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## Consolidated Financial Results for the Three Months Ended October 31, 2021 (Japan GAAP)



December 10, 2021

Company name: Ateam Inc.  
Stock exchange listing: Tokyo Stock Exchange  
Securities code: 3662  
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Scheduled date of filing securities report: December 10, 2021  
Scheduled date of commencing dividend payments: -  
Supplementary briefing material for the financial results: Yes  
Schedule of financial results briefing: Yes (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Three Months Ended October 31, 2021 (August 1, 2021 – October 31, 2021)

#### (1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%
Three months ended October 31, 2021	7,334	-2.1	-252	—	-242	—	-145	—
Three months ended October 31, 2020	7,493	-8.0	378	152.8	393	173.0	258	240.0

Note: Comprehensive income (million JPY)

Three months ended October 31, 2021: -118 [—%]

Three months ended October 31, 2020: 263 [210.1%]

	Net income per share-basic	Net income per share-diluted
	JPY	JPY
Three months ended October 31, 2021	-7.71	—
Three months ended October 31, 2020	13.17	13.17

Note: “Accounting Standards for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020.) etc. has been applied from the beginning of the first quarter of the current consolidated fiscal year, thus, each number for the first quarter of the fiscal year ending July 31, 2022 is the number of which this Accounting Standards etc. has been applied.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million JPY	Million JPY	%
As of October 31, 2021	15,113	10,930	71.8
Fiscal Year ended July 31, 2021	15,751	11,582	73.0

Note: Shareholders' equity (million JPY)

As of October 31, 2021: 10,847

Fiscal Year ended July 31, 2021: 11,500

Note: "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020.) etc. has been applied from the beginning of the first quarter of the current consolidated fiscal year, thus, each number for the first quarter of the fiscal year ending July 31, 2022 is the number of which this Accounting Standards etc. has been applied.

## 2. Dividends

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
Fiscal year ended July 31, 2021	JPY —	JPY 0.00	JPY —	JPY 16.00	JPY 16.00
Fiscal year ending July 31, 2022	—				
Fiscal year ending July 31, 2022 (forecast)		0.00	—	16.00	16.00

Note: Revisions to dividend forecasts: No

## 3. Forecasts for the Fiscal Year Ending July 31, 2022 (August 1, 2021 - July 31, 2022)

Regarding the consolidated earnings forecast for the fiscal year ending July 31, 2022, we will not disclose at this time due to uncertainties and difficulty calculating rational figures. Please refer to "1. Qualitative Information Regarding Results for the Three Months (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements". We will promptly disclose forecasts as soon as it is judged that a reasonable numerical value can be calculated.

### \*Notes

(1) Significant changes in scope of consolidation during the current quarter : No

\* Changes in scope of consolidation of specified subsidiaries:  
Newly consolidated: (–) Newly excluded companies: (–)

(2) Application of account procedures to the preparation of quarterly consolidated financial statements : No

(3) Changes in accounting policies, accounting projections, or restatement  
 (i) Changes in accounting policies due to revisions in accounting standards, etc. : Yes  
 (ii) Changes in accounting policies other than above (i) : No  
 (iii) Changes in accounting projections : No  
 (iv) Restatement : No

(4) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury stock)	As of October 31, 2021	19,789,200	As of July 31, 2021	19,789,200
(ii) Number of shares of treasury stock at the end of the period	As of October 31, 2021	974,488	As of July 31, 2021	811,388
(iii) Average number of shares during the period	Three months ended October 31, 2021	18,860,077	Three months ended October 31, 2021	19,593,445

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

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

\*Explanation of the proper use of financial results forecast and other notes

The forward-looking statements including earnings forecasts herein are based on information available to Ateam and certain assumptions deemed reasonable as of the date of publication of this document. They are not intended as the Company's commitment to achieve such forecasts, and actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast, please refer to the "Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements" on page 4 of the attachments to this financial results report.

