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## Consolidated Financial Results for the Fiscal Year Ended July 31, 2018 (Japan GAAP)



September 7, 2018

Company name: Ateam Inc.  
Stock exchange listing: Tokyo Stock Exchange  
Securities code: 3662  
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Representative: Takao Hayashi, President  
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Scheduled date of ordinary general shareholders' meeting: October 26, 2018  
Scheduled date of commencing dividend payments: October 5, 2018  
Scheduled date of filing securities report: October 26, 2018  
Supplementary briefing material for the financial results: Yes  
Schedule of financial results briefing: Yes (September 7, 2018, for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2018 (August 1, 2017 - July 31, 2018)

#### (1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%
Fiscal year ended July 31, 2018	37,674	8.9	4,701	15.3	4,730	14.9	3,306	28.2
Fiscal year ended July 31, 2017	34,603	50.7	4,077	84.3	4,118	96.6	2,579	99.6

Note: Comprehensive income (million JPY)

Fiscal year ended July 31, 2018: 3,309 [28.3%]

Fiscal year ended July 31, 2017: 2,579 [99.5%]

	Net income per share-basic	Net income per share-diluted	Return on equity	Return on asset	Operating income to revenue ratio
	JPY	JPY	%	%	%
Fiscal year ended July 31, 2018	170.40	169.76	34.9	31.7	12.5
Fiscal year ended July 31, 2017	136.45	135.80	41.8	36.2	11.8

Note: Equity in earnings of affiliates (million JPY)

Fiscal year ended July 31, 2018: –

Fiscal year ended July 31, 2017: –

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million JPY	Million JPY	%	JPY
As of July 31, 2018	16,702	11,655	69.3	593.76
As of July 31, 2017	13,140	7,456	56.0	389.03

Note: Shareholders' equity (million JPY)

As of July 31, 2018: 11,569

As of July 31, 2017: 7,360

### (3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Million JPY	Million JPY	Million JPY	Million JPY
Fiscal year ended July 31, 2018	2,789	(2,257)	444	5,984
Fiscal year ended July 31, 2017	3,462	(1,213)	(768)	5,004

### 2. Dividends

	Annual dividend per share					Total dividends paid (annual)	Dividend payout ratio (consolidated)	Dividends on equity attributable to shareholders of parent company (consolidated)
	Q1	Q2	Q3	Q4	Total			
	JPY	JPY	JPY	JPY	JPY	Million JPY	%	%
Fiscal year ended July 31, 2017	—	5.00	—	22.00	27.00	517	19.8	13.9
Fiscal year ended July 31, 2018	—	—	—	32.50	32.50	640	19.1	6.6
Fiscal year ending July 31, 2019 (forecast)	—	—	—	32.50	32.50		24.7	

### 3. Forecasts for the Fiscal Year Ending July 31, 2019 (August 1, 2018 - July 31, 2019)

(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
Three months ending October 31, 2018	9,000	1.1	0	—	0	—	0	—	0.00
Full year	40,000	6.2	4,000	(14.9)	4,000	(15.4)	2,600	(21.4)	131.70

### \*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)

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

(iii) Average number of shares during the period

As of July 31, 2018	19,738,200	As of July 31, 2017	19,469,800
As of July 31, 2018	253,762	As of July 31, 2017	548,662
Fiscal year ended July 31, 2018	19,401,921	Fiscal year ended July 31, 2017	18,904,872

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.

(Reference) Summary of non-consolidated performance

### 1. Non-consolidated Performance for the Fiscal Year Ended July 31, 2018 (August 1, 2017 - July 31, 2018)

### (1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Ordinary income		Net income	
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%
Fiscal year ended July 31, 2018	19,009	(11.5)	1,775	(22.4)	2,850	(10.8)	2,331	1.9
Fiscal year ended July 31, 2017	21,467	53.0	2,287	231.3	3,196	169.0	2,288	155.5

	Net income per share-basic	Net income per share-diluted
	JPY	JPY
Fiscal year ended July 31, 2018	120.16	119.70
Fiscal year ended July 31, 2017	121.05	120.47

## (2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million JPY	Million JPY	%	JPY
As of July 31, 2018	11,129	9,114	81.1	463.39
As of July 31, 2017	9,617	5,894	60.3	306.47

Note: Shareholders' equity (million JPY)      As of July 31, 2018: 9,028  
As of July 31, 2017: 5,798

<Reason for Difference Between Non-Consolidated Performance and Previous Results Fiscal Year Results>

In the fiscal year ended July 2018, revenue, operating income, and ordinary income differed from the previous consolidated fiscal year due to the occurrence of revenue decline within the Entertainment Business attributable to non-consolidated performance (a decrease of 16.0% from the previous consolidated fiscal year).

