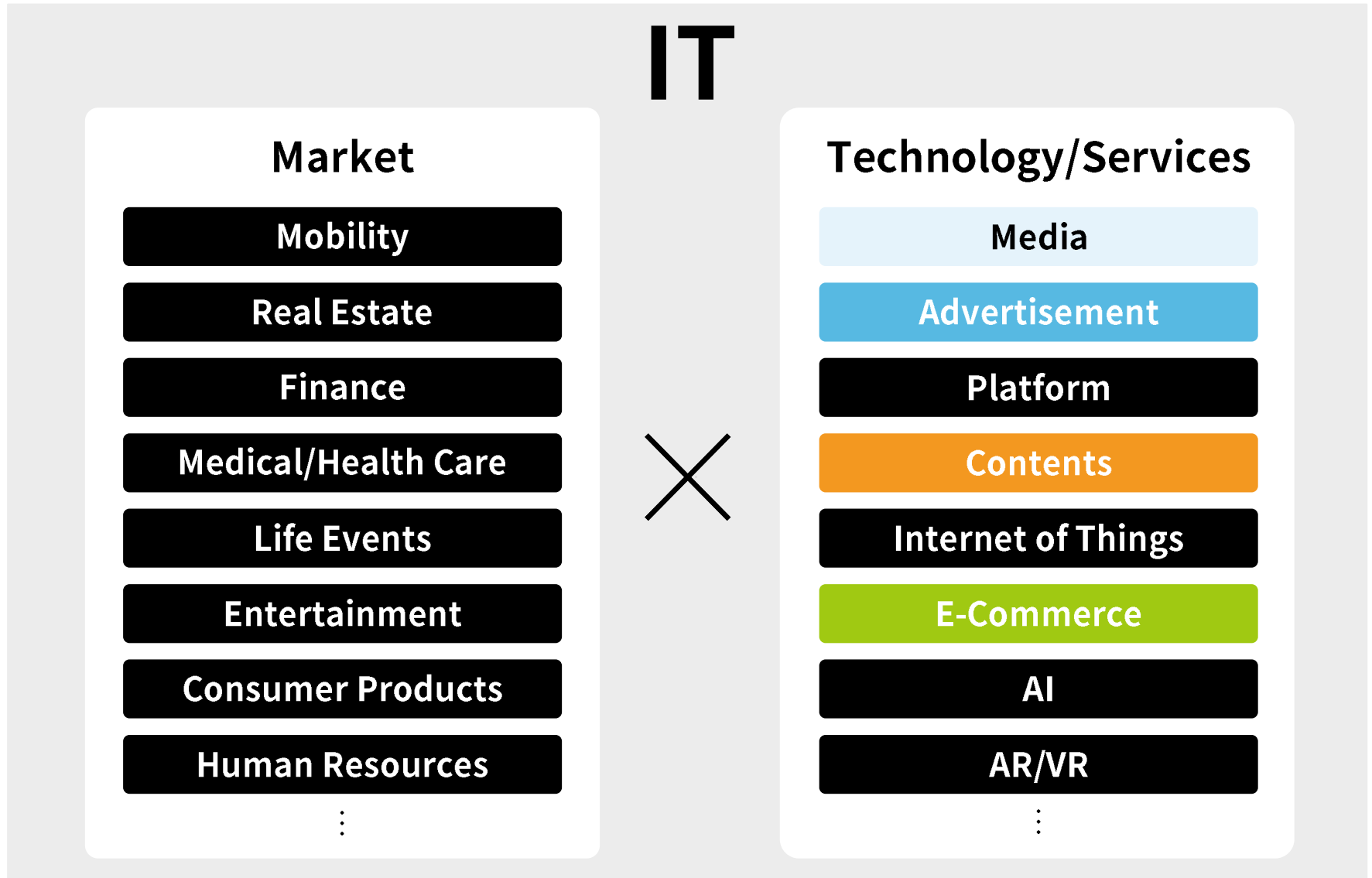


**Ateam Inc.**

# **Business Report FY2018**

September 7, 2018

# Ateam is an IT Company that Develops Business Around the Internet





## **Index**

- 1. FY2018 Financial Results**
  - 2. FY2018 Q4 Business Details**
  - 3. FY2019 Q1 Progress**
  - 4. FY2019 Guidance**
  - 5. Medium- and Long-Term Outlook**
- **APPENDIX A : Company Overview**
  - **APPENDIX B : Supplementary Financial Data**

# **1. FY2018 Financial Results**

2. FY2018 Q4 Business Details
3. FY2019 Q1 Progress
4. FY2019 Guidance
5. Medium- and Long-Term Outlook

# FY2018 Financial Summary (Aug 2017-July 2018)

## Overall

### Revenue and Profit Up Y/Y, Both Record High Achieved

- Revenue: 37,674 million JPY (Y/Y 108.9%)
- Operating income: 4,701 million JPY (Y/Y 115.3%)
- Net income: 3,306 million JPY (Y/Y 128.2%)

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

## Lifestyle Support

### Significant Increase Y/Y, Record High Achieved

- Revenue: 18,955 million JPY (Y/Y 142.1%)
- Profit: 3,076 million JPY (Y/Y 159.5%)

% of Revenue

**50.3%**

All Sub-Segments Continuing to Trend Well

## Ent.

### Revenue and Profit Down Y/Y

- Revenue: 16,168 million JPY (Y/Y 84.0%)
- Profit: 3,587 million JPY (Y/Y 93.9%)

% of Revenue

**42.9%**

Existing Games on a Gentle Decline, New Release Not Meeting Expectations

## EC

### Revenue Up Y/Y, Record High Revenue Achieved

- Revenue: 2,550 million JPY (Y/Y 127.4%)
- Profit: -211 million JPY (Y/Y —)

% of Revenue

**6.8%**

Strengthening Fulfillment; Prepare for Busy Season & Continued Growth

# FY2018 Review

## Overall

### A Year of Business Structure Change

- Lifestyle Support Business Outperforms Entertainment Business for the First Time, Demonstrating the Balance of Business Portfolio as an Overall IT Company not Limited to Games

## Lifestyle Support

### Main Services Trending Well, Boost in Both Revenue and Profit

- Although growth rates fluctuate, each of the existing services have grown year-on-year
- Prepared the startup of multiple new services with medium- to long-term growth in mind

## Ent.

### Existing Games Decline From Start, New Game on a Slow Start

- Executed collab events and promos mainly for existing games “Valkyrie Connect” and “Unison League”; Although revenue declined as of FY2018 Q1, maintained profit due to efficient operation
- Released new game application “BASSA WARRIORS” in FY2018 Q4  
Although off to a slow start, large scale renovation underway with consideration of KPI

## EC

### Expansion of Peripheral Services In Addition to Bicycle Sales

- Executed new revenue models such as sales of original parts (keys) and the enrichment of bicycle insurance, along with sales of sports bikes through collaboration with Y’z International Co., Ltd.

# FY2018 Q4 Financial Summary (May 2018-Jul 2018)

## Overall

### Revenue and Profit Down Y/Y

- Revenue: 9,335 million JPY (Y/Y 99.2%, Q/Q 90.9%)
- Operating income: 892 million JPY (Y/Y 68.3%, Q/Q 50.9%)
- Net income: 655 million JPY (Y/Y 88.4%, Q/Q 53.8%)

## Lifestyle Support

### Revenue and Profit Up Significantly Y/Y, Down Q/Q

- Revenue: 5,107 million JPY (Y/Y 136.3%, Q/Q 91.5%)
- Profit: 762 million JPY (Y/Y 147.6%, Q/Q 70.7%)

All 4 Sub-Segments Trended Well Y/Y, Down Q/Q Due to Seasonal Factors

% of Revenue

**54.7%**

## Ent.

### Revenue and Profit Down Both Y/Y & Q/Q

- Revenue: 3,656 million JPY (Y/Y 72.0%, Q/Q 94.3%)
- Profit: 638 million JPY (Y/Y 50.2%, Q/Q 53.2%)

Gentle Decline in Existing Games, New Release Not Meeting Expectations

% of Revenue

**39.2%**

## EC

### Revenue Down Both Y/Y & Q/Q

- Revenue: 571 million JPY (Y/Y 97.8%, Q/Q 70.4%)
- Segment: -21 million JPY (Y/Y —, Q/Q —)

Aborted Low Priced Products Upon Review Causing Decrease in Unit & Sales

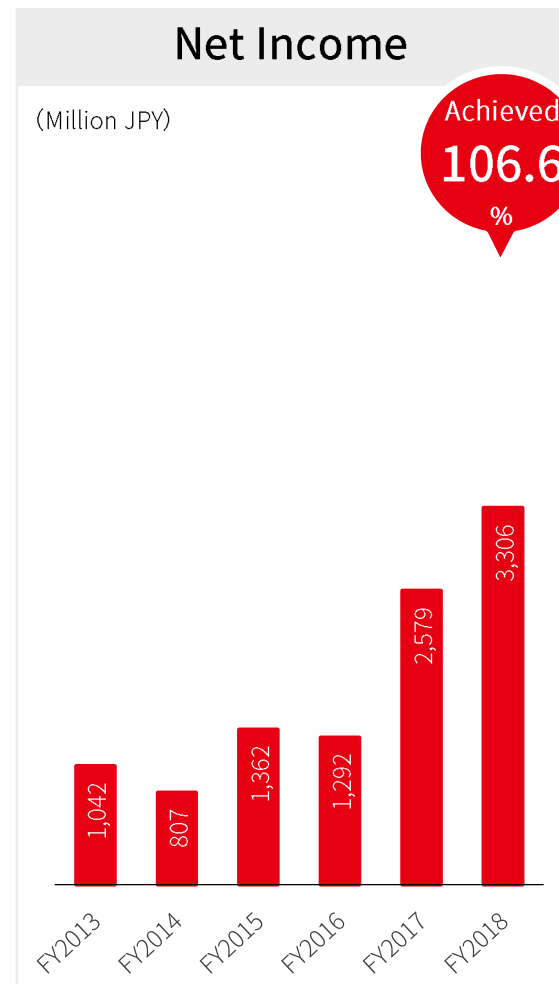
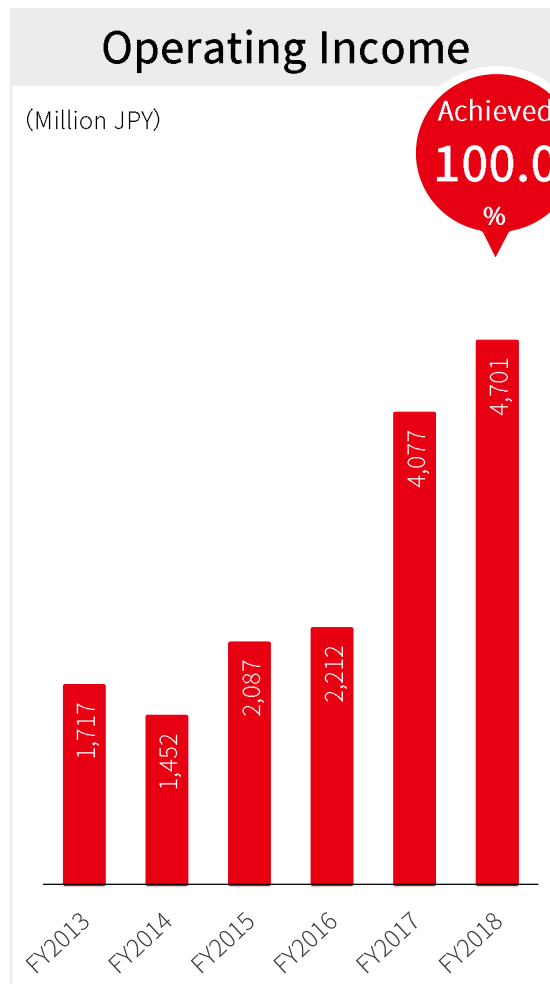
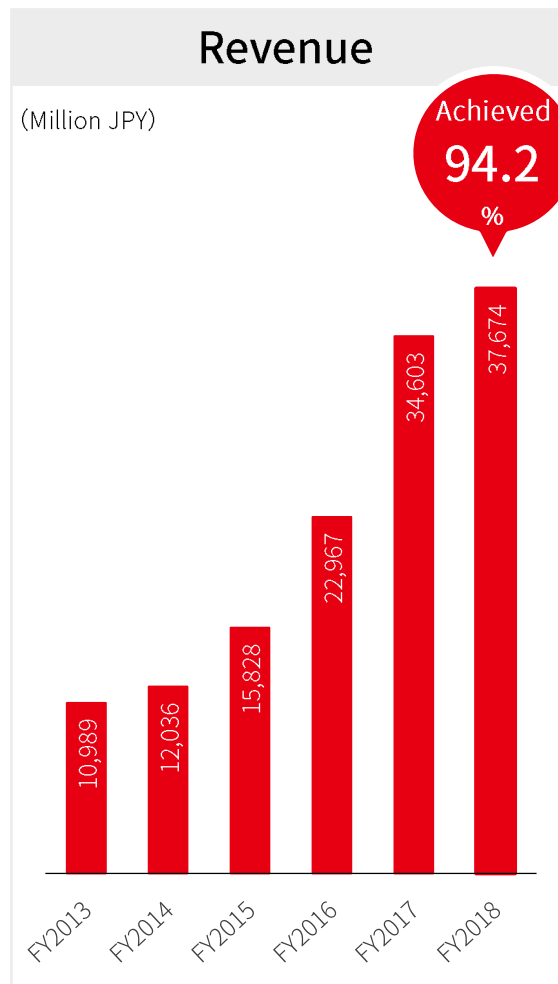
% of Revenue