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## 1. Qualitative Information Regarding Results for the Three Months

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

### (1) Explanation of Operating Results

Ateam Inc. and its consolidated subsidiaries adhere to the corporate philosophy “To Be a Company Where All Can Achieve Happiness Together”, “To Be a Company that Continues 100 Years from Today”. 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. The Lifestyle Support Business engages in the planning, development and operation of various online services. The E-Commerce Business engages in the planning, development and operation of multiple e-commerce websites that handle various products, including our online bicycle store under the name “cyma”.

During the three months ended October 31, 2021, regarding revenue, although several services of the Lifestyle Support Business increased from the same quarter of the previous fiscal year as they showed good performance, the Entertainment Business and the E-Commerce Business decreased, resulting in overall revenue to slightly decline year on year. As for operating income, ordinary income, and net income attributable to shareholders of parent company decreased year on year mainly due to profit decrease in the Lifestyle Support Business and the continued expensed development cost for the new large-scale IP game in the Entertainment Business.

Because of the above, during the three months ended October 31, 2021, Ateam posted revenue of 7,334 million JPY (down 2.1% year on year), operating loss of 252 million JPY (compared to an operating income of 378 million JPY in the same quarter of the previous year), ordinary loss of 242 million JPY (compared to an ordinary income of 393 million JPY in the same quarter of the previous year), and net loss attributable to shareholders of parent company of 145 million JPY (compared to a net income attributable to shareholders of parent company of 258 million JPY in the same quarter of the previous fiscal year).

The operating performance by segment for the three months ended October 31, 2021 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).

Considering recent changes in the global game market environment, user needs, and technological advances, the Entertainment Business has decided to move away from specializing only in smartphone games, to focusing on the entire global digital distribution game market including smartphone games, PC games and console games. We aim for long-term future growth by collaborating with popular IP across the globe while also incorporating multi-device deployment.

In the three months ended October 31, 2021, regarding revenue, our existing game titles have continued a downward trend, resulting in segment revenue to decrease year on year. As for segment profit, there was a significant decrease from the same quarter of the previous fiscal year due to the expensed development cost for “FINAL FANTASY VII THE

FIRST SOLDIER”, a smart device game for the global market, co-developed with SQUARE ENIX CO., LTD., which released on November 17, 2021.

As a result, during the three months ended October 31, 2021, the Entertainment Business posted revenue of 1,479 million JPY (down 17.1% year on year) and operating loss of 160 million JPY (compared to an operating income of 93 million JPY in the same quarter of the previous fiscal 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.

We have changed our sub-segments to “Digital Marketing Support business”, “Platform business”, and “Other business” since the e-commerce (including “minorie”, etc.) in the Women’s Healthcare Service has been classified as “Other business” from the “Platform business”.

The “Digital Marketing Support business” centers on digital marketing support that refers prospective customers to partner companies via our own-medias and has the potential for speedy horizontal business expansion. This business model accumulates profits by being able to quickly launch and expand services in several different business areas.

Typically, all our services are free of charge for individual users, and the main revenue source comes from the customer referral and contract fees we provide our partner clients.

The “Platform business” provides a “place” where information gathered through applications and websites can not only accumulate, but such user data can be utilized to enhance unique value to build market advantage. This business model aims to increase and improve the value of this data and to provide solutions, thus creating a cycle of value.

The main revenue source is advertising revenue, membership fees, and sales from providing tools and EC solutions.

Platform Business provides Healthcare Service and Engineering Service.

In the three months ended October 31, 2021, regarding revenue, although the continued negative COVID-19 impact on the wedding venue information website “Hanayume” along with the Financial Media decrease associated with the Google core algorithm update in December 2020 and the deterioration in market condition resulted in revenue for each service to decline, the electronic and gas services related to the moving service and the car appraisal website “Navikuru” trended well, resulting in overall segment revenue to increase year on year. As for segment profit, although a few services increased profit in association with increased revenue, mainly due to the decrease in revenue of Financial Media services, overall segment profit declined.

As a result, during the three months ended October 31, 2021, the Lifestyle Support Business posted revenue of 5,021 million JPY (up 5.8% year on year) and operating income of 192 million JPY (down 57.0% year on year).

### E-Commerce Business

In the E-Commerce Business, we operate E-Commerce websites that handle multiple products, including our online bicycle store “cyma”.

Since the establishment in 2013, “cyma” has three 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.