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* 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, please refer to the "1. Overview of Operating Results, etc. (1) Overview of Operating Results in Fiscal Year Ended July 31, 2018, Outlook for Consolidated Performance in the Next Fiscal Year" on page 3 and 4 of the attachments to this financial results report.

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## 1. Overview of Operating Results

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

### (1) Overview of Operating Results in Fiscal Year Ended July 31, 2018

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. 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”.

In the fiscal year ended July 31, 2018, the Entertainment business saw its revenue and income decline but Ateam’s consolidated revenue, operating income, ordinary income and net income attributable to shareholders of parent company all grew substantially year on year to all-time record levels by virtue of substantial growth in the Lifestyle Support business.

As a result of the above, during the fiscal year, Ateam posted revenue of 37,674,453 thousand JPY (up 8.9% year on year), operating income of 4,701,412 thousand JPY (up 15.3% year on year), ordinary income of 4,730,224 thousand JPY (up 14.9% year on year), and net income attributable to shareholders of parent company of 3,306,127 thousand JPY (up 28.2% year on year).

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

#### *Entertainment Business*

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

In the fiscal year ended July 31, 2018, the Entertainment business continued to efficiently manage its existing game apps while releasing the new game app “BASSA WARRIORS” in May 2018. Among existing game apps, “Valkyrie Connect”, released in June 2016, and “Unison League”, released in December 2014, continued to contribute to revenue as core game titles. Overall, however, existing games experienced a gradual revenue decline that “BASSA WARRIORS” failed to fully offset. The Entertainment business’s total revenue and income consequently decreased year on year.

As a result, during the fiscal year, the Entertainment Business posted revenue of 16,168,421 thousand JPY (down 16.0% year on year) and operating income of 3,587,876 thousand JPY (down 6.1% year on year).

#### *Lifestyle Support Business*

In the Lifestyle Support business, we develop various online services to help support individual users throughout their daily lives and specific life events. Made up of several sub-segments, each sub-segment revolves around the same business concept of “Sanpo- Yoshi”, a Japanese saying that means benefiting all three sides involved - the consumer, the partner company and Ateam.

Our sub-segments consist of the Moving-related business, the Automobile-related business, the Bridal-related business, the Financial Media business, and others.\*

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 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, and are steadily increasing the number of users. In the Financial Media business, in addition to “Navinavi Cashing”, a personal loan 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.

All sub-segments generally performed well in the fiscal year ended July 31, 2018. In addition to further developing existing businesses, each sub-segment launched several new services while expanding peripheral services, and invested in new business domains in pursuit of medium- to long-term growth.

As a result, during the fiscal year, the Lifestyle Support business posted revenue of 18,955,868 thousand JPY (up 42.1% year on year) and operating income of 3,076,528 thousand JPY (up 59.5% year on year), achieving record highs for both revenue and segment profit.

#### *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 purchased 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 sales 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.

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 service brand.

(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.

During the fiscal year, the E-Commerce business posted revenue of 2,550,164 thousand JPY (up 27.4% year on year) and operating loss of 211,899 thousand JPY (compared with an operating loss of 178,587 thousand JPY in the previous fiscal year), achieving a record high in segment revenue.

### *Outlook for Consolidated Performance in the Next Fiscal Year*

In the fiscal year ending July 31, 2019, Ateam intends to continue to strengthen and expand its operations across all segments and upgrade its business portfolio through upfront investments in new business creation in pursuit of sustained growth and medium- to long-term corporate value accretion. To do so, Ateam will focus on recruiting and developing human resources, shaping its environment and strengthening its organizational structure.

From the standpoint of pursuing such a strategy, Ateam's consolidated earnings outlook for the fiscal year ending July 31, 2019, reflects that the fiscal year is slated to be spent strengthening our business portfolio and the foundations of all operations that support it through such means as investing in new services and strengthening our human resources and organizational structure in pursuit of further growth from the following fiscal year onward.

The outlook for business performance by segment is as follows:

The Entertainment business will focus on developing new game apps in collaboration with other companies while endeavoring to efficiently manage its core game titles, including "Valkyrie Connect" and "Unison League", and expand its revenue in overseas markets with growth potential.

Specifically, the Entertainment business plans to collaborate with Bushiroad Inc. and Tokyo Broadcasting System Television, Inc. to release a new smartphone game app called "Revue Starlight -Re LIVE-" based on the "Revue Starlight" multimedia franchise that originated as a stage musical and subsequently became an animated TV series airing on the TBS network since July 2018. For existing game titles, we are forecasting revenue and income based on recent KPI trends, factoring in currently foreseeable expenses. For new game apps being co-developed with collaborators, we are forecasting revenue and income contributions, factoring in an ample allowance for expenses, including promotional expenses at the time of release.