**6.1%**



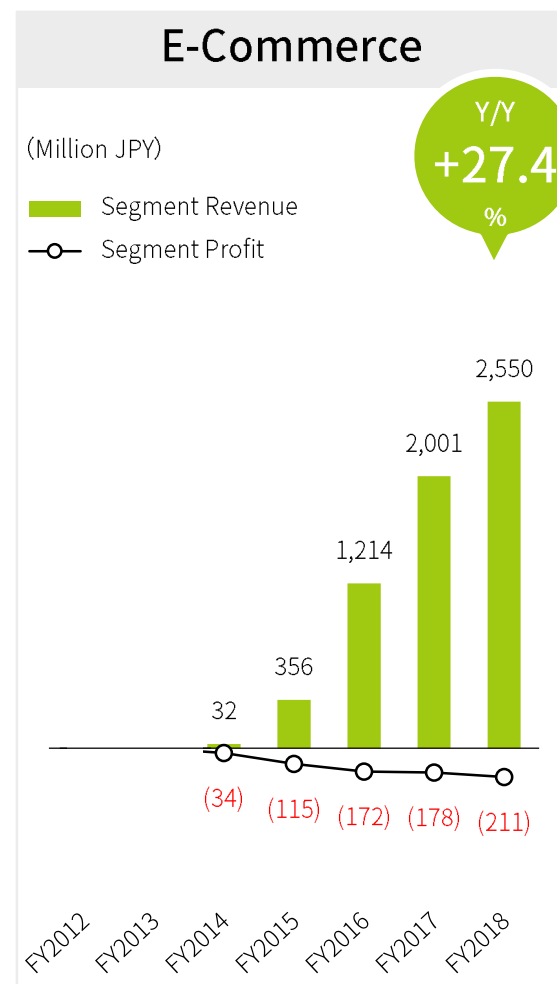
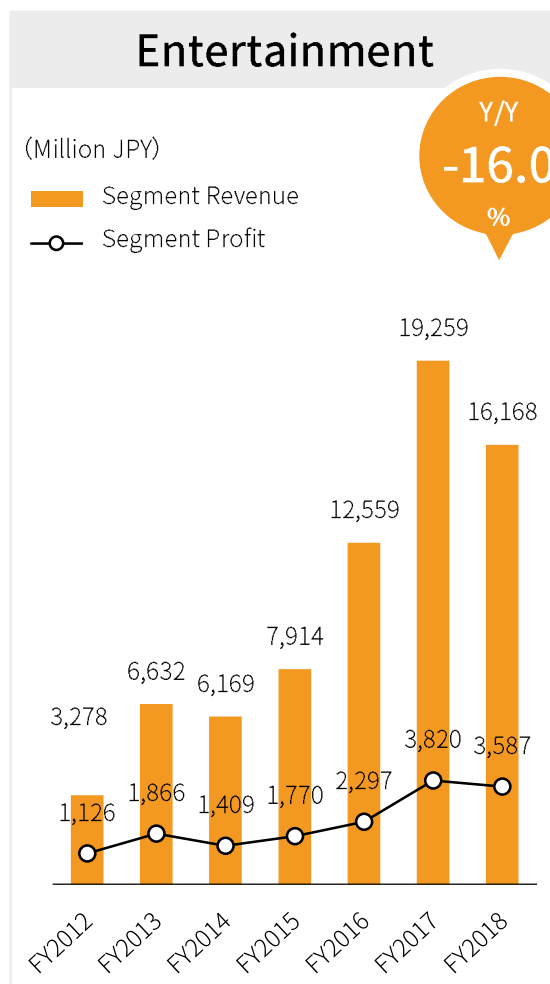
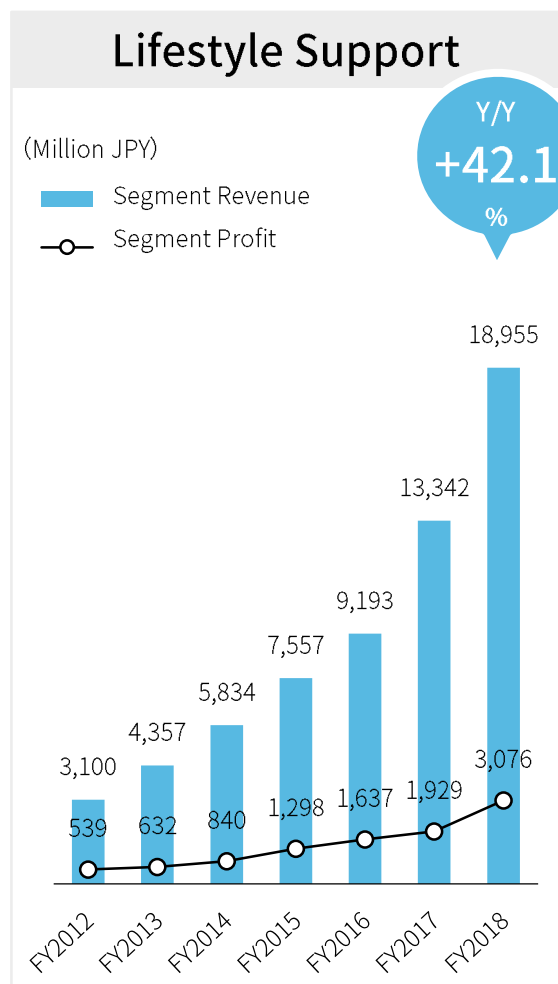
# FY2018 Financial Results vs. Forecasts

■ Revenue Lags Slightly While Income Slightly Higher than Expected



# FY2018 Full Year Financial Results by Segment

■ Lifestyle Support Business Grew Substantially, Propelling Results



# FY2018 Full-Year and Q4 Three-Month Results

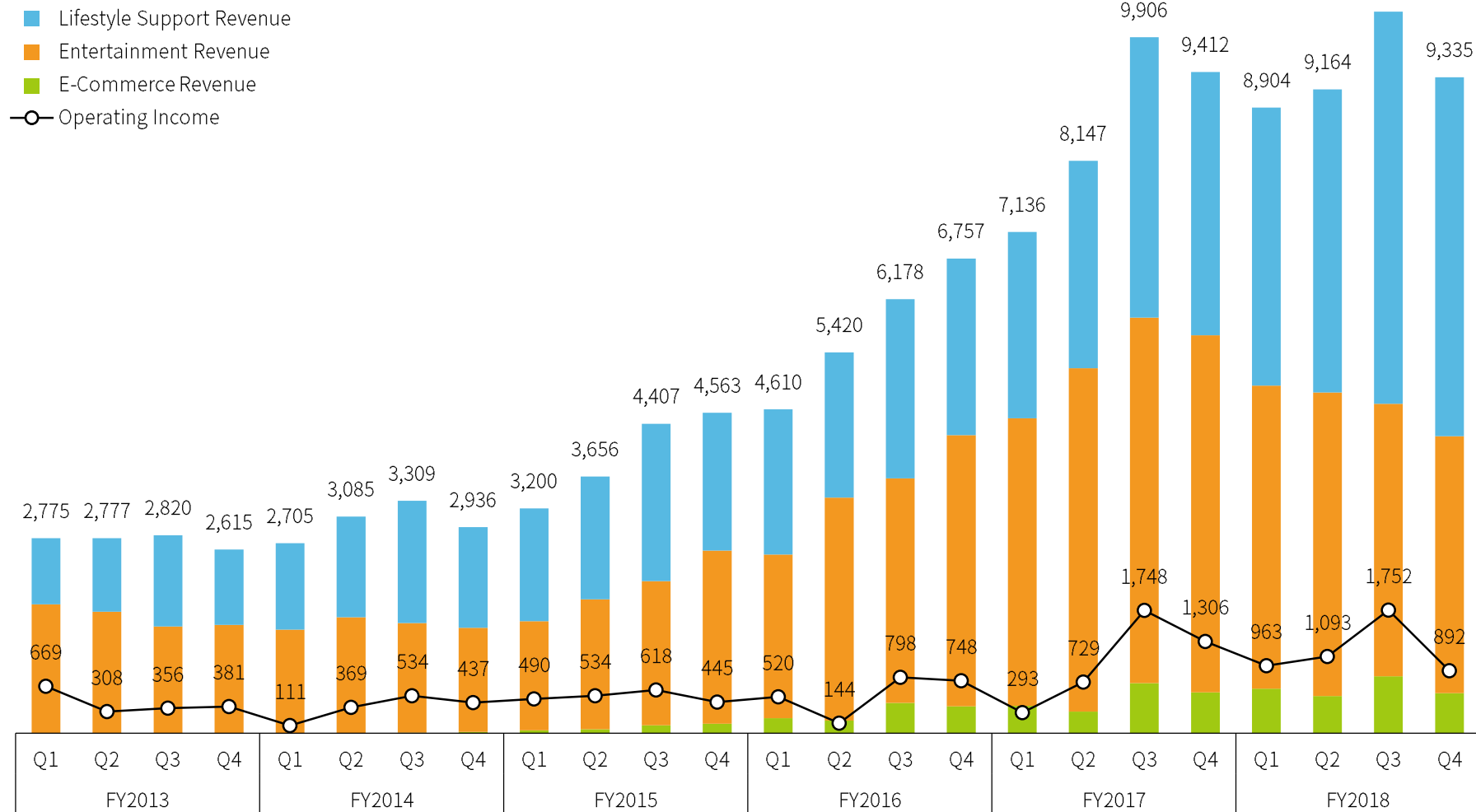
(Million JPY)

FY2018 Full-Year Results (Aug 2017 – July 2018)				
	FY2018		FY2017	
		%		Y/Y
Revenue	<b>37,674</b>	100.0%	34,603	<b>108.9%</b>
Operating Income	<b>4,701</b>	12.5%	4,077	<b>115.3%</b>
Ordinary Income	<b>4,730</b>	12.6%	4,118	<b>114.9%</b>
Net Income	<b>3,306</b>	8.8%	2,579	<b>128.2%</b>

FY2018 Q4 Three-Month Results (May 2018 – July 2018)					
	FY2018 Q4		FY2017 Q4		FY2018 Q3
		%		Y/Y	Q/Q
	<b>9,335</b>	100.0%	9,412	<b>99.2%</b>	10,269
	<b>892</b>	9.6%	1,306	<b>68.3%</b>	1,752
	<b>877</b>	9.4%	1,308	<b>67.1%</b>	1,775
	<b>655</b>	7.0%	741	<b>88.4%</b>	1,217

# Consolidated Quarterly Financial Trends

(Million JPY)



\* Lifestyle Support revenue peaks in Q3 (Feb-Apr) each year due to seasonal factors

# Quarterly Trend of Key Management Indicators

(Million JPY)

	FY15	FY2016				FY2017				FY2018			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	4,563	4,610	5,420	6,178	6,757	7,136	8,147	9,906	9,412	8,904	9,164	10,269	<b>9,335</b>
Operating income	445	520	144	798	748	293	729	1,748	1,306	963	1,093	1,752	<b>892</b>
Promotional expenses	1,955	1,817	2,326	2,433	2,758	3,432	3,551	3,623	3,410	3,600	3,866	3,730	<b>3,609</b>
Labor costs, recruitment expenses	736	745	805	814	884	872	935	931	1,066	1,025	1,089	1,195	<b>1,443</b>
Commission fees, etc.	869	841	1,171	1,177	1,401	1,468	1,779	2,051	2,108	1,588	1,572	1,561	<b>1,395</b>
Subcontractor expense, server fees	235	257	267	275	235	254	297	315	331	532	518	620	<b>605</b>
Office rental fees, utility expenses	111	138	235	177	177	178	218	238	243	249	251	288	<b>291</b>
Employees (people)	530	548	559	574	583	605	627	710	718	723	788	898	<b>955</b>

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

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

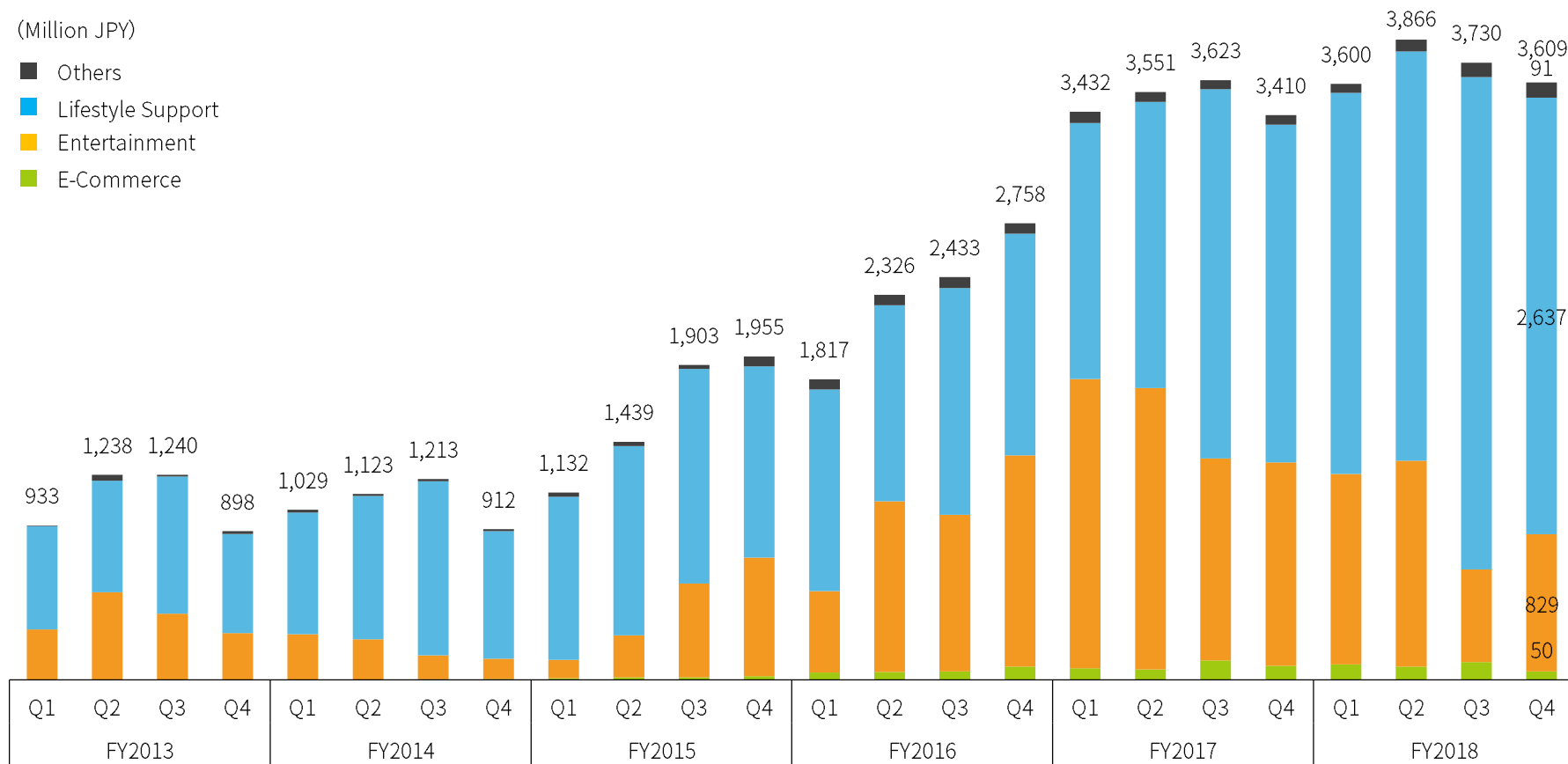
# Quarterly Promotional Expense Trends

■ Part of Lifestyle Support Promotion Strengthened Due to Busy Season

■ Entertainment Continues Incorporating Efficient Operation Based on KPI

(Million JPY)