Going forward, with the mission of “shopping that moves your heart”, we will continue to improve our product lineup, sales methods, and delivery quality daily, and provide services that allow users to experience shopping that greatly exceeds their expectations.

In the three months ended October 31, 2021, we launched the new service “Obremo” from August 30, 2021. In addition, the sales growth in bicycles has slowed down due to temporal oversupply as well as an end to the positive impact of COVID-19, resulting in a decrease for both revenue and profit year on year.

We will continue to realize stable business growth for “cyma” by reevaluating operational efficiency, inventory control and review of product line-up, while also aiming for growth in multiple products in the future.

As a result, during the three months ended October 31, 2021, the E-Commerce Business posted revenue of 833 million JPY (down 13.5% year on year) and operating loss of 34 million JPY (compared with an operating income of 74 million JPY in same quarter in the previous year).

## (2) Explanation of Financial Position

### (i) Assets

As of the end of the first quarter under review, we posted total assets of 15,113 million JPY, a decrease of 637 million JPY compared with the previous fiscal year. This was mainly due to a decrease of 850 million JPY in cash and deposits.

### (ii) Liabilities

As of the end of the first quarter under review, we posted liabilities of 4,183 million JPY, an increase of 15 million JPY compared with the previous fiscal year. This was mainly due to an increase of 300 million JPY in account payable.

### (iii) Net Assets

As of the end of the first quarter under review, we posted net assets of 10,930 million JPY, a decrease of 652 million JPY compared with the previous fiscal year. This was mainly due to a decrease of 449 million JPY in retained earnings.

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

In the fiscal year ending July 31, 2022, Ateam intends to continue to strengthen and expand its operations across all segments and upgrade its business portfolio through continued investments in business creation in pursuit of sustained growth and medium- to long-term corporate value accretion. Additionally, by realizing diverse working styles including working from home, we will continue to focus on developing human resources, shaping its environment and strengthening its organizational structure, while limiting the number of recruits.

Regarding the consolidated business outlook for the fiscal year ending July 31, 2022, although we will continue to invest in our businesses, we believe that the various measures we made in advance in the previous fiscal year will flourish and it will be a year of further advances

As for the three months ended October 31, 2021, regarding revenue, since the Lifestyle Support Business increased year on year, overall revenue resulted in-line with initial expectation. On the other hand, as for operating income, ordinary income, and net income attributable to shareholders of parent company, a decline in profit of each segment resulted in overall profit to decrease.

Based on the above, in the fiscal year ending July 31, 2022, the impact of the new collaborative IP game “FINAL FANTASY VII THE FIRST SOLDIER”, released on November 17, 2021, is extremely large on the consolidated financial forecasts for the fiscal year ending July 31, 2022. Although the game was downloaded over 100 million times as of the two days upon release, it has only been a short time since the game was released, thus, data for budget calculation is not sufficient, and the impact of future development and operation of the game on business performance is still uncertain. Due to those primary factors, we will postpone the disclosure of earnings forecasts at this time. Regarding the appropriate calculation, we are aiming to disclose around the time of the second quarter earnings call.

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Quarterly Consolidated Balance Sheets

(Million JPY)

	As of July 31, 2021	As of October 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	6,035	5,184
Notes and accounts receivable - trade	3,109	3,174
Inventories	450	471
Other	792	1,229
Allowance for doubtful accounts	-4	-4
Total current assets	10,383	10,056
Non-current assets		
Property, plant and equipment		
Buildings, net	953	938
Other, net	242	223
Total property, plant and equipment	1,195	1,161
Intangible assets		
Goodwill	239	228
Other	553	610
Total intangible assets	792	839
Investments and other assets		
Investment securities	2,148	1,679
Leasehold and guarantee deposits	665	680
Other	569	700
Allowance for doubtful accounts	-3	-3
Total investments and other assets	3,380	3,056
Total non-current assets	5,368	5,057
<b>Total assets</b>	<b>15,751</b>	<b>15,113</b>