In forecasting income from and expenses associated with new co-developed game app sales, we factor in only Ateam's share of revenue and income net of collaborators' respective shares.

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 Moving-related business, Automobile-related business, Bridal-related business and Financial Media business. Additionally, the Lifestyle Support business plans to aggressively invest in developing new services in pursuit of medium- to long-term growth. Ateam forecasts the Lifestyle Support business's earnings in light of existing services' respective earnings power and KPI status, factoring in seasonal factors, internal and external environmental factors and other relevant factors to the extent that such factors are currently foreseeable. For new services, Ateam forecasts revenue conservatively and factors in expenses to the extent currently foreseeable. The Lifestyle Support business plans to invest in strengthening existing services' competitiveness, including some investments that will not yield immediate returns. Its overall operating margin is consequently expected to decrease even though Ateam is forecasting revenue and income growth on a par with recent years.

The E-Commerce business will endeavor to achieve profitability while continuing to strengthen its fulfillment functions. Ateam forecasts the E-Commerce business's earnings based on KPI status, factoring in seasonal and other factors to the extent foreseeable.

The Entertainment business may undertake a major promotional campaign for the aforementioned "Revue Starlight -Re LIVE-" new game app in the first half of the fiscal year ending July 31, 2019.

The Lifestyle Support and E-Commerce businesses' busiest season is the third quarter of every fiscal year due to the nature of their businesses. Ateam is accordingly forecasting larger revenue and income contributions from the Lifestyle Support and E-Commerce businesses in the fiscal second-half than in the fiscal first-half.

Additionally, Ateam is forecasting that it will earn a disproportionately large share of its operating income, ordinary income and net income attributable to shareholders of parent company in the fiscal second-half, partly reflecting that Ateam's plans to intensively invest in multiple new services, mainly in the Lifestyle Support business, in the fiscal first-half.

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 according to the effect of various factors in the future.

Performance outlook for the three months ending October 31, 2018 (August 1, 2018 - October 31, 2018)

Revenue	9,000 million JPY (up 1.1% year on year)
Operating income	0 million JPY (–% year on year)
Ordinary income	0 million JPY (–% year on year)
Net income attributable to shareholders of parent company	0 million JPY (–% year on year)

Performance outlook for the fiscal year ending July 31, 2019 (August 1, 2018 - July 31, 2019)

Revenue	40,000 million JPY (up 6.2% year on year)
Operating income	4,000 million JPY (down 14.9% year on year)
Ordinary income	4,000 million JPY (down 15.4% year on year)
Net income attributable to shareholders of parent company	2,600 million JPY (down 21.4% year on year)



## (2) Overview of Financial Position for the Fiscal Year Ended July 31, 2018

### (i) Position of Assets, Liabilities and Net Asset

#### *Assets*

As of the end of the fiscal year under review, Ateam posted total assets of 16,702,834 thousand JPY, an increase of 3,562,001 thousand JPY compared with the end of the previous fiscal year. The increase was mainly attributable to a combined 653,767 thousand JPY increase in notes and accounts receivable - trade and inventories (merchandise) in conjunction with revenue growth, a 980,136 thousand JPY increase in cash and deposits and 1,109,069 thousand JPY (as of July 31, 2018) of newly recognized goodwill associated with Increments Inc., which was acquired during the fiscal year under review.

#### *Liabilities*

As of the end of the fiscal year under review, Ateam posted liabilities of 5,047,720 thousand JPY, a decrease of 636,219 thousand JPY compared with the end of the previous fiscal year. The decrease was largely attributable to a 532,000 thousand JPY decrease in short-term loans payable.

#### *Net Assets*

As of the end of the fiscal year under review, Ateam posted net assets of 11,655,114 thousand JPY, an increase of 4,198,220 thousand JPY compared with the end of the previous fiscal year. The increase was largely attributable to a 2,889,862 thousand JPY increase in retained earnings and a combined 619,257 thousand JPY increase in capital stock and capital surplus mainly due to the exercise of sixth issuance of share acquisition rights through third party allotment.

### (ii) Cash Flows

As of the end of the fiscal year under review, cash and cash equivalents ("cash") increased by 980,136 thousand JPY from the end of the previous fiscal year to 5,984,214 thousand JPY. The respective statuses of cash flows during the fiscal year under review and their contributing factors are as follows:

#### *Cash Flows from Operating Activities*

Cash provided by operating activities during the fiscal year under review was 2,789,583 thousand JPY, a year on year decrease of 673,279 thousand JPY. The main factor was the effect of income taxes paid (up 1,081,740 thousand JPY year on year) that was payable for the income before income taxes (878,605 thousand JPY year on year).