■ Others  
■ Lifestyle Support  
■ Entertainment  
■ E-Commerce

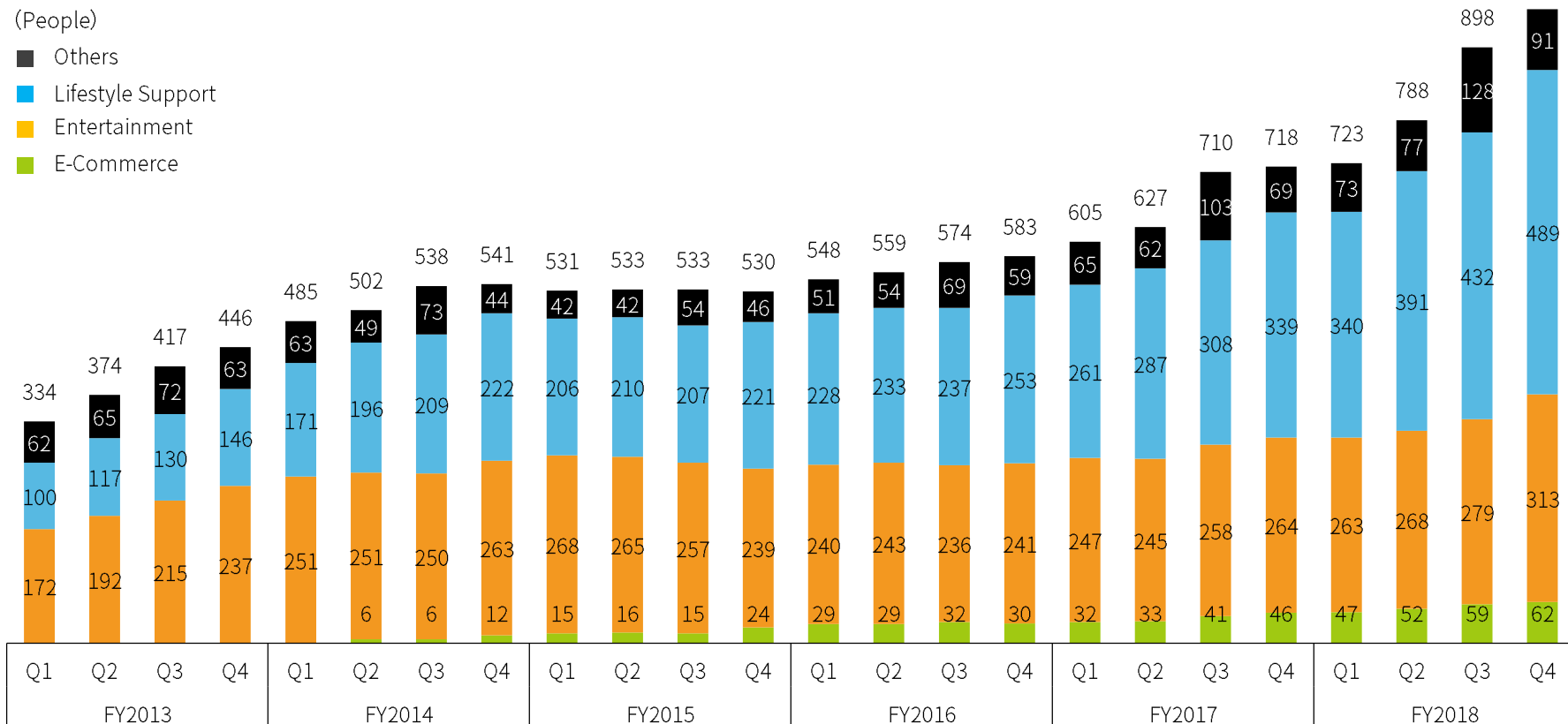


\* Breakdown of promotional expenses by segment is shown on page 52 of this business report

# Number of Employees

46 New Graduates Were Assigned to Business Divisions as of June 1st

Continue Active Recruitment Mainly within Lifestyle Support



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

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

\* Newly hired university graduates are included within "Others" as of the end of Q3

# Balance Sheet

■ Goodwill Associated with the Acquisition of Increments was 1,109 as of July 31

(Million JPY)

	FY2018 Q4	FY2018 Q3
Current assets	<b>11,730</b>	11,144
Cash and cash equivalents	<b>5,984</b>	4,722
Accounts receivable	<b>4,128</b>	4,620
Non-current assets	<b>4,971</b>	4,708
Tangible assets	<b>1,684</b>	1,619
Intangible assets	<b>2,070</b>	1,940
Total assets	<b>16,702</b>	15,853

	FY2018 Q4	FY2018 Q3
Current liabilities	<b>4,464</b>	4,310
Non-current liabilities	<b>583</b>	544
Total liabilities	<b>5,047</b>	4,855
Short-term loans payable	<b>186</b>	255
Shareholder's equity	<b>11,566</b>	10,911
Total net assets	<b>11,655</b>	10,997
Liabilities and net assets	<b>16,702</b>	15,853

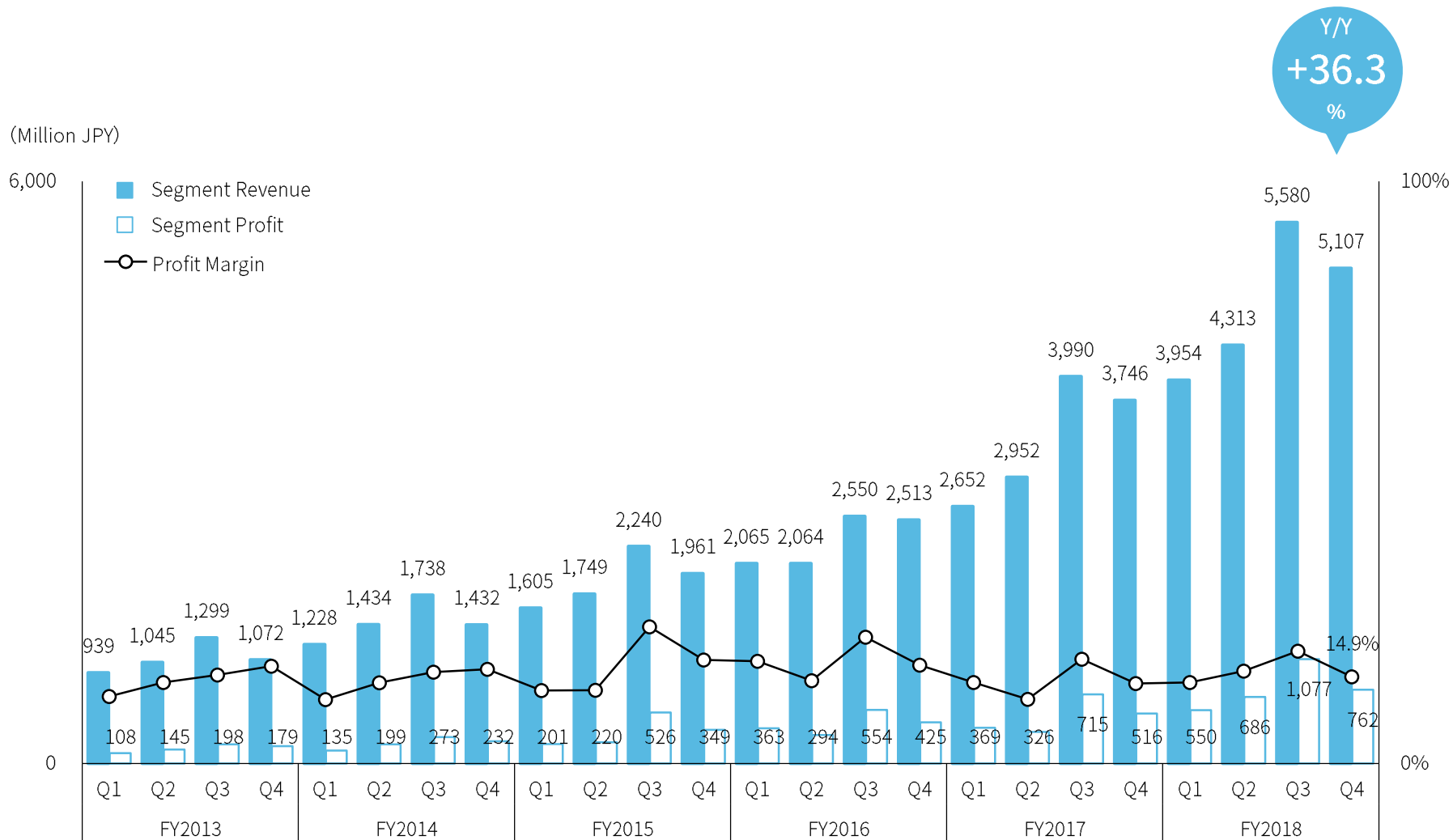


## **2. FY2018 Q4 Business Details**

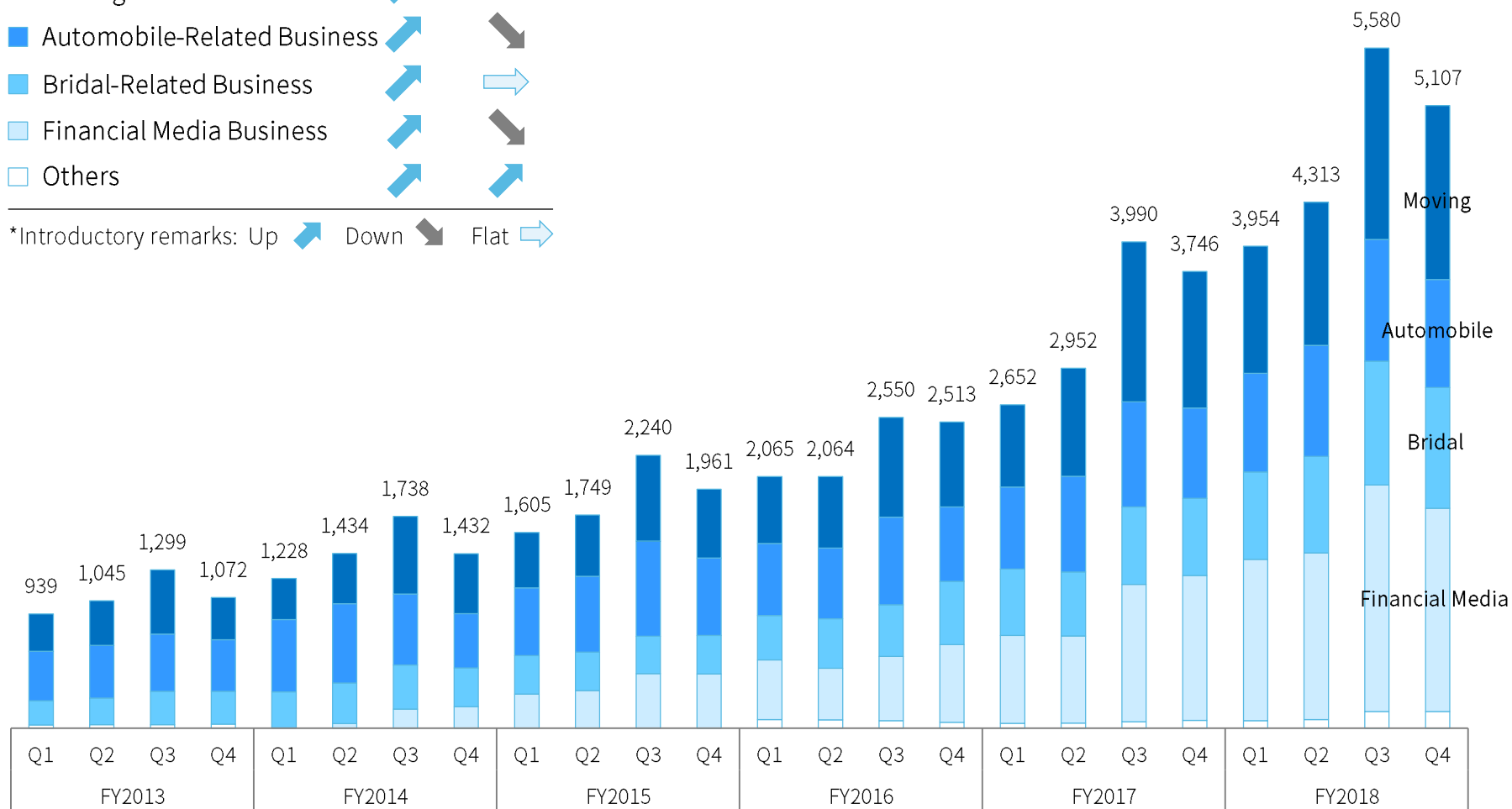
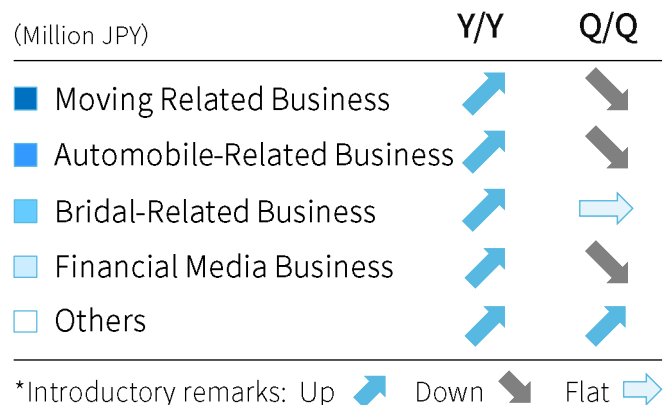
- 3. FY2019 Q1 Progress
- 4. FY2019 Guidance
- 5. Medium- and Long-Term Outlook