	As of July 31, 2021	As of October 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	533	514
Accounts payable - other	1,873	2,173
Income taxes payable	370	38
Provision for bonuses	—	50
Provision for sales promotion expenses	191	208
Provision for share awards	34	—
Provision for share awards for directors (and other officers)	—	5
Other	636	667
Total current liabilities	3,640	3,658
Non-current liabilities		
Asset retirement obligations	496	497
Other	31	28
Total non-current liabilities	527	525
Total liabilities	4,168	4,183
Net assets		
Shareholders' equity		
Share capital	838	838
Capital surplus	832	832
Retained earnings	10,955	10,506
Treasury shares	-1,394	-1,625
Total shareholders' equity	11,232	10,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	287	308
Deferred gains or losses on hedges	-22	-18
Foreign currency translation adjustment	3	5
Total accumulated other comprehensive income	268	295
Share acquisition rights	82	82
Total net assets	11,582	10,930
Total liabilities and net assets	15,751	15,113

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

## Quarterly Consolidated Statements of Income (Cumulative)

(Million JPY)

	Three months ended October 31, 2020	Three months ended October 31, 2021
Revenue	7,493	7,334
Cost of sales	1,855	2,076
Gross profit	5,638	5,258
Selling, general and administrative expenses	5,259	5,510
Operating profit (loss)	378	-252
Non-operating income		
Interest and dividend income	1	0
Foreign exchange gains	1	5
Commission income	5	9
Other	11	3
Total non-operating income	19	18
Non-operating expenses		
Interest expenses	0	0
Loss on sale of receivables	3	6
Other	0	1
Total non-operating expenses	4	8
Ordinary income (loss)	393	-242
Extraordinary losses		
Loss on sale of investment securities	—	12
Total extraordinary losses	—	12
Profit (loss) before income taxes	393	-254
Income taxes	135	-109
Net income (loss)	258	-145
Net income (loss) attributable to shareholders of parent company	258	-145

Quarterly Consolidated Statements of Comprehensive Income (Cumulative)

(Million JPY)

	Three months ended October 31, 2020	Three months ended October 31, 2021
Net income (loss)	258	-145
Other comprehensive income		
Valuation difference on available-for-sale securities	6	20
Deferred gains or losses on hedges	—	4
Foreign currency translation adjustment	-0	2
Total other comprehensive income	5	27
Comprehensive income	263	-118
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	263	-118

### (3) Notes on Quarterly Consolidated Financial Statements

#### **Notes on Premise of Going Concern**

Not applicable.

#### **Notes on Substantial Changes in the Amount of Shareholder's Equity**

Ateam acquired 114,600 shares of treasury stock based on a resolution of the Board of Directors meeting held on March 12, 2021, as well as acquiring 68,300 shares of treasury stock based on a resolution of the Board of Directors meeting held on September 10, 2021. As a result, treasury stock increased by 231 million JPY during the three months ended October 31, 2021, and treasury stock increased by 1,625 million JPY at the end of the first quarter upon review.

#### **Changes in Account Policies**

##### **(Application of the Accounting Standards for Revenue Recognition, etc.)**

"Account Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020. Hereafter "Accounting Standards for Revenue Recognition") etc. has been applied from the beginning of the first quarter of the current consolidated fiscal year. In accordance with this accounting standard, we recognize revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. The major changes in relation to application of the Account Standards are stated below:

##### **(1) Revenue Recognition for Sales of Goods Transactions**

As for the sales of goods transactions in the E-Commerce service, although we previously recognize revenue when the goods and/or services are shipped, we have changed to the new manner of which we recognize revenue at the expected time when the customer detected the goods.

##### **(2) Revenue Recognition for Item Billing Transactions**

As for the item billing transactions in game service, although we previously recognize revenue when the currency in the game app is consumed, we have changed to the new manner of which we recognize revenue based upon the estimated period of use after the customer exchange items.

Operating Accounting Standards for Revenue Recognition follows the proviso of Paragraph 84 of the Accounting Standards for Revenue Recognition; accumulated amount of impact is added and subtracted in retained earnings of the first quarter of the current consolidated fiscal year, thus, we have applied the new accounting policy from this quarter. However, we applied Paragraph 86 of the Accounting Standards for Revenue Recognition, we have not retroactively applied the new accounting policy to the contract with recognition of almost all the amount of profit which follows the previous manner before the first quarter of the current consolidated fiscal year. Also, we applied the proviso of Paragraph 86 of the Accounting Standards for Revenue Recognition; we performed accounting process based upon Terms and Conditions with contract renewal, and then we added and subtracted the accumulated amount of impact in retained earnings of the first quarter of the current consolidated fiscal year.

