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November 5, 2024

Consolidated Financial Results for the Three Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: GREE, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3632
URL: https://corp.gree.net/jp/en/
Representative: Yoshikazu Tanaka, Founder, Chairman and CEO
Inquiries: Toshiki Oya, Director, Senior Vice President, CFO
Telephone: +81-3-5770-9500
Scheduled date to commence dividend payment: –
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended September 30, 2024 (from July 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to shareholders of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	12,941	(18.0)	(133)	-	(1,455)	-	(1,644)	-
September 30, 2023	15,787	(4.8)	1,255	(22.6)	1,570	(35.3)	1,183	(34.7)

(Notes) Comprehensive income: Three months ended September 30, 2024: 2,034 million yen [-%]
Three months ended September 30, 2023: 1,666 million yen [180.9%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2024	(9.61)	(9.50)
September 30, 2023	6.93	6.85

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	120,681	90,714	74.7
June 30, 2024	128,788	95,530	73.7

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income)
As of September 30, 2024: ¥90,127 million
As of June 30, 2024: ¥94,946 million

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2024	-	0.00	-	16.50	16.50
Fiscal year ending June 30, 2025	-				
Fiscal year ending June 30, 2025 (Forecast)		-	-	-	-

(Notes)

1. Revised most-recently announced forecast of cash dividends: No
2. The dividend for the fiscal year ending June 30, 2025 has not yet been determined. We will announce it as soon as possible.

3. Forecast of the Consolidated Results for Fiscal Year Ending June 30, 2025

Rapid changes in the business environment surrounding the Group over the near term have had an impact on the consolidated results of the Investment Business, which is affected by market conditions. For this reason, we have determined that it is difficult to calculate appropriate and reasonable figures for our consolidated financial results forecast and we have therefore decided to suspend disclosure of our consolidated earnings forecast. For more details, please see page 3 of this report, 1. Summary of Financial Performance, (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Statements.

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 1 (Company name) GREE, Inc. (newly established)

Excluded: 1 (Company name) QUANT, Inc.

(Notes)

* The newly included company, GREE, Inc. (newly established), is a successor preparatory company established in connection with the transition to a holding company structure. For details, please see Notice regarding company split for the purpose of transitioning to a holding company structure (simplified absorption-type company split), establishment of a successor preparatory company and partial amendment of the Articles of Incorporation (change of trade name and business purposes).

* For details, please refer to page 10 “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Significant Changes in the Scope of Consolidation)” in the appendix.

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(Notes)

For details, please refer to page 8 “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Accounting Policies Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements)” in the appendix.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

(Notes)

For details, please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” in the appendix.

(4) Number of shares issued (common shares)

(i) Total number of shares issued at the end of the period (including treasury shares)

As of September 30, 2024	179,749,700 shares
As of June 30, 2024	179,749,700 shares

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

As of September 30, 2024	8,672,658 shares
As of June 30, 2024	8,714,774 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended September 30, 2024	171,045,251 shares
Three months ended September 30, 2023	170,691,657 shares

(Notes)

The number of treasury shares includes the Company's shares held in the Stock Grant ESOP Trust Account and the Directors' Compensation BIP Trust Account (8,253,431 shares for the three months ended September 30, 2024 and 8,295,547 shares for the year ended June 30, 2024).

* Review by a certified public accountant or audit firm of the attached quarterly consolidated financial statements: No

* Appropriate use of earnings forecasts, and other special matters

(Cautionary note on forward-looking statements)

The forward-looking statements in this document are based on the information currently available to us and certain reasonable assumptions. They are not intended to be a guarantee that they will be achieved. Actual results may differ materially due to various factors.

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1. Summary of Financial Performance

(1) Operating Results for the Current Quarter

The GREE Group has been aggressively investing in the Game and Anime, Metaverse, DX, and Investment Businesses. As a result, the cumulative consolidated results for the first quarter were net sales of 12,941 million yen (down 18.0% YoY), operating loss of 133 million yen (operating profit of 1,225 million yen in the same period of the previous year), ordinary loss of 1,445 million yen (ordinary profit of 1,570 million yen in the same period of the previous year), and net loss attributable to owners of the parent of 1,644 million yen (net profit attributable to owners of the parent of 1,183 million yen in the same period of the previous year).

The Group previously operated the following business segments; the Game and Anime Business, the Metaverse Business, the DX Business, the Commerce Business, the Investment Business, and Others. However, following the organizational change to merge the Commerce Business Department into the DX Business Department effective July 1, 2024, the Commerce Business has been merged into the DX Business and reclassified as such beginning in the first quarter of the current consolidated fiscal year.

YoY comparisons and percentage changes have been calculated on the basis of the reclassified figures.

Results by business segment are discussed below.

(i) Game and Anime Business

We worked to increase profitability by implementing a long-term management system to stabilize profit from existing smartphone games and expanding overseas operations while also making progress on the development of new titles. However, as we did not release any new titles in the first quarter of the current consolidated fiscal year, our operations focused on existing titles and results were weak.

As a result, the cumulative consolidated results for the first quarter were net sales of 9,063 million yen (down 22.6% YoY) and operating income of 748 million yen (down 52.1% YoY).

(ii) Metaverse Business

In the platform business, we continued to expand the content and features of REALITY, GREE's metaverse for smartphones, while making progress on global expansion. In addition, we improved our earnings structure by streamlining costs. We also continued to invest aggressively in the VTuber business, resulting in a strong performance in the Metaverse Business as a whole.