# Lifestyle Support Business Performance Trends

■ All Sub-Segments Continue to Trend Well with a Significant Increase Y/Y



# Lifestyle Support Sub-Segment Business Trends

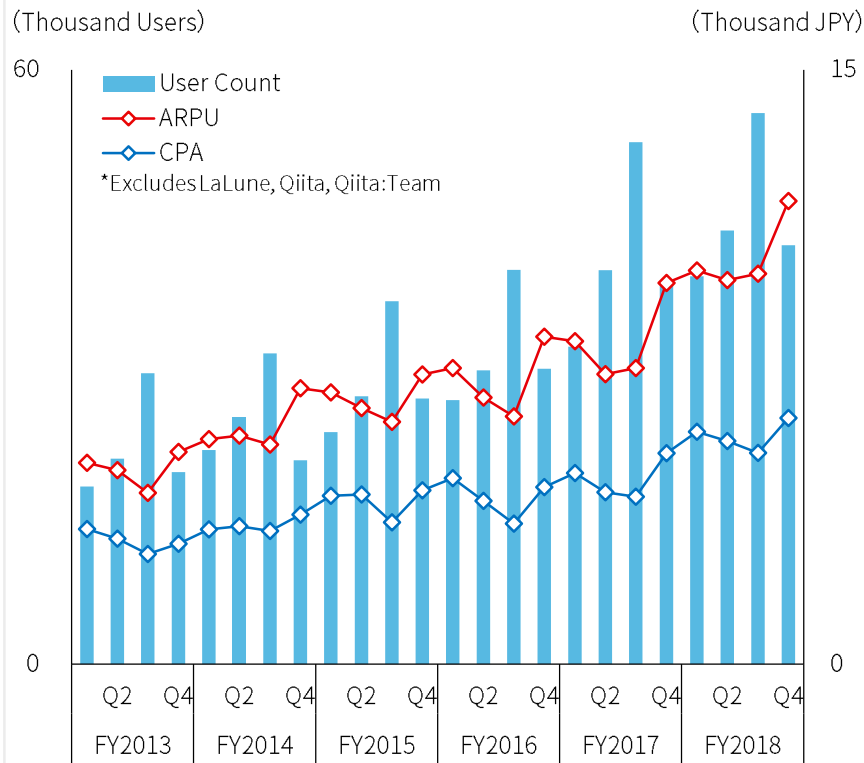


\* From FY2018 Q3, Increments Inc. and its services (Qiita, Qiita:Team) will be included in the "Others" sub-segment

# Lifestyle Support Key Performance Indicator Trends

## User Count, ARPU, CPA

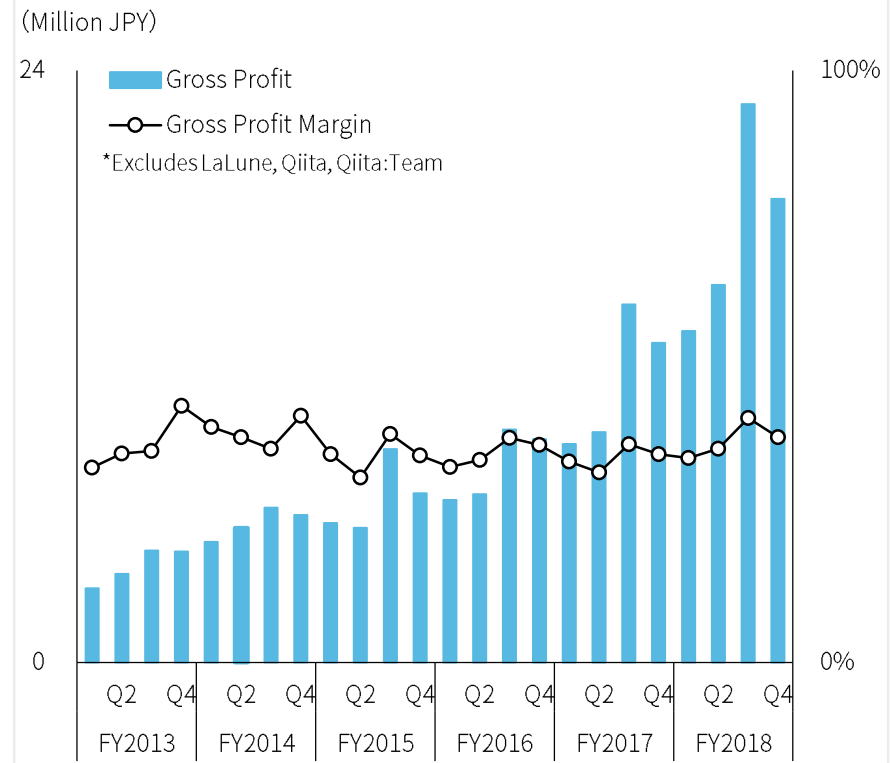
- User Count Up Y/Y
- ARPU Up Due to Increase in A/C Sales



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

## Gross Profit, Gross Profit Margin

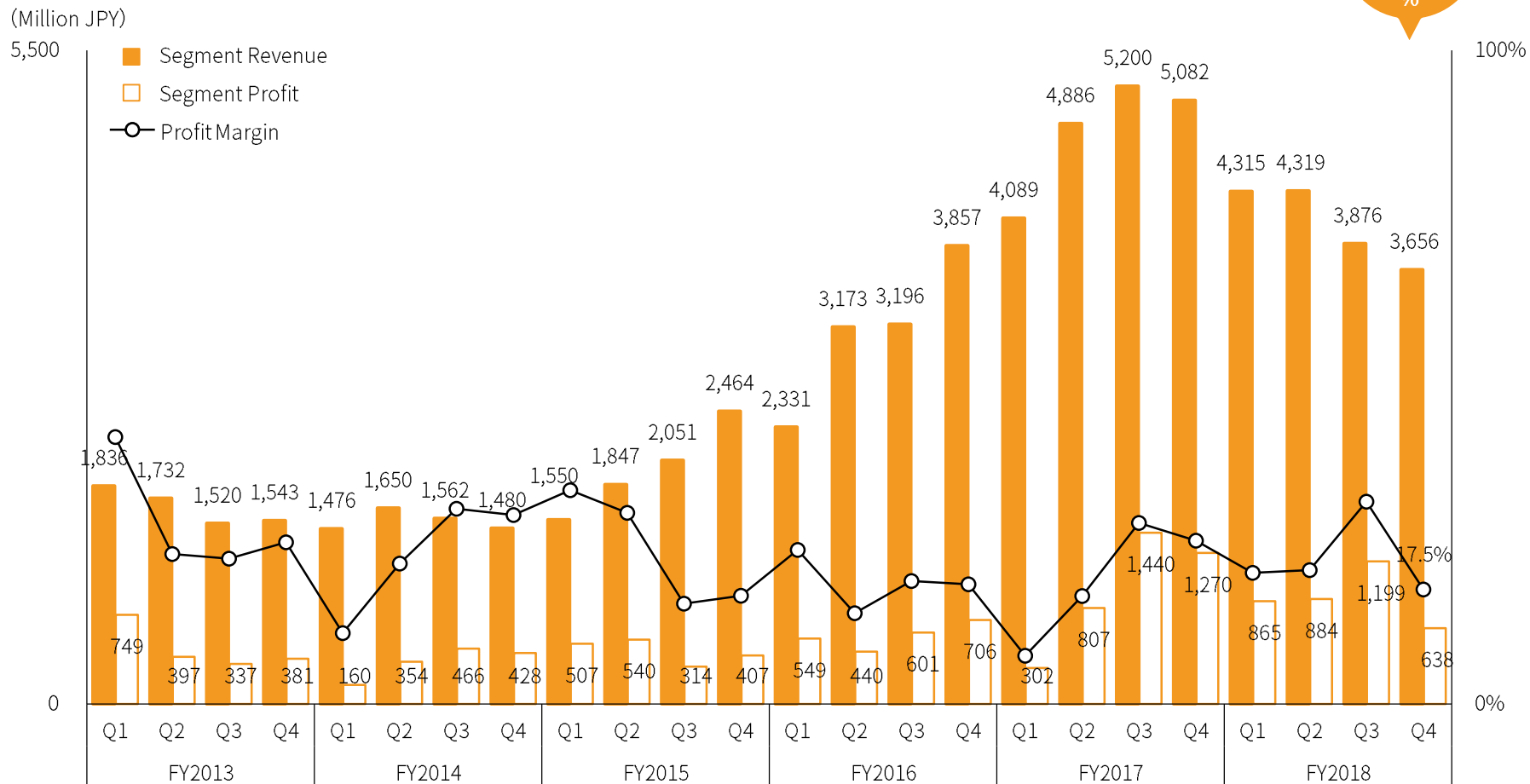
- Gross Profit Up Significantly Y/Y
- Gross Profit Margin Trended Stably at Around 40%



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

# Entertainment Business Performance Trends

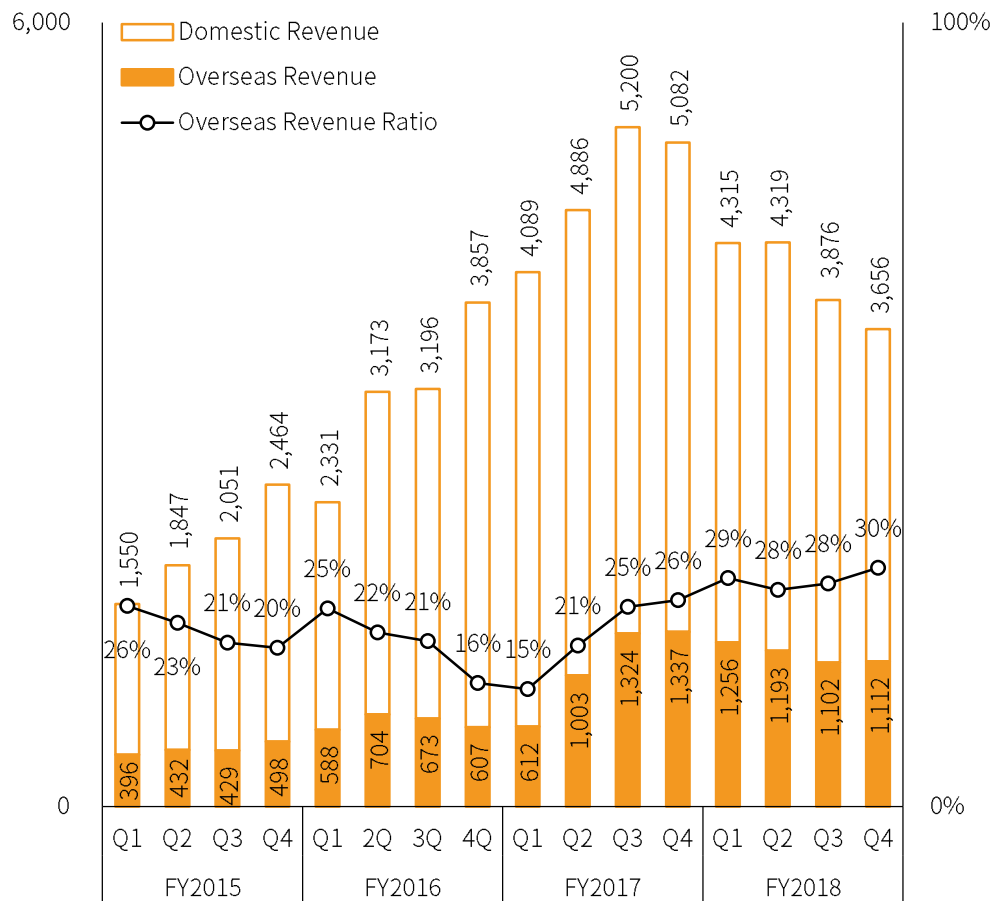
■ Gentle Decline in Revenue for Existing Game Apps; New Release Underperformed Resulting in Revenue Decline