#### *Cash Flows from Investing Activities*

Cash used in investing activities during the fiscal year under review was 2,257,203 thousand JPY, a year on year increase of 1,043,976 thousand JPY. The main factor was 1,296,848 thousand JPY used for the purchase of shares of Increments Inc. during the fiscal year under review.

#### *Cash Flows from Financing Activities*

Cash provided by financing activities during the fiscal year under review was 444,494 thousand JPY. The increase was the net result of receiving of 1,300,398 thousand JPY in proceeds from issuance of common stock and proceeds from disposal of treasury stock on one hand, and the repayments of short-term loans payable, on the other. The portion of cash dividends paid that was attributable to financing activities was 417,041 thousand JPY.

### (Reference) Trends in cash flow indicators

	Fiscal year ended July 31, 2015	Fiscal year ended July 31, 2016	Fiscal year ended July 31, 2017	Fiscal year ended July 31, 2018
Equity ratio (%)	50.9	51.9	56.0	69.3
Market value equity ratio (%)	596.2	389.3	408.06	273.67
Cash flow to interest-bearing liabilities ratio (years)	1.0	0.6	0.1	0.1
Interest coverage ratio (times)	820.9	316.24	1,113.29	1,945.66

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

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

Based on this policy, after comprehensively considering factors such as performance in the fiscal year under review, we will pay a year-end dividend of 32.5 JPY per share. In regard to dividend payments for the next fiscal year (fiscal year ending July 31, 2019), aiming to provide continuous and stable shareholder returns and based on the full-year forecasts, we expect a year-end dividend of 32.5 JPY per share.

### (4) Risk Factors

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

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

#### 1) Risks Related to the Business Environment

The mobile game and internet market, the two business areas that we operate in, have continued to grow significantly due to the spread of smartphones and the increase of internet users.

We expect such trends to persist but if markets' growth rates slow and are affected by deterioration in economic sentiment or actual economic volatility, Ateam's performance and financial position may be affected.

#### 2) Risks Related to Business

##### (i) Competition

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

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

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

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

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

##### (iii) Effect from Foreign Exchange

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

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

(iv) Collection of Accounts Receivable - Trade

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

(v) Product Quality Assurance

Ateam's E-Commerce business sources bicycles from domestic and overseas (mainly Chinese) suppliers. After receiving an order from a user, a bicycle undergoes additional assembly and maintenance and is delivered to the user. If a user or third party is involved in an accident, is injured or otherwise suffers damages due to a cause directly or indirectly related to the assembly or maintenance of, or a defect in, a bicycle sold by the E-Commerce business, Ateam may be subject to claims for damages or other compensation.

Additionally, Ateam imports, purchases and sells certain merchandise manufactured to Ateam's specifications by contract manufacturers. Japan's Product Liability Act may apply to such merchandise. When ordering such merchandise to be manufactured to our specifications, we are required to comply with Japanese Industrial Standards (JIS) both in Japan and overseas, procure high-quality parts, and select trustworthy manufacturers. Ateam is striving for thorough quality assurance by checking specification details for sample products, requiring final inspections when delivering completed products and inspections of overall quality and function, strengthening ties to contract manufacturers, and, when needed, sending employees for in-person inspections.

Moreover, although Ateam has purchased Product liability (PL) insurance for product liability compensation in preparation for the unforeseen 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 Ateam's reputation in society. As a result, Ateam's performance and the brand image for services may be affected.

(vi) Investment and Nurturing

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

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

Ateam's Entertainment business records personnel expenses and subcontracting expenses related to developing game apps for smart devices as assets on the consolidated balance sheets, and depreciates these assets over an appropriate number of years.

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

4) Risks Related to the Organizational Structure

(i) Over-reliance on a Specific Executive

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

in the management, Ateam's performance and future business development may be affected.

#### (ii) Securing and Training Personnel

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

#### (iii) Internal Control Management System

To achieve sustained growth and medium- to long-term corporate value accretion, Ateam plans to continuously strengthen its management foundation in tandem with expansion of its scale of operations while restructuring its organization. Ateam also aims to implement and augment an internal control management system to strengthen its organizational structure, and to manage its operations more efficiently and appropriately.

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

#### (iv) Computer Systems and Communication Networks

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

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

### 5) Risks Related to Compliance

#### (i) Laws and Regulations

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

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

#### (ii) Intellectual Property Rights

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

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

#### (iii) Management of Personal Information

Ateam, at times, will obtain personal information from the users of the services and content that it provides. To prevent external leakage and falsification of personal information, Ateam is thorough 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, we may receive a claim for

compensation for damages, the perceived trustworthiness of Ateam may decrease, its corporate image may deteriorate, and more. As a result, Ateam's performance and business development may be affected.