As a result, the cumulative consolidated results for the first quarter were net sales of 1,957 million yen (down 0.2% YoY) and operating income of 146 million yen (up 23.7% YoY).

(iii) DX Business

Results were firm as operations proceeded according to plan, especially in the marketing DX business, even as we continued to invest aggressively in preparation for our business restructuring.

As a result, the cumulative consolidated results for the first quarter were net sales of 1,749 million yen (up 10.0% YoY) and operating profit of 208 million yen (up 9.5% YoY).

(iv) Investment Business

The Group has invested in venture capital funds and startups that invest primarily in the Internet and IT sectors. However, results were weak due to a decrease in income from investment funds and revaluation of stocks held by investment funds.

As a result, the cumulative consolidated results for the first quarter were net sales of 238 million yen (down 57.5% YoY) and operating loss of 813 million yen (operating loss of 157 million yen in the same period of the previous year).

(2) Financial Position for the Current Quarter
Total assets at the end of the first quarter of the current consolidated fiscal year were 120,681 million yen, a decrease of 8,106 million yen from the end of the previous consolidated fiscal year. Current assets totaled 104,434 million yen (down 7,842 million yen from the end of the previous consolidated fiscal year). Main factors behind this decrease were a decreases of 10,277 million yen in “cash and deposits,” 1,902 million yen in “accounts receivable - trade, and contract assets,” and 1,423 million yen in “Operational investment securities,” and increases of 5,000 million yen in “money held in trust”, and 1,045 million yen in “other”. Non-current assets totaled 16,247 million yen (down 264 million yen from the end of the previous consolidated fiscal year). Main factors behind this decrease were a decreases of 182 million yen in “other” and 74 million yen in “investment securities” in “investments and other assets”.

Total liabilities amounted to 29,966 million yen, down 3,291 million yen from the end of the previous consolidated fiscal year. Current liabilities totaled 17,849 million yen (up 2,828 million yen from the end of the previous fiscal year). The main factors behind this increase were an increase of 6,000 million yen in “current portion of bonds payable” and decreases of 1,414 million yen in “income taxes payable,” 801 million yen in “accounts payable - other,” and 413 million yen in “contract liabilities”. Non-current liabilities totaled 12,116 million yen (down 6,119 million yen from the end of the previous fiscal year). The main factors behind this decrease were decreases of 6,000 million yen in “bonds payable” and 119 million yen in “other” under “non-current liabilities”.

Net assets totaled 90,714 million yen, down 4,815 million yen from the end of the previous consolidated fiscal year. The main factors behind this decrease were a decrease of 4,466 million yen in “retained earnings” and a 203 million yen decrease in “foreign currency translation adjustment”.

The equity ratio, an indicator of financial stability, was 74.7% at the end of the first quarter. The current ratio, an indicator of financial liquidity, was 585.1% at the end of the first quarter.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Statements
In line with the GREE Group’s mission of “Making the world a better place through the power of the Internet”, we will continue to expand our content and services while increasing the use of our services by users in Japan and overseas, and improving the stable profitability of our business portfolio over the medium term.

However, rapid changes in the business environment surrounding the Group over the near term have had an impact on the consolidated results of the Investment Business, which is affected by market conditions. For this reason, we have determined that it is difficult to calculate appropriate and reasonable figures for our consolidated financial results forecast and we have therefore decided to suspend disclosure of our consolidated earnings forecast.

For details regarding business segments other than the Investment Business, please see “FY2025 First Quarter Financial Results” published the same day as this report.

2. Quarterly Consolidated Financial Statements and Key Notes
(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of June 30, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	49,788	39,510
Accounts receivable - trade, and contract assets	7,410	5,507
Accounts receivable - other	2,316	2,002
Operational investment securities	22,106	20,682
Money held in trust	27,500	32,500
Other	3,214	4,260
Allowance for doubtful accounts	(59)	(29)
Total current assets	112,276	104,434
Non-current assets		
Property, plant and equipment	2,154	2,094
Intangible assets		
Other	6	5
Total intangible assets	6	5
Investments and other assets		
Investment securities	9,230	9,156
Deferred tax assets	2,342	2,359
Other	3,133	2,951
Allowance for doubtful accounts	(356)	(319)
Total investments and other assets	14,351	14,147
Total non-current assets	16,511	16,247
Total assets	128,788	120,681
Liabilities		
Current liabilities		
Current portion of bonds payable	—	6,000
Income taxes payable	1,600	185
Contract liabilities	5,037	4,624
Provision for bonuses	668	291
Accounts payable - other	6,602	5,800
Other	1,112	946
Total current liabilities	15,021	17,849
Non-current liabilities		
Bonds payable	16,700	10,700
Other	1,536	1,416
Total non-current liabilities	18,236	12,116
Total liabilities	33,257	29,966

(Millions of yen)

	As of June 30, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	2,362	2,362
Retained earnings	96,443	91,977
Treasury shares	(5,608)	(5,582)
Total shareholders' equity	93,298	88,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,431	1,256
Foreign currency translation adjustment	216	13
Total accumulated other comprehensive income	1,648	1,269
Share acquisition rights	487	494
Non-controlling interests	96	92
Total net assets	95,530	90,714
Total liabilities and net assets	128,788	120,681

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

Quarterly Consolidated Statement of Income (Cumulative)

(Millions of yen)

	Three months ended September 30, 2023	Three months ended September 30, 2024
Net sales	15,787	12,941
Cost of sales	7,023	6,689
Gross profit	8,