# Entertainment Overseas Revenue Ratio Trends

## Overseas Sales Trends

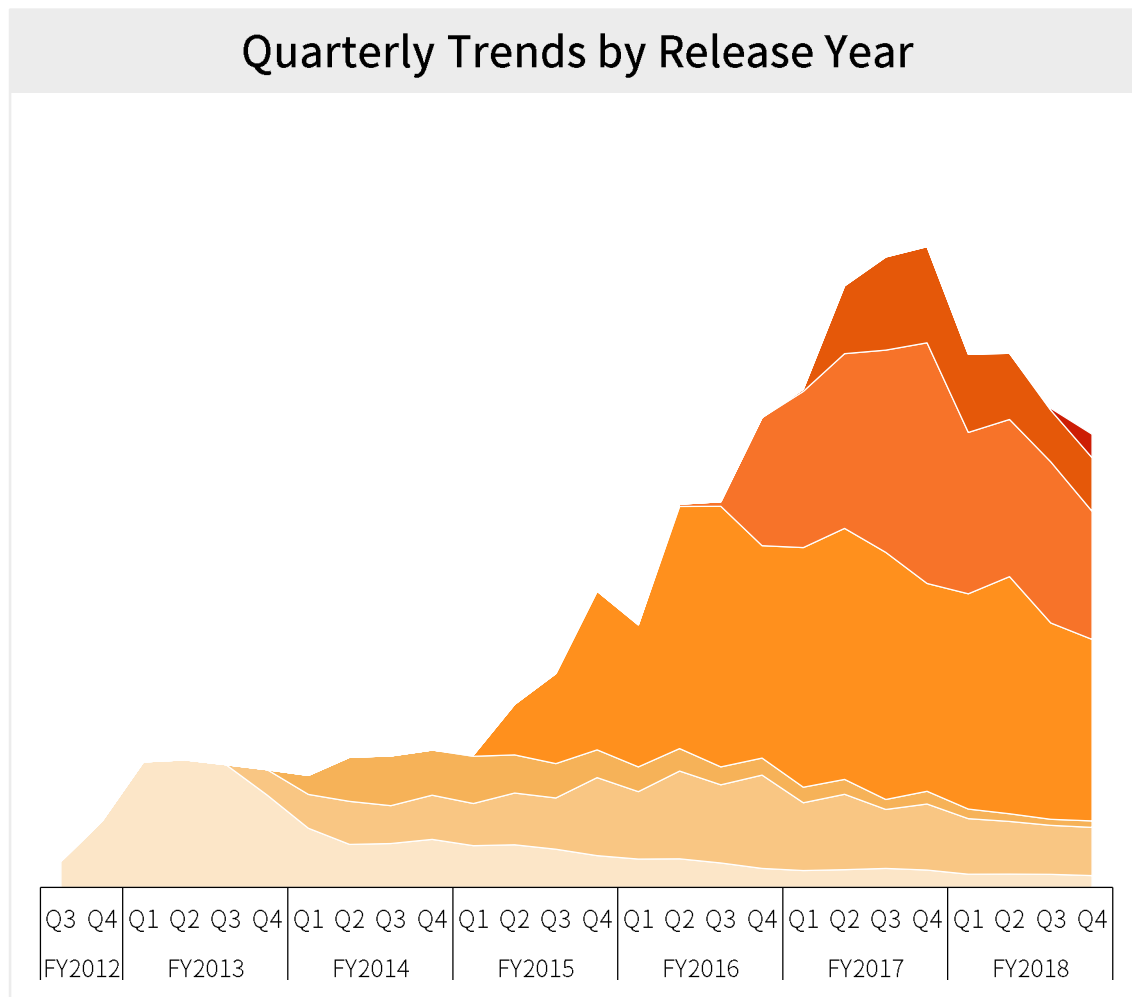
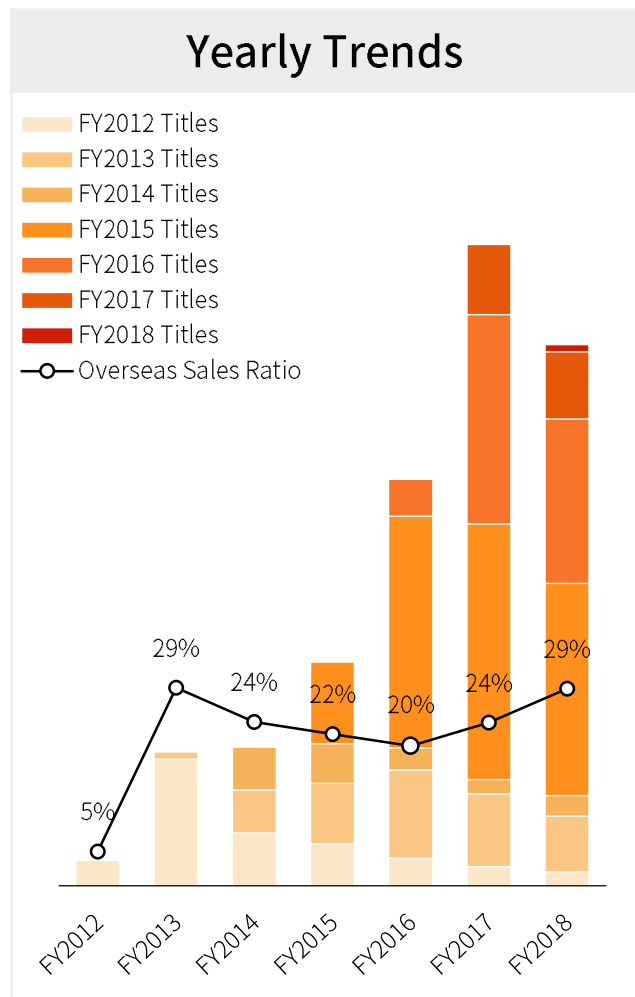
(Million JPY)



Region:	JP	US	EU	TW HK MO	KR	SE Asia	CN
BASSA	●						
Valkyrie	●	●	●	●	●	●	●
Unison	●	●	●	●	●	●	●
Derby	●			●		●	
Smash!	●			●			
Legions	●	English Version					
Summoner	●	English Version					

# Native App Performance Trends by Release Year

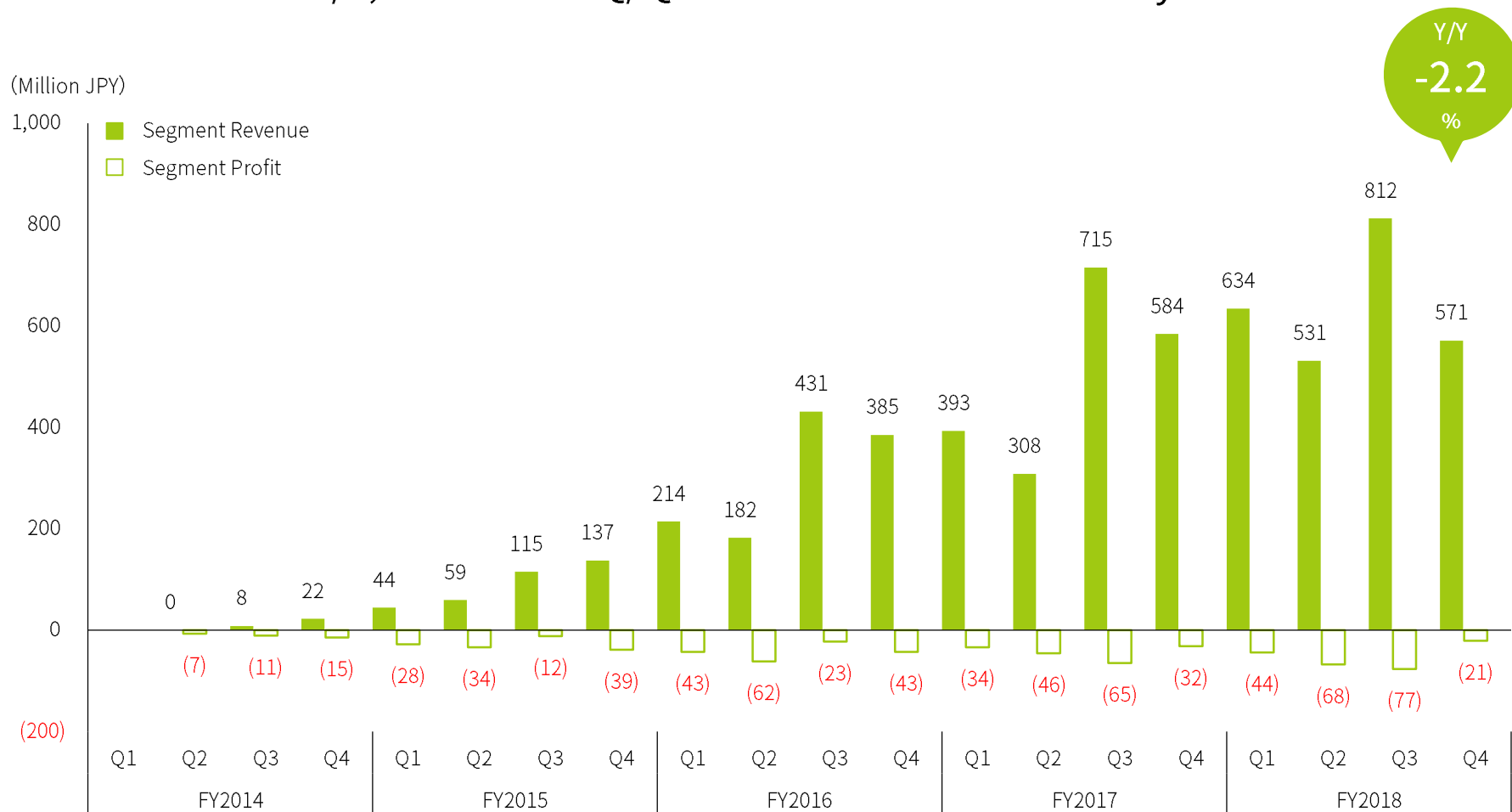
■ FY2015 & FY2016 Titles Support Performance for the Year & Long Term



\* Overseas versions of game apps are classified from time of release, which may differ from Japanese versions

# E-Commerce Business Performance Trends

■ Revenue Flat Y/Y, Decreased Q/Q Due to the End of the Busy Season



\* As of FY2017 (Aug 2016), bicycle EC was split into its own segment. Business segments are now Lifestyle Support, Entertainment, and E-Commerce.

\* “cyma” service launched in Dec 2013. FY2014 Q2 revenue was below 1 million JPY. Peak business period is Mar – April (Q3).



## **3. FY2019 Q1 Progress**

- 4. FY2019 Guidance
- 5. Medium- and Long-Term Outlook

# Segment Topics

## Lifestyle Support

### Bridal-Related Business “Hanayume”

- Participation of Local Government of the Tokai Region for Upcoming “Bridal Fest by Hanayume” Decided, Will Give Lecture & Material Provision on Child Support
- First Place for Oricon Customer Satisfaction “Wedding Hall Consultation Center” 2 Years in a Row
- Conducted First “Hanayume Prom” Event Throughout 5 Venues Nationwide
  - \* “Hanayume Prom” is a party where prior users and advisors reunite to discuss and receive feedback for future correspondence



### Moving-Related Business “Hikkoshi-Samurai”

- Ateam Hikkoshi Samurai Inc. Elected as One of the Main Cooperating Entities for “One Stop Service”, a All-In-One Moving-Related Service Promoted by the Cabinet Secretariat



# Segment Topics

Ent.

## Revue Starlight -Re LIVE-

- 500 thousand pre-registrations as of Aug 31
- “TOKYO GAME SHOW 2018” exhibition confirmed



## Valkyrie Connect

- Surpassed 15 million downloads worldwide as of Aug 16
- Held Original “Yggdra Match” Event



## Unison League

- Collaboration with popular anime series “FULLMETAL ALCHEMIST: Brotherhood”



## Three Kingdoms Smash!

- Collaboration event with popular anime series “Queen’s Blade”



## **4. FY2019 Guidance**

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

# FY2019 Consolidated Financial Forecast

(Million JPY)

	FY2018 Results		FY2019 (Aug 2018-July 2019) Forecast			
	Q1	Full-Year	Q1	Full-Year	% of Revenue	Y/Y
Revenue	8,904	37,674	<b>9,000</b>	<b>40,000</b>	100.0%	106.2%
Lifestyle Support	3,954	18,955	-	22,000	55.0%	116.1%
Entertainment	4,315	16,168	-	15,000	37.5%	92.8%
E-Commerce	634	2,550	-	3,000	7.5%	117.6%
Operating Income	963	4,701	<b>0</b>	<b>4,000</b>	10.0%	85.1%
Lifestyle Support	550	3,076	-	3,200	-	104.0%
Entertainment	865	3,587	-	2,680	-	74.7%
E-Commerce	-44	-211	-	0	-	-
Other	-407	-1,751	-	-1,880	-	-
Ordinary Income	980	4,730	<b>0</b>	<b>4,000</b>	10.0%	84.6%
Net Income	678	3,306	<b>0</b>	<b>2,600</b>	6.5%	78.6%

# Initiatives and Notes on FY2019 Guidance

## Overall

### An Investment Year Towards Medium- to Long-Term Growth

- Along with business investment, intend to strengthen business foundation while focusing on investing in recruitment and training

## Lifestyle Support

### Growth of Existing Services While Launching New Investments

- Although existing services expected to grow as usual on a profit basis, conservative revenue forecast based on business market and competitive risk; Scheduled to focus on upfront investment of several new services with medium- to long-term growth in mind
- Overall conservative revenue, with a slight increase in profit while profit margin expected to fall

## Ent.

### Focus on New Games While Maximizing Existing Main Titles

- Intend to maximize earnings for existing main game apps; Expected performance considered reasonable according to the latest KPI trends
- Focus on new media-mix IP game app development with Bushiroad Inc. and TBS Holdings; Expected performance based on internal anticipation which excludes revenue distribution

## EC

### Focus on Approach to Fulfill Balance in the Black

- Anticipate investment to optimize cost of revenue along with precise inventory allocation to reduce delivery cost, while continuing to strengthen fulfillment
- Expectations include strengthened sales of peripheral services based on past results

# Initiatives and Notes on Lifestyle Support Guidance

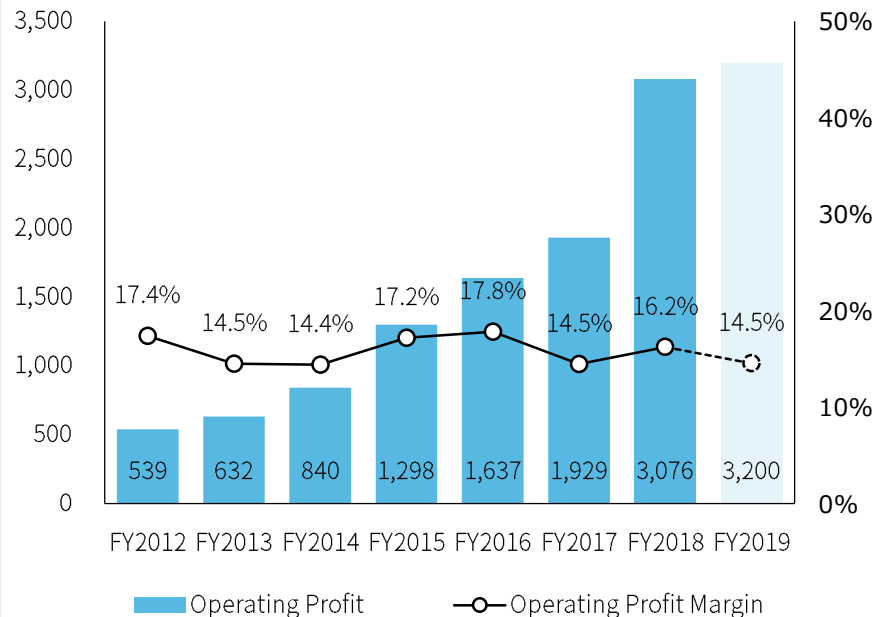
## Lifestyle Support

### While Existing Services Expect 2-Digit Profit Increase, Acceleration of New Investments, Resulting in Overall Flat Profit Year-on-Year