Because of the above, during the three months ended October 31, 2021, revenue of Ateam decreased 37 million JPY, cost of sales decreased by 0 million JPY, and operating loss, ordinary loss, and quarterly loss before tax adjustment each increased 36 million JPY. In addition, there is no impact of retained earnings on the balance at the beginning of the period.

##### **(Application of Accounting Standards for Calculating of Fair Value, etc.)**

"Application of Accounting Standards for Calculating of Fair Value" (ASBJ Statement No. 30, July 4, 2019. Hereafter "Fair Value Accounting Standards") etc. has been applied from the beginning of the first quarter of the current

consolidated fiscal year, and we have decided to operate the new accounting policy prescribed by Fair Value Accounting Standards over the future by following the transitional treatment prescribed by Paragraph 19 of Fair Value Accounting Standards and Section 44-2 of “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no effect of this change on the quarterly consolidated financial statements for the first half of the current fiscal year.

## Additional Information

### (Application of handling related to the application of tax effect accounting related to the transition from Consolidated Taxation System to group total system)

Ateam and some of Ateam’s domestic consolidated subsidiaries will shift to the established group total system based on the “Law for Partial Revision of Income Tax Law, etc.” (Act No. 8 of 2<sup>nd</sup> Year of Ordinance). As for items for which the non-consolidated tax payment system has been reviewed upon the “Handling of Application of Tax Effect Accounting Related to the Transition from the Consolidated Taxation System to the Group Total System” (Practical Response Report No. 39, March 31, 2020) Paragraph 3, the provisions of Paragraph 44 of “Application Guideline No. 28, February 16, 2018) are not applied, and deferred tax assets and deferrals are determined based on the provisions of the tax law before the revision.

## Segment Information

Three months ended October 31, 2020 (from August 1, 2020 to October 31, 2020)

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

(Million JPY)

	Reportable segment				Adjustment (Note) 1	Amount on the quarterly consolidated statements of income (Note) 2
	Entertainment Business	Lifestyle Support Business	E-Commerce Business	Total		
Revenue						
Outside customers	1,785	4,744	963	7,493	–	7,493
Inter-segment sales and transfers	–	–	–	–	–	–
Total	1,785	4,744	963	7,493	–	7,493
Segment profit (loss)	93	446	74	614	-235	378

(Notes)1. Adjustment of negative 235 million JPY for segment loss is corporate expenses not attributable to reportable segments.

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

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

Not applicable.

Three months ended October 31, 2021 (from August 1, 2021 to October 31, 2021)

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

(Million JPY)

	Reportable segment				Adjustment (Note) 1	Amount on the quarterly consolidated statements of income (Note) 2
	Entertainment business	Lifestyle Support business	E-Commerce business	Total		
Revenue						
Outside customers	1,479	5,021	833	7,334	–	7,334
Inter-segment sales and transfers	–	–	–	–	–	–
Total	1,479	5,021	833	7,334	–	7,334
Segment profit (loss)	-160	192	-34	-3	-249	-252

(Notes)1. Adjustment of negative 249 million JPY for segment loss is corporate expenses not attributable to reportable segments.

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

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

Not applicable.

3. Matters concerning changes in reportable segment

As mentioned in Changes in Account Policies, “Account Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020. Hereafter “Accounting Standards for Revenue Recognition”) etc. has been applied from the beginning of the first quarter of the current consolidated fiscal year, resulting in a change in method of measuring profits/losses in business segments.

Due to this change in method, compared to the conventional method, during the first quarter upon review the Entertainment Business segment revenue declined 18 million JPY and segment profit declined 18 million JPY, the Lifestyle Support Business segment revenue declined 9 million JPY and segment profit declined 8 million JPY, and the E-Commerce Business segment revenue declined 9 million JPY and segment profit declined 9 million JPY.