#### (iv) Safety and Soundness of Services

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

However, in the event that there is trouble originating from a user's inappropriate behavior due to a sudden increase in content users making it difficult to fully stay aware of all users' actions, regardless of the details of the user agreement, our legal responsibility may come into question. Also, even if our legal responsibility does not come into question, its business and performance may be affected by factors such as deterioration of the content's brand image.

(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

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

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

#### 6) Risks Related to Dilution of Shares upon Exercising Stock Acquisition Rights

To improve Ateam's corporate value in the long term, Stock Acquisition Rights are granted to officers and employees as incentives. It is possible that, to secure excellent officers and employees, Stock Acquisition Rights will be granted as incentives in the future as well.

In addition, Ateam carried out financing by issuing Stock Acquisition Rights with exercise price amendment through third-party allotment in August 2017 to appropriate funds for development. Such funds include new establishment and personnel expenses for future development bases, 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 Stock Acquisition Rights 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 and Accidents

In the event of an earthquake, typhoon, tsunami or other natural disaster, fire, power outage, infectious disease outbreak, international conflict, or the occurrence of some other serious contingency, Ateam's business operations may be severely affected.

Given a large-scale natural disaster were to occur in the areas that we operate services in, an unavoidable temporary suspension of the provision of services is a possibility. Furthermore, in the event of occurrences that hinder the continuation of business such as damage to facilities or power supply restrictions, or in the event of serious material and human losses primarily resulting from various natural disasters or international disputes, the continuation of business itself may become difficult or impossible. If such circumstances were to arise, Ateam's performance may be affected.

## 2. Status of Corporate Group

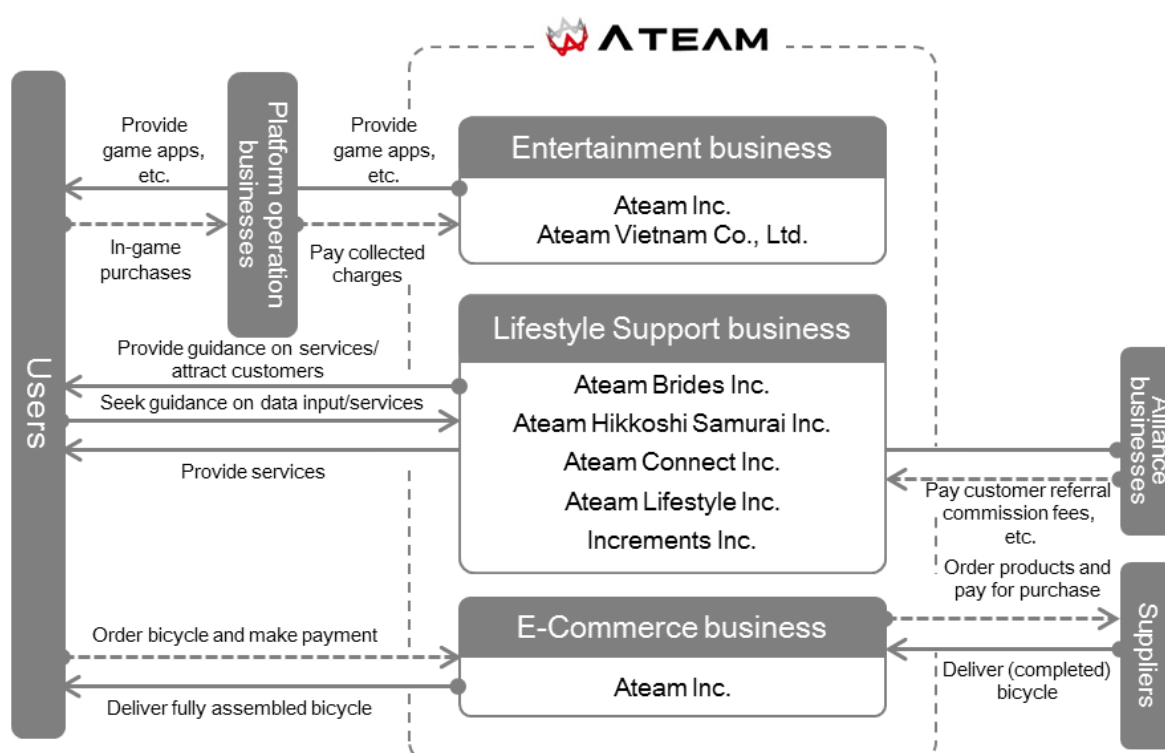
Ateam is currently comprised of Ateam Inc. and six wholly owned subsidiaries.