- Although anticipating usual 2-digit growth on an operating profit basis, plan to implement upfront investment of 8 new services, with medium- to long-term growth in mind
- Existing services based on KPI while new service forecasts incorporate ample investment funding

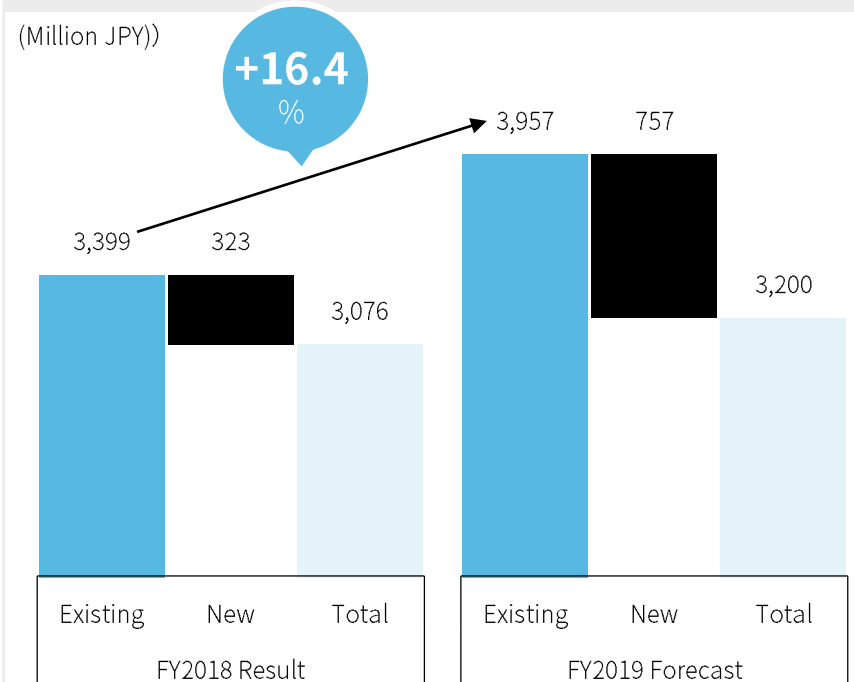
#### Trends of Operating Profit & Profit Margin

(Million JPY)



#### Existing & New Service Profit Breakdown

(Million JPY)





# Lifestyle Support 8 New Services

## New Services

### Automobile-Related

#### Kuruma-DELI

Purchase second-hand cars on the internet



### Other (Life-Ending)

#### Life. (LifeDot)

Life-ending related information search site



### Financial Media

#### NaviNavi FX

FX trade support app for beginners



### Financial Media

#### NaviNavi Mortgage

Mortgage information site shared by the pros



### Other (Real Estate)

#### Sumai-uru

Real estate information search site



### Other (Daily Living)

#### Find Pro

Booking engine for home services and extermination



### Other (Budget)

#### Soldi

Household budgeting information website



### Other (Healthcare)

#### minorie

Prenatal supplements produced with LaLune users





# Notes Concerning Performance for FY2019 Q1

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## Overall

### Begin Upfront Investment for Future Growth

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## Lifestyle Support

### Gradually Expand Investment in New Services

- Continue investment to increase the number of users while making steady profits for existing services
  - Implement measures and investments such as new partner development and promotions to increase number of users according to status of each new service
- 

## Ent.

### Planned Aggressive Promo Towards Launch of New Game App

- Since the announcement of collaboration project “Revue Starlight -Re LIVE-”, implementing pre-registration and other promotional investment related release preparations
  - Promotional investment planned after major renovation of “BASSA WARRIORS” completed
- 

## EC

### Implement Logistic Infrastructure Towards Business Expansion

- Partial expenses listed for introduction of warehouse management system and expanding warehouse facilities
-

# FY2019 Year-End Dividend Forecast

■ Aim to Provide Continuous and Stable Shareholder Returns

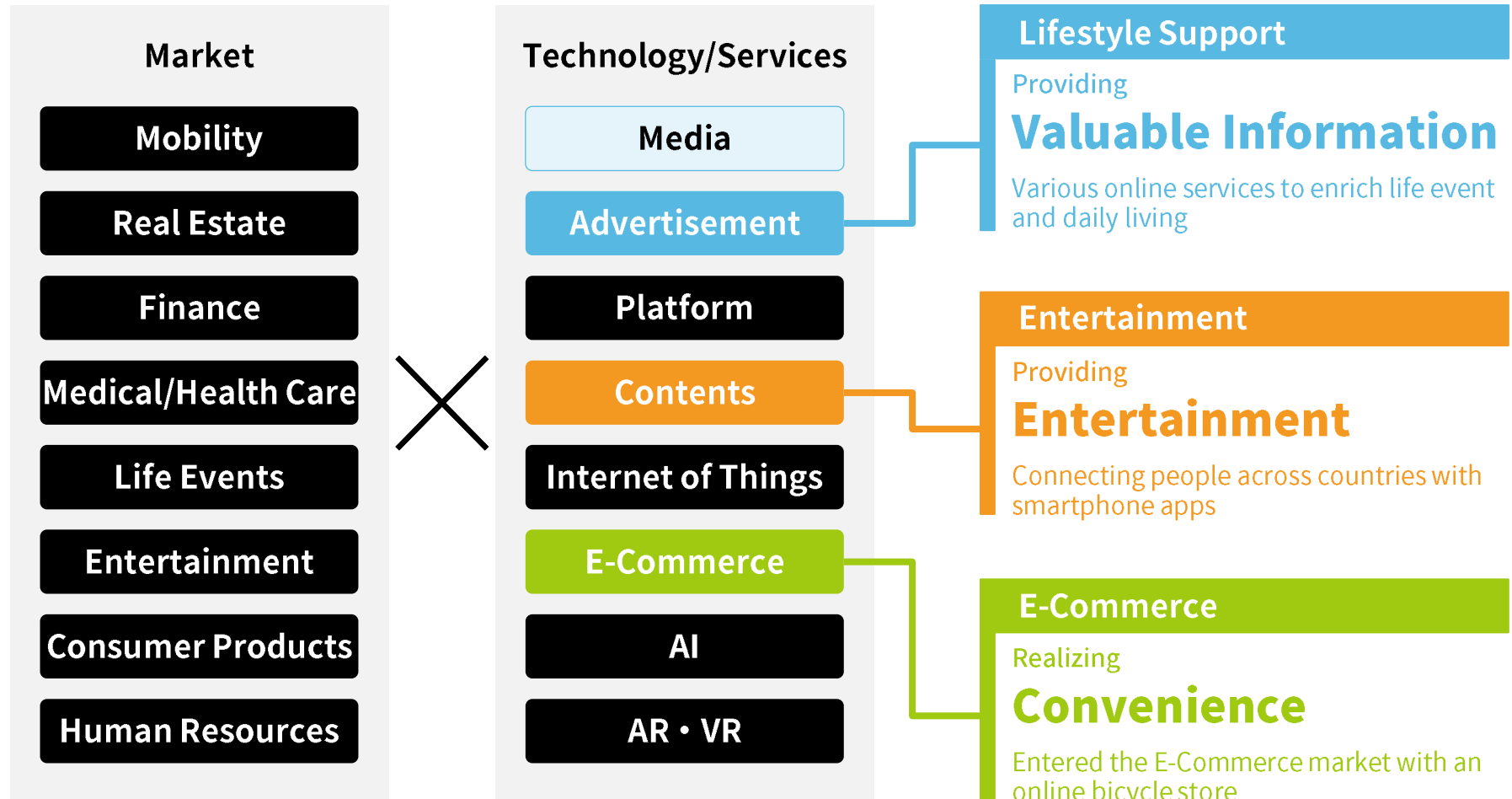
	FY2015 Result		FY2016 Result		FY2017 Result		FY2018 Result	FY2019 Forecast
	Interim	Year-End	Interim	Year-End	Interim	Year-End	Year-End	Year-End
Date of allotment	01/31	07/31	01/31	07/31	01/31	07/31	<b>07/31</b>	<b>07/31</b>
Date of distribution	04/03	10/13	04/04	10/07	04/04	10/06	<b>10/05</b>	<b>Oct</b>
Dividend per share	5.0 JPY	7.5 JPY	5.0 JPY	7.5 JPY	5.0 JPY	22.0 JPY	<b>32.50 JPY</b>	<b>32.50 JPY</b>
Total dividend amount	238 million JPY		239 million JPY		517 million JPY		<b>640</b> million JPY	-
Full-year pay out ratio	17.7%		18.2%		19.8%		<b>19.1%</b>	-

\*As of FY2018, full-year performance based dividend will be paid once annually due to the nature of business and profit biased in the second half of the fiscal year

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

# Our Vision of the Future

Ateam Will Continue to Challenge Varied Businesses that Utilize the Internet



\* Displayed in no particular order. Not all services shown

# Medium- and Long-Term Business Outlook

## Overall

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

## Lifestyle Support

**Connect the Dots of Life Events from Cradle to Grave**

- Provide valuable information through services to make life more convenient by combining “On-line” & “Off-line” user contact; hope to take one step closer to our users needs

**Aim for Revenue Scale of 30 billion JPY by FY2020**

## Ent.

**Plan, Develop & Operate from JP, Provide Global Entertainment**

- In addition to in-house projects, collaborate with influential partners to create a highly scalable global title in the smartphone game market

**Create Several Game Titles with 1b JPY+ Monthly Revenue**

- Aim to increase overseas revenue ratio above 50%

## EC

**Involvement in Bicycle-Related Services, Not Just Bicycle Sales**

**Aim to be the Number One Bicycle Online Store**

- Target a 3% domestic bicycle EC market share in the medium- to long-term

# Business Investment Strategy

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## Mission

**Realize Mid- and Long-Term Vision While  
Expediting Increase in Corporate Value**

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## M & A

**Companies Expected to Increase Ateam's Competitiveness**

- Lifestyle Support: (e.g.) Companies or medias that would increase our market share or synergize well with our existing businesses
- Entertainment: (e.g.) Medias that can acquire more users globally
- EC: (e.g.) E-commerce companies or business other than bicycles

**Companies in Industries with High Barriers to Entry**

---

## Capital Investment

**Companies in Business Industries That Have High Uncertainty  
But Have Large Future Potential**

**Companies That Will Develop Businesses Which Can Expect  
Large Growth Utilizing Our Know-how**

---

# **APPENDIX**

## **Company Overview**

# Company Profile as of July 31, 2018

Company name	<b>Ateam Inc.</b>
Security code	3662:JP, TSE Section 1
Incorporated on	February 29, 2000
Headquarters	Nagoya, Japan
President	Takao Hayashi
Industry	Information & Communication
Sector	Internet, Game
Account settled in	July
Group companies (Fully owned subsidiaries)	6 (includes 1 overseas subsidiary)
Number of employees	890 (excludes directors & part-time employees)
Shares per unit	100 shares



Dai Nagoya Building



Umeda Hankyu Building



East One Tower



Hakata Chuo Building



# Personal History of Takao Hayashi, President



**1971.12.18** Born in Toki City, Gifu Prefecture, Japan

**1982.12** Started computer programming

**1987.03** Graduated from Tajimi Junior High School

**1987.04 ~** Managed a private preparatory school and involved in part-time jobs of various types

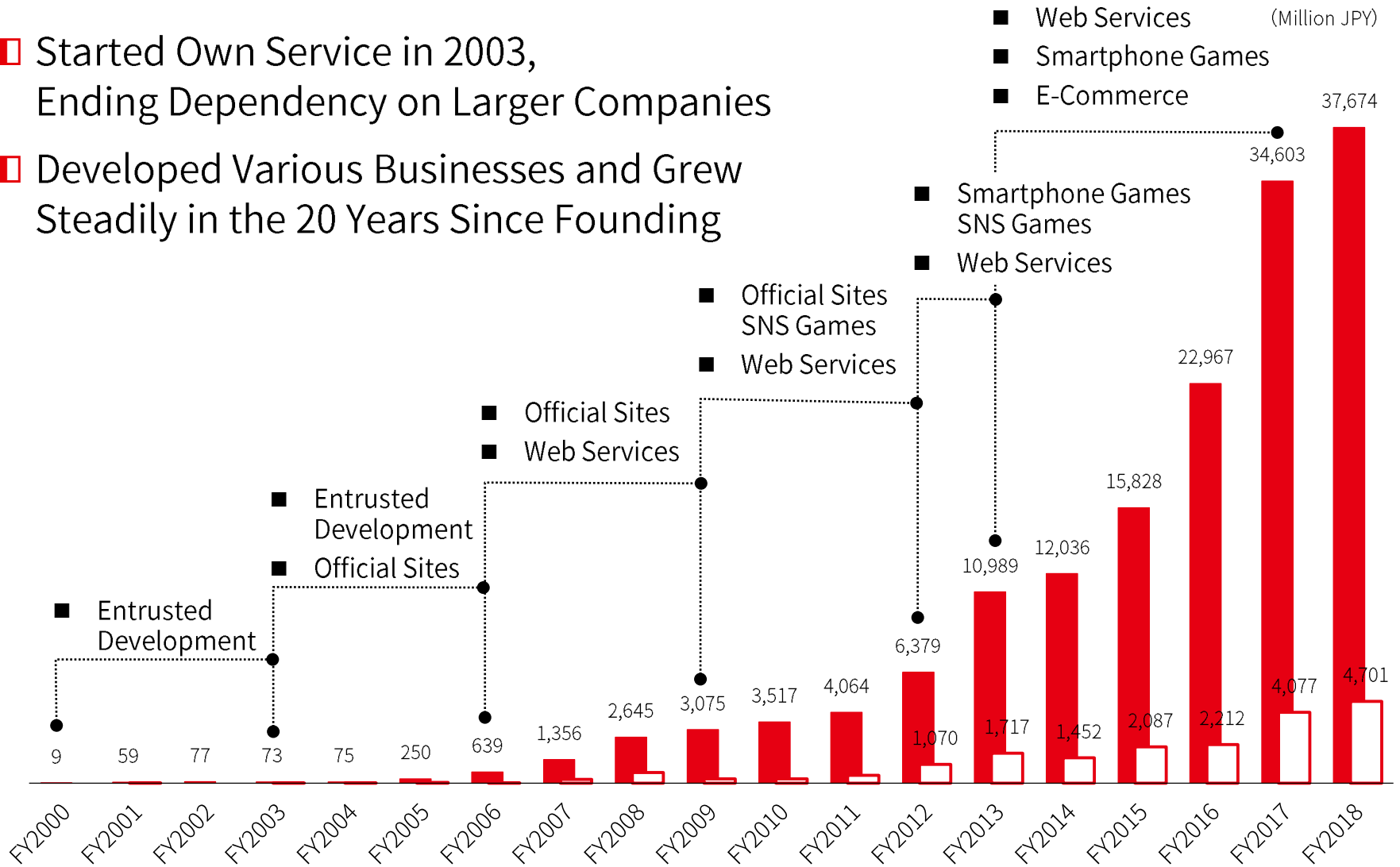
**1997.06** Founded Ateam as an unincorporated enterprise

