768
Foreign exchange gains	–	650
Other	5,442	6,820
Total non-operating income	10,262	17,300
Non-operating expenses		
Interest expenses	1,016	472
Foreign exchange losses	6,026	–
Loss on retirement of non-current assets	3,722	–
Other	490	8
Total non-operating expenses	11,255	480
Ordinary income	292,420	980,506
Extraordinary income		
Gain on reversal of subscription rights to shares	–	2,400
Total extraordinary income	–	2,400
Income before income taxes	292,420	982,906
Income taxes	154,231	304,471
Net income	138,189	678,434
Net income attributable to shareholders of parent company	138,189	678,434

Quarterly Consolidated Statements of Comprehensive Income (Cumulative)

(Thousand JPY)

	Three months ended October 31, 2016	Three months ended October 31, 2017
Net income	138,189	678,434
Other comprehensive income		
Foreign currency translation adjustment	–	1,272
Total other comprehensive income	–	1,272
Comprehensive income	138,189	679,706
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	138,189	679,706

(3) Notes on Quarterly Consolidated Financial Statements

Notes on Premise of Going Concern

Not applicable.

Notes on Substantial Changes in the Amount of Shareholders' Equity

As a result of Ateam receiving payment for the issuance of new shares in association with the exercise of the sixth series of share acquisition rights through third-party allotment on August 25, 2017, capital stock and legal capital surplus each increased by 284,793 thousand JPY while treasury stock decreased by 609,837 thousand JPY. As a result, as of the end of the first quarter under review, capital stock was 830,379 thousand JPY, capital surplus was 818,228 thousand JPY, and treasury stock was 518,158 thousand JPY.

Segment Information

[Segment information]

Three months ended October 31, 2016 (from August 1, 2016 to October 31, 2016)

1. Information regarding the amounts of revenue, and income or loss by reportable segment

(Thousand JPY)

	Reportable segment				Adjustment (Note) 1	Amount on the quarterly consolidated statements of income (Note) 2
	Entertainment business	Lifestyle Support business	E-Commerce business	Total		
Revenue						
Outside customers	4,089,963	2,652,650	393,808	7,136,422	–	7,136,422
Inter-segment sales and transfers	–	–	–	–	–	–
Total	4,089,963	2,652,650	393,808	7,136,422	–	7,136,422
Segment profit (loss)	302,223	369,824	(34,852)	637,195	(343,781)	293,414

(Notes) 1. Adjustment of negative 343,781 thousand JPY for segment profit (loss) is corporate expenses not attributable to reportable segments.

2. Adjustments are made between segment profit (loss) and operating income reported in the quarterly consolidated statements of income.

2. Impairment loss on non-current assets and goodwill by reportable segment

Not applicable

Three months ended October 31, 2017 (from August 1, 2017 to October 31, 2017)

1. Information regarding the amounts of revenue, and income or loss by reportable segment

(Thousand JPY)

	Reportable segment				Adjustment (Note) 1	Amount on the quarterly consolidated statements of income (Note) 2
	Entertainment business	Lifestyle Support business	E-Commerce business	Total		
Revenue						
Outside customers	4,315,517	3,954,086	634,883	8,904,487	–	8,904,487
Inter-segment sales and transfers	–	–	–	–	–	–
Total	4,315,517	3,954,086	634,883	8,904,487	–	8,904,487
Segment profit (loss)	865,233	550,591	(44,204)	1,371,621	(407,934)	963,686

(Notes) 1. Adjustment of negative 407,934 thousand JPY for segment profit (loss) is corporate expenses not attributable to reportable segments.

2. Adjustments are made between segment profit (loss) and operating income reported in the quarterly consolidated statements of income.
2. Impairment loss on non-current assets and goodwill by reportable segment
Not applicable

3. Other

Significant Events Regarding Premise of Going Concern

Not applicable