As for reportable segments, Ateam is expanding business in three core segments. The Entertainment business plans, develops and operates games and tool applications for smart devices. These games and tool applications provide amusement to people around the world with the theme of “making connections between people a reality”. The Lifestyle Support business plans, develops and operates various online services 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 an e-commerce site specializing in bicycle sales. The site sells fully assembled bicycles online and realizes the convenience of home delivery.

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

Company name	Segment	Businesses description	Relationship with the Company
Ateam Inc.	Entertainment business E-Commerce business	Planning, development and operation of games and tool applications for smart devices Planning, development and operation of an online bicycle shop	–
Ateam Vietnam Co., Ltd.	Entertainment business	Operation of games apps for smart devices	Wholly owned subsidiary
Ateam Brides Inc.	Lifestyle Support business	Bridal-related business	Wholly owned subsidiary
Ateam Hikkoshi Samurai Inc.	Lifestyle Support business	Moving-related business	Wholly owned subsidiary
Ateam Connect Inc.	Lifestyle Support business	Telemarketing business	Wholly owned subsidiary
Ateam Lifestyle Inc.	Lifestyle Support business	Automobile-related business, Financial Media business, Women’s Health Consultation business	Wholly owned subsidiary
Increments Inc.	Lifestyle Support business	Technical information sharing service for programmers	Wholly owned subsidiary

Schematic overview of Ateam’s business



### **3. Business Policies**

#### **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”, Ateam has a basic policy of providing content and services that continue to be supported and utilized by users through PCs and smart devices in various technical and business fields that are focused on the internet.

Aiming to be a company that will last indefinitely by repeating the phrase “for the next 100 years”, we operate with a focus on sustainable growth and medium- to long-term improvement in corporate value, more so than on short-term or one-time revenue.

### **4. Basic Rationale for Selecting the Accounting Standards**

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

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

## 5. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated Balance Sheets

(Thousand JPY)

	As of July 31, 2017	As of July 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	5,004,078	5,984,214
Notes and accounts receivable - trade	3,774,680	4,128,486
Merchandise	362,920	662,882
Supplies	3,460	16,352
Deferred tax assets	196,101	242,226
Other	477,691	706,980
Allowance for doubtful accounts	(9,128)	(10,300)
Total current assets	9,809,802	11,730,842
Non-current assets		
Property, plant and equipment		
Buildings	1,535,328	1,672,034
Accumulated depreciation	(250,927)	(386,526)
Buildings, net	1,284,400	1,285,508
Tools, furniture and fixtures	548,584	669,639
Accumulated depreciation	(167,525)	(270,658)
Tools, furniture and fixtures, net	381,059	398,980
Construction in progress	669	–
Total property, plant and equipment	1,666,130	1,684,488
Intangible assets		
Goodwill	–	1,109,069
Software	276,161	590,958
Software in progress	231,535	221,027
Other	–	149,222
Total intangible assets	507,696	2,070,277
Investments and other assets		
Investment securities	378,235	374,037
Deferred tax assets	168,867	116,456
Lease and guarantee deposits	584,087	686,317
Other	35,020	49,160
Allowance for doubtful accounts	(9,006)	(8,746)
Total investments and other assets	1,157,203	1,217,225
Total non-current assets	3,331,030	4,971,992
<b>Total assets</b>	<b>13,140,833</b>	<b>16,702,834</b>



	As of July 31, 2017	As of July 31, 2018
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	405,371	465,660
Short-term loans payable	632,000	100,000
Current portion of long-term loans payable	–	33,360
Accounts payable - other	2,487,271	2,417,943
Income taxes payable	1,037,934	718,777
Provision for sales promotion expenses	4,646	12,976
Provision for stocks payment	41,459	43,550
Provision for management board incentive plan trust	8,204	–
Other	586,010	672,266
Total current liabilities	5,202,899	4,464,533
Non-current liabilities		
Long-term loans payable	–	52,740
Deferred tax liabilities	–	45,691
Asset retirement obligations	481,040	484,754
Total non-current liabilities	481,040	583,186
Total liabilities	5,683,939	5,047,720
<b>Net assets</b>		
Shareholders' equity		
Capital stock	535,996	835,631
Capital surplus	509,796	829,419
Retained earnings	7,493,342	10,383,205
Treasury stock	(1,177,659)	(481,858)
Total shareholders' equity	7,361,477	11,566,397
Accumulated other comprehensive income		
Foreign currency translation adjustment	(583)	2,738
Total accumulated other comprehensive income	(583)	2,738
Stock Acquisition Rights	96,000	85,978
Total net assets	7,456,893	11,655,114
Total liabilities and net assets	13,140,833	16,702,834

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

(Thousand JPY)