**2000.02.29** Established Ateam Ltd.

**2004.11.01** Organizational Change to Ateam Inc.

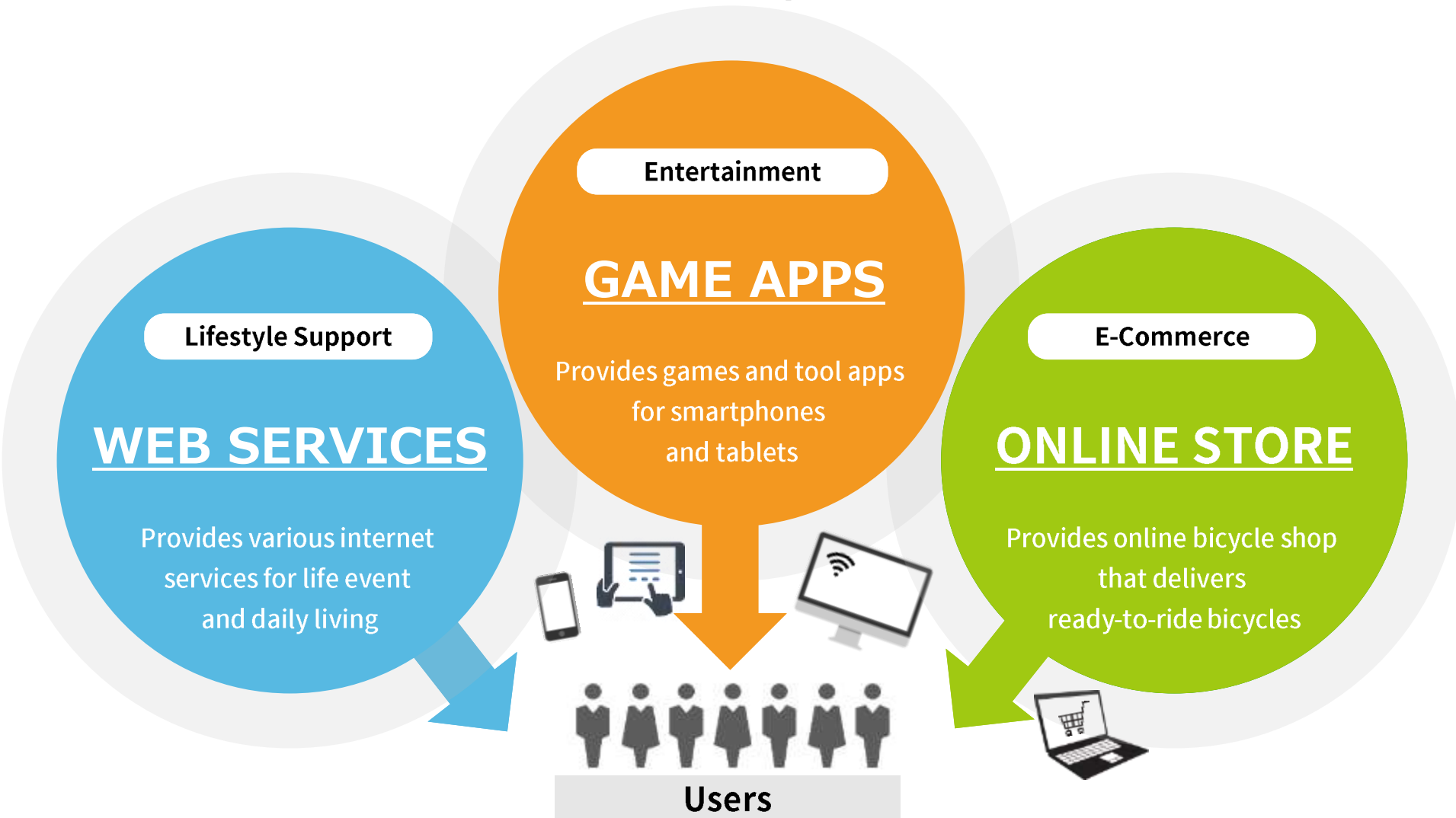
# Company History

- Founded in 1997 as President's Personal Business
- Started Own Service in 2003, Ending Dependency on Larger Companies
- Developed Various Businesses and Grew Steadily in the 20 Years Since Founding



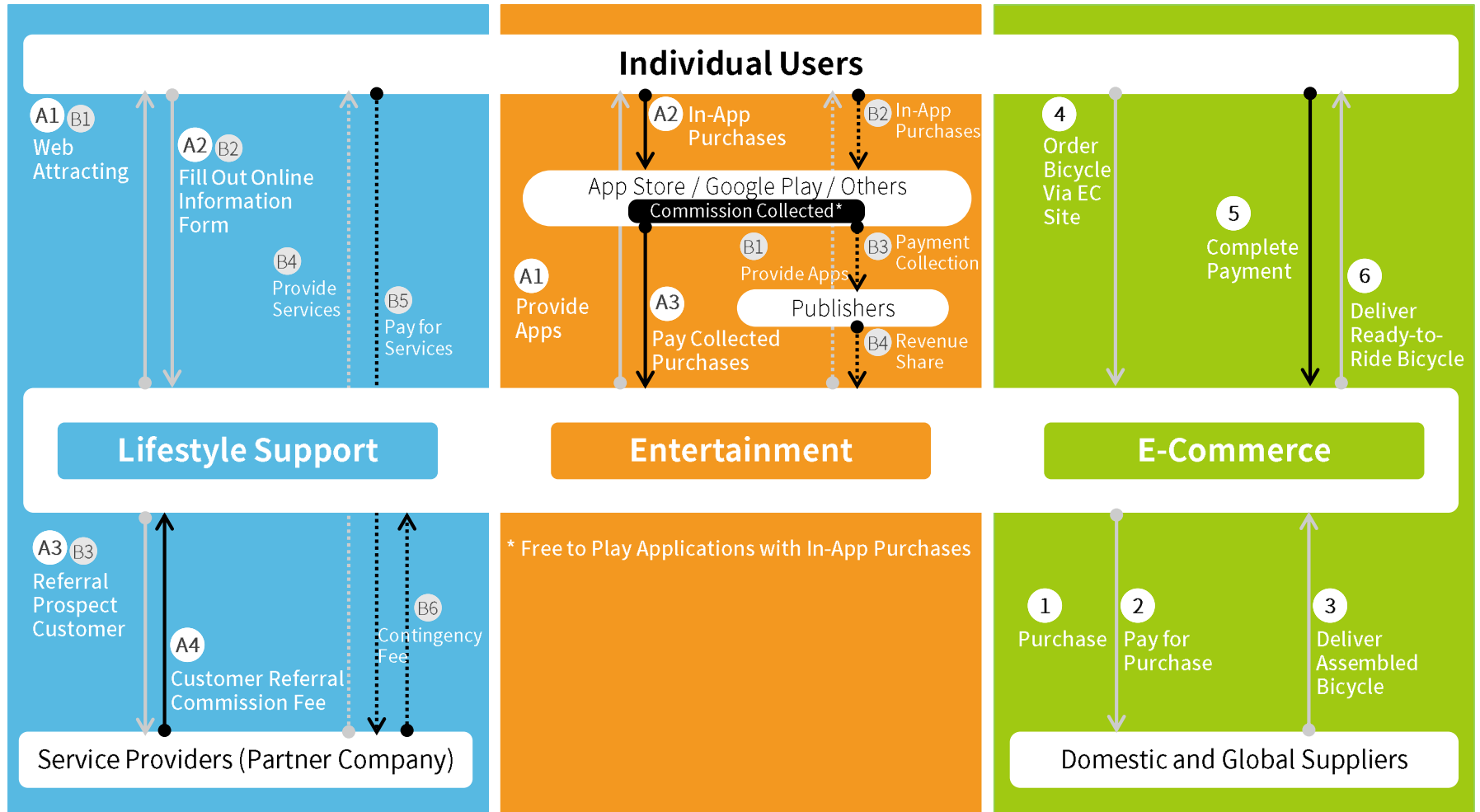
# Our Businesses

Ateam Provides Various Services Through the Internet and Smart Devices



# Business Models

(A) Main Business Model (Solid Arrow)    (B) Sub Business Model (Dotted Arrow)    
 ⇄ Commercial Distribution    ⇄ Financial Flow








\* **Commission Collected** Commission fee will be collected by providers of application distribution platforms such as App Store & Google Play

# Lifestyle Support Main Service Line-Up

<b>Moving-Related Business</b>	 Hikkoshi Samurai	<ul style="list-style-type: none"> <li>▪ Users can receive quotations from up to 10 moving companies by filling out an online form detailing their moving needs</li> <li>▪ Partnerships with more than 270 moving companies nationwide</li> <li>▪ Maintaining a top market share</li> </ul>
<b>Automobile-Related Business</b>	 Navikuru	<ul style="list-style-type: none"> <li>▪ Users can receive quotations from up to 10 car dealers by filling out an online form detailing their car information</li> <li>▪ Partnerships with carefully chosen top used car dealers</li> <li>▪ Maintaining a top market share</li> </ul>
<b>Bridal-Related Business</b>	 Hanayume	<ul style="list-style-type: none"> <li>▪ Website and consultation desks provide referrals to 600+ wedding halls</li> <li>▪ Professional advisors located throughout our 12 free consultation desks</li> <li>▪ Included new services “Hanayume Set-Price Wedding Packages” and “Hanayume Photo”</li> </ul>
<b>Financial Media Business</b>	 NaviNavi Cashing	<ul style="list-style-type: none"> <li>▪ Thorough comparisons of select top banks and consumer credit services</li> <li>▪ Launched new services “NaviNavi Credit Card”, “NaviNavi Mortgage” and “NaviNavi FX”</li> </ul>
<b>Other Businesses</b>	 	<ul style="list-style-type: none"> <li>▪ Women’s health consultation application</li> <li>▪ Technological information distribution service</li> </ul>

# Lifestyle Support New Service Line-Up

<b>Automobile-Related</b>	 <ul style="list-style-type: none"> <li>Purchase used cars via your smartphone and delivered straight to your home</li> <li>Car selection to delivery all in one site</li> <li>Only good quality second-hand cars , free return/exchange within 10 days</li> </ul>
<b>Financial Media</b>	 <ul style="list-style-type: none"> <li>FX trade support application for beginners Trial demonstration available, support users through actual transactions</li> <li>Mortgage information site shared by professionals Overall house loan information including tips on reducing monthly mortgage</li> </ul>
<b>Other (Life-Ending)</b>	 <ul style="list-style-type: none"> <li>Life-ending related information search website</li> <li>Tombstones and cemetery search by prefecture and cemetery types</li> <li>Provide information on funerals, altars, Buddhist priests, inheritances, and life ending preparation</li> </ul>
<b>Other (Real Estate)</b>	 <ul style="list-style-type: none"> <li>Real estate information search website</li> <li>A collective assessment site for real estate purchases</li> </ul>
<b>Other (Daily Living) (Budget) (Healthcare)</b>	 <ul style="list-style-type: none"> <li>Internet booking engine for termite &amp; bee extermination and other services</li> <li>Household budgeting information website; Provide information to compare low cost SIM, smartphones, internet providers and mobile Wi-Fi</li> <li>EC service for prenatal supplements, produced with the help of LaLune users</li> </ul>

# Acquisition of Increments Inc. as of Dec 2017



Increments<sup>+</sup>

## Motive of M&A

- To realize Ateam's "Vision"
- Utilizing capital to realize growth while improving corporate value

- To improve service recognition
- Struggling to monetize, seeking partnerships to strengthen management capabilities

## Reason for Selection

- Ease of post merger integration
- Qiita brand business potential
- Improve engineer recognition

- Similar mindset towards technology and engineers
- Know-how and achievements in diversified business
- Associated mission statement

## Future Outlook

- Contribution by growth of new business areas that cannot be easily entered into
- Awareness within engineers and added recruitment ability

- Strengthening of management
- Business development and growth centering on the Qiita brand

\* From FY2018 Q3, Increments Inc. and its services (Qiita, Qiita:Team) will be included in the "Others" sub-segment

# Businesses of Increments Inc.



A knowledge sharing platform for programmers

Established in 2011, ad based income



A privatized community-driven sharing platform

Released in 2013, user based income



Markdown



Edit Request



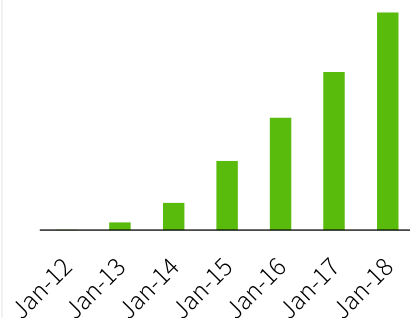
Stock



Contribution

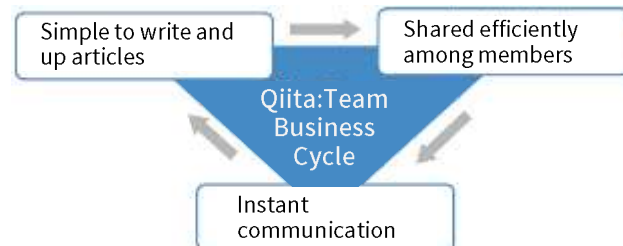
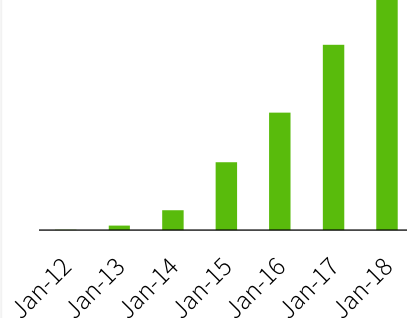
## Monthly UU Growth

Grew approx. 30 times more in past 6 years



## Monthly PV Growth

Grew approx. 70 times more in past 6 years



\*From FY2018 Q3, Increments Inc. and its services (Qiita, Qiita: Team) will be included in the "Others" sub-segment



# Entertainment Product Line-Up

## Game Apps

### Mid-Core Role Playing Games



Revue Starlight  
-ReLIVE-



BASSA WARRIORS



Valkyrie Connect



UnisonLeague



War of Legions



Dark Summoner

### Action



Three Kingdoms  
Smash!