	Fiscal year ended July 31, 2017	Fiscal year ended July 31, 2018
Revenue	34,603,014	37,674,453
Cost of sales	5,669,748	6,960,906
Gross profit	28,933,265	30,713,547
Selling, general and administrative expenses	24,855,584	26,012,135
Operating income	4,077,681	4,701,412
Non-operating income		
Interest income	438	134
Gain on investments in partnership	1,954	53,746
Foreign exchange gains	31,638	–
Commission fee	5,790	5,149
Other	9,852	26,768
Total non-operating income	49,675	85,798
Non-operating expenses		
Interest expenses	3,110	1,433
Loss on valuation of investment securities	–	50,999
Loss on retirement of non-current assets	5,356	71
Foreign exchange losses	–	1,991
Other	589	2,488
Total non-operating expenses	9,056	56,985
Ordinary income	4,118,300	4,730,224
Extraordinary income		
Gain on reversal of Stock Acquisition Rights	4,800	2,400
Total extraordinary income	4,800	2,400
Extraordinary losses		
Impairment loss	269,080	–
Total extraordinary losses	269,080	–
Income before income taxes	3,854,019	4,732,624
Income taxes – current	1,417,601	1,422,899
Income taxes – deferred	(143,167)	3,597
Total income taxes	1,274,434	1,426,497
Net income	2,579,584	3,306,127
Net income attributable to shareholders of parent company	2,579,584	3,306,127

# Consolidated Statements of Comprehensive Income

(Thousand JPY)

	Fiscal year ended July 31, 2017	Fiscal year ended July 31, 2018
Net income	2,579,584	3,306,127
Other comprehensive income		
Foreign currency translation adjustment	(583)	3,322
Total other comprehensive income	(583)	3,322
Comprehensive income	2,579,001	3,309,449
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	2,579,001	3,309,449

(3) Consolidated Statement of Changes in Equity  
Fiscal year ended July 31, 2017

(Thousand JPY)

	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		Stock Acquisition Rights	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

Fiscal year ended July 31, 2018

(Thousand JPY)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	535,996	509,796	7,493,342	(1,177,659)	7,361,477
Changes of items during period					
Issuance of new shares	299,634	299,634			599,268
Dividends of surplus			(416,265)		(416,265)
Net income attributable to shareholders of parent company			3,306,127		3,306,127
Purchase of treasury stock					—
Disposal of treasury stock		19,988		695,801	715,789
Net changes of items other than shareholders' equity					
Total changes of items during period	299,634	319,622	2,889,862	695,801	4,204,920
Balance at end of current period	835,631	829,419	10,383,205	(481,858)	11,566,397

	Accumulated other comprehensive income		Stock Acquisition Rights	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(583)	(583)	96,000	7,456,893
Changes of items during period				
Issuance of new shares				599,268
Dividends of surplus				(416,265)
Net income attributable to shareholders of parent company				3,306,127
Purchase of treasury stock				—
Disposal of treasury stock				715,789
Net changes of items other than shareholders' equity	3,322	3,322	(10,022)	(6,699)
Total changes of items during period	3,322	3,322	(10,022)	4,198,220
Balance at end of current period	2,738	2,738	85,978	11,655,114

## (4) Summary of Consolidated Statements of Cash Flows

(Thousand JPY)

	Fiscal year ended July 31, 2017	Fiscal year ended July 31, 2018
Cash flows from operating activities		
Income before income taxes	3,854,019	4,732,624
Depreciation	478,221	432,498
Impairment loss	269,080	–
Amortization of goodwill	–	65,239
Increase (decrease) in allowance for doubtful accounts	7,169	910
Increase (decrease) in provision for sales promotion expenses	472	8,329
Increase (decrease) in provision for stocks payment	2,090	2,090
Increase (decrease) in provision for management board incentive plan trust	2,601	(8,204)
Interest income	(438)	(134)
Interest expenses	3,110	1,433
Foreign exchange losses (gains)	(18,465)	60
Loss on retirement of non-current assets	5,356	71
Decrease (increase) in notes and accounts receivable - trade	(1,050,107)	(329,372)
Decrease (increase) in inventories	(210,366)	(312,854)
Increase (decrease) in notes and accounts payable - trade	249,747	2,989
Increase (decrease) in accounts payable - other	248,570	(18,178)
Other, net	349,616	20,263
Subtotal	4,190,678	4,597,766
Interest income received	438	134
Interest expenses paid	(3,110)	(1,433)
Income taxes paid	(725,144)	(1,806,884)
Net cash provided by (used in) operating activities	3,462,862	2,789,583
Cash flows from investing activities		
Purchase of property, plant and equipment	(354,074)	(418,207)
Purchase of intangible assets	(440,304)	(424,184)
Purchase of investment securities	(275,000)	(20,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,296,848)
Payments for lease and guarantee deposits	(139,351)	(149,793)
Proceeds from collection of lease and guarantee deposits	1,233	16,418
Other, net	(5,730)	35,411
Net cash provided by (used in) investing activities	(1,213,227)	(2,257,203)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(534,000)	(532,000)
Proceeds from long-term loans payable	–	100,000
Repayments of long-term loans payable	–	(13,900)
Proceeds from issuance of common stock	1,902	586,554
Proceeds from issuance of Stock Acquisition Rights	–	7,038
Purchase of treasury stock	(96)	–
Proceeds from disposal of treasury stock	–	713,844
Cash dividends paid	(236,305)	(417,041)
Net cash provided by (used in) financing activities	(768,499)	444,494
Effect of exchange rate change on cash and cash equivalents	17,881	3,261
Net increase (decrease) in cash and cash equivalents	1,499,017	980,136
Cash and cash equivalents at beginning of period	3,505,060	5,004,078
Cash and cash equivalents at end of period	5,004,078	5,984,214

(5) Notes to Consolidated Financial Statements

**Notes on Premise of Going Concern**

Not applicable.

**Segment Information**

1. Overview of reportable segments

The reportable segments of Ateam are the business units from which we are able to obtain separate financial information and which are periodically examined by the Board of Directors in deciding the allocation of management resources and in evaluating performance.

Ateam is composed of segments classified according to services based on the business divisions. It has three reportable segments: Entertainment business, Lifestyle Support business and E-Commerce business. The Entertainment business mainly plans, develops and operates games and tool applications mainly for smart devices (smartphones and tablets); the Lifestyle Support business mainly plans, develops and operates comparison sites, information sites, e-commerce sites and other websites primarily for daily living; and the E-Commerce business mainly plans, develops and operates 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, 2017 (from August 1, 2016 to July 31, 2017)

	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

(Notes) 1. Adjustment of 1,493,356 thousand JPY is corporate expenses not attributable to reportable segments.

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

3. Segment assets have not been shown, as they are not used as the basis for deciding the allocation of management resources and evaluating performance.

Fiscal year ended July 31, 2018 (from August 1, 2017 to July 31, 2018)

(Thousand JPY)

	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	16,168,421	18,955,868	2,550,164	37,674,453	—	37,674,453
Inter-segment sales and transfers	—	—	—	—	—	—
Total	16,168,421	18,955,868	2,550,164	37,674,453	—	37,674,453
Segment profit (loss)	3,587,876	3,076,528	(211,899)	6,452,505	(1,751,092)	4,701,412
Other items						
Depreciation	267,745	109,323	6,976	384,046	48,452	432,498
Amortization of goodwill	—	65,239	—	65,239	—	65,239

(Notes) 1. Adjustment of 1,751,092 thousand JPY is corporate expenses not attributable to reportable segments.

- Adjustments are made between segment profit (loss) and operating income reported in the consolidated statements of income.
- Segment assets have not been shown, as they are not used as the basis for deciding the allocation of management resources and evaluating performance.



## Per Share Information

(JPY)

	Fiscal year ended July 31, 2017 (from August 1, 2016 to July 31, 2017)	Fiscal year ended July 31, 2018 (from August 1, 2017 to July 31, 2018)
Net assets per share	389.03	593.76
Net income per share-basic	136.45	170.40
Net income per share-diluted	135.80	169.76

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

	Fiscal year ended July 31, 2017 (from August 1, 2016 to July 31, 2017)	Fiscal year ended July 31, 2018 (from August 1, 2017 to July 31, 2018)
Net income per share-basic		
Net income attributable to shareholders of parent company (Thousand JPY)	2,579,584	3,306,127
Net income attributable to shareholders of parent company regarding common stock (Thousand JPY)	2,579,584	3,306,127
Average number of shares of common stock during period (Shares)	18,904,872	19,401,921
Net income per share-diluted		
Adjustment of net income attributable to shareholders of parent company (Thousand JPY)	—	—
Increase in number of shares of common stock (Shares)	90,950	73,889
[Stock Acquisition Rights of the above (Shares)]	[90,950]	[73,889]
Dilutive shares not included in calculation of net income per share-diluted due to being non-dilutive	—	Seventh series of Stock Acquisition Rights: 500,000 shares Eighth series of Stock Acquisition Rights: 800,000 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” (246,100 shares at the end of the previous fiscal year and an average of 248,257 shares during the previous period, 218,200 shares at the end of the current fiscal year and an average of 220,570 shares during the current period) included in the treasury stock deducted.

## Significant Subsequent Events

Not Applicable.