### Simulation



Derby Impact

### Puzzle



Pongo Combo

### Mahjong



Mahjong - Rising -

### Feature Phone Games



Eternal Zone



Million Versus

## Tool Apps

### Memory



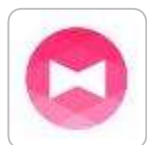
Game Boost  
Master

### SNS



Jam

### Custom



[+]HOME

### ZeroApp Series (Free-Use Tool Applications)



Good Nights  
Sleep Alarm



Quick Calorie  
Control



Eye Training  
3D



3 Minute  
Workout



Fast  
Flashcards

# EC Service Introduction

## E-Commerce

**cyma** -サイマ-  
life & discovery

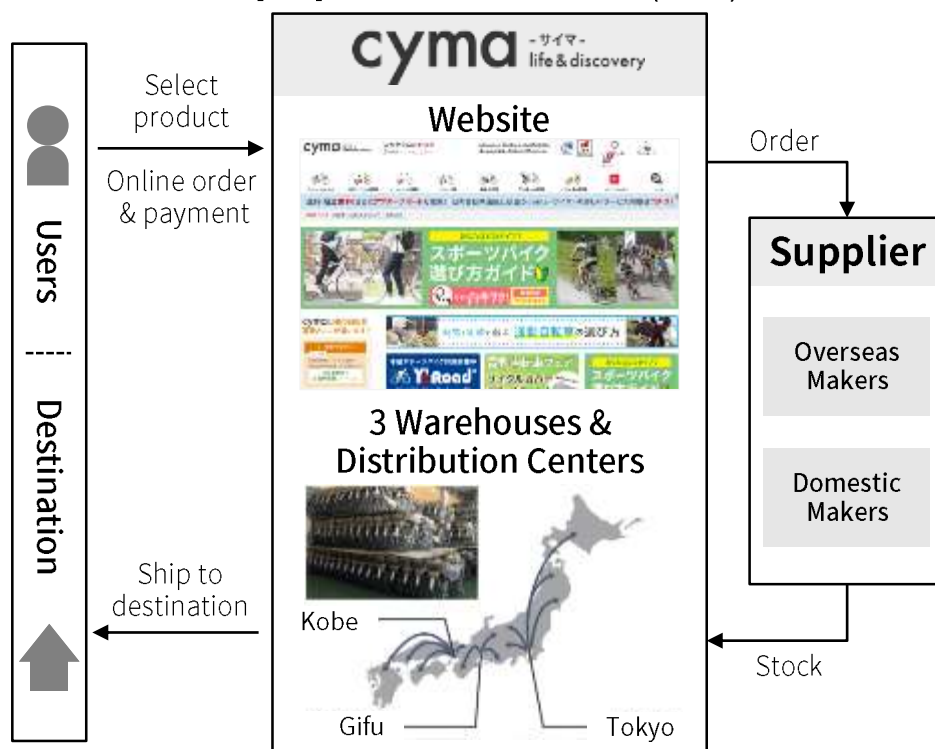
- Selection of over 200 bicycle models
- Bicycles assembled by specialists, shipped ready to ride
- Nation's largest online bicycle retail store



**cyma** -サイマ-  
life & discovery



[B2C] Income from Consumers (Gross)



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

# **APPENDIX**

## **Supplementary Financial Data**

# P/L (FY2016 Q4 - FY2018 Q4)

(Million JPY)

	FY2016	FY2017				FY2018			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	6,757	7,136	8,147	9,906	9,412	8,904	9,164	10,269	9,335
Q/Q (%)	+9.4	+5.6	+14.2	+21.6	-5.0	-5.4	+2.9	+12.1	-9.1
Lifestyle Support	2,513	2,652	2,952	3,990	3,746	3,954	4,313	5,580	5,107
Entertainment	3,857	4,089	4,886	5,200	5,082	4,315	4,319	3,876	3,656
E-Commerce	385	393	308	715	584	634	531	812	571
Cost of revenues	1,038	1,105	1,221	1,671	1,671	1,476	1,649	1,959	1,875
Cost rate (%)	15.4	15.5	15.0	17.0	17.8	16.6	18.0	19.1	20.1
Selling, G&A expenses	4,969	5,737	6,196	6,486	6,434	6,464	6,421	6,558	6,567
Selling, G&A expenses ratio (%)	73.6	80.4	76.1	65.3	68.4	72.6	70.1	63.9	70.4
Total cost and G&A expenses	6,008	6,843	7,417	8,158	8,105	7,940	8,071	8,517	8,443
Labor costs & recruitment expenses	884	872	935	931	1,066	1,025	1,089	1,195	1,443
Promotional expenses	2,758	3,432	3,551	3,623	3,410	3,600	3,866	3,730	3,609
Promotional expenses ratio (%)	40.8	48.1	43.6	36.6	36.2	40.4	42.2	36.3	38.7
Lifestyle Support	1,338	1,547	1,728	2,230	2,040	2,302	2,472	2,973	2,637
Entertainment	1,276	1,746	1,700	1,220	1,228	1,150	1,244	560	829
E-Commerce	79	70	62	117	84	93	79	106	50
Commissions, etc.	1,401	1,468	1,779	2,051	2,018	1,588	1,572	1,561	1,395
Subcontractor expenses, server fees	235	254	297	315	331	532	518	620	605
Office rental fees, utility expenses	177	178	218	238	243	249	251	288	291
Other expenses	551	636	634	997	1,034	945	773	1,121	1,096
Operating income	748	293	729	1,748	1,306	963	1,093	1,752	892
Q/Q (%)	-6.3	-60.8	+148.5	+139.7	-25.3	-26.3	+13.4	+60.3	-49.1
Lifestyle Support	425	369	326	715	516	550	686	1,077	762
Entertainment	706	302	807	1,440	1,270	865	884	1,199	638
E-Commerce	-43	-34	-46	-65	-32	-44	-68	-77	-21
Others	-340	-343	-358	-342	-447	-407	-483	-446	-487
Operating income margin (%)	11.1	4.1	9.0	17.6	13.9	10.8	11.9	17.1	9.6
Ordinary income	736	292	778	1,738	1,308	980	1,096	1,775	877
Net income	504	138	537	1,162	741	678	754	1,217	655

# P/L (FY2013 - FY2018)

(Million JPY)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	Y/Y(%)
Revenue	10,989	12,036	15,828	22,967	34,603	37,674	+8.9
Y/Y (%)	72.3	9.5	31.5	45.1	50.7	8.9	—
Lifestyle Support	4,357	5,834	7,557	9,193	13,342	18,955	+42.1
Entertainment	6,632	6,169	7,914	12,559	19,259	16,168	-16.0
E-Commerce	0	32	356	1,214	2,001	2,550	+27.4
Cost of revenues	1,392	2,132	2,389	3,615	5,669	6,960	+22.8
Cost rate (%)	12.7	17.7	15.1	15.7	16.4	18.5	+2.1
Selling, G&A expenses	7,880	8,451	11,351	17,139	24,855	26,012	+4.7
Selling, G&A expense ratio (%)	71.7	70.2	71.7	74.6	71.8	69.0	-2.8
Total cost and G&A expenses	9,272	10,583	13,740	20,755	30,525	32,973	+8.0
Labor costs & recruitment expenses	2,083	2,638	2,798	3,250	3,807	4,754	+24.9
Promotional expenses	4,310	4,279	6,430	9,335	14,018	14,805	+5.6
Promotional expenses ratio (%)	39.2	35.6	40.6	40.6	40.5	39.3	-1.2
Lifestyle Support	2,673	3,422	4,578	5,109	7,547	10,385	+37.6
Entertainment	1,571	789	1,651	3,748	5,895	3,785	-35.8
E-Commerce	0	8	61	221	335	330	-1.5
Commissions, etc.	1,600	1,737	2,586	4,592	7,318	6,117	-16.4
Subcontractor expenses, server fees	528	826	785	1,035	1,198	2,277	+90.0
Office rental fees, utility expenses	337	420	433	728	879	1,080	+22.9
Other expenses	411	682	706	3,340	3,303	3,937	+23.8
Operating income	1,717	1,452	2,087	2,212	4,077	4,701	+15.3
Y/Y (%)	60.4	-15.4	43.8	6.0	84.3	15.3	—
Lifestyle Support	632	840	1,298	1,637	1,929	3,076	+59.5
Entertainment	1,866	1,409	1,770	2,297	3,820	3,587	-6.1
E-Commerce	0	-34	-115	-172	-178	-211	+18.7
Others	-781	-762	-865	-1,549	-1,493	-1,751	+17.3
Operating income margin	15.6	12.1	13.2	9.6	11.8	12.5	+0.7
Ordinary income	1,718	1,470	2,164	2,094	4,118	4,730	+14.9
Pre-tax income	1,688	1,364	2,091	1,858	3,854	4,732	+22.8
Net income	1,042	807	1,362	1,292	2,579	3,306	+28.2

# B/S (FY2013 - FY2018)

(Million JPY)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
<b>Assets</b>						
Current assets	3,760	4,034	6,334	6,918	9,809	11,730
Cash and cash equivalents	1,944	2,217	3,097	3,505	5,004	5,984
Non-current assets	881	1,470	1,322	2,668	3,331	4,971
Tangible assets	102	120	125	1,321	1,666	1,684
Intangible assets	410	355	460	622	507	2,070
Investments and other assets	367	994	736	724	1,157	1,217
<b>Total assets</b>	<b>4,641</b>	<b>5,504</b>	<b>7,656</b>	<b>9,586</b>	<b>13,140</b>	<b>16,702</b>
<b>Liabilities</b>						
Current liabilities	1,136	1,305	3,648	4,127	5,202	4,464
Non-current liabilities	0	0	0	387	481	583
<b>Total liabilities</b>	<b>1,136</b>	<b>1,305</b>	<b>3,648</b>	<b>4,514</b>	<b>5,683</b>	<b>5,047</b>
Interest-bearing liabilities	0	0	1,700	1,166	632	186
<b>Net assets</b>						
Shareholder's equity	3,500	4,130	3,900	4,971	7,361	11,566
Treasury stock	0	0	-1,403	-1,222	-1,177	-481
Stock option	5	67	108	100	96	85
<b>Total net assets</b>	<b>3,505</b>	<b>4,198</b>	<b>4,008</b>	<b>5,072</b>	<b>7,456</b>	<b>11,655</b>
<b>Total liabilities and net assets</b>	<b>4,641</b>	<b>5,504</b>	<b>7,656</b>	<b>9,586</b>	<b>13,140</b>	<b>16,702</b>

# Others (FY2013- FY2018)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Number of shares issued (year-end)	19,195,000	19,349,200	19,405,600	19,450,000	19,469,800	19,738,200
Treasury stock (shares)	0	0	580,020	302,562	302,562	35,562
Average number of shares during the FY	18,933,262	19,255,641	19,310,191	18,846,317	18,904,872	19,401,921
EPS (JPY)	55.04	41.96	70.54	68.58	136.45	170.40
EPS Y/Y (%)	57.3	-23.8	45.6	-2.8	+99.0	+24.9
ROA (Ordinary income on total assets, %)	44.1	29.0	32.9	24.3	36.2	31.7
Net assets per share (JPY)	182.4	213.5	207.2	263.4	389.0	592.2
Dividend per share (JPY)	10.61	10.00	12.50	12.50	27.00	32.50
Interim dividend (JPY)	5.00	5.00	5.00	5.00	5.00	0.00
Total dividend amount (JPY)	203	192	238	239	517	640
Payout ratio (%)	19.3	23.8	17.7	18.2	19.8	19.1
Shareholder's equity ratio (%)	75.4	75.0	50.9	51.9	56.0	69.2
Equity ratio (%)	75.4	75.1	50.9	51.9	56.0	69.3
ROE (%)	37.9	21.2	33.9	29.1	41.8	34.9
ROIC (=①÷②, %)	30.3	20.8	21.0	25.1	34.1	27.9
① Net operating income after taxes	1,059	859	1,178	1,539	2,729	3,284
② Invested capital (=③+④)	3,500	4,130	5,600	6,137	7,993	11,755
③ Shareholder's equity	3,500	4,130	3,900	4,971	7,361	11,566
④ Short-term loans payable	0	0	1,700	1,166	632	186

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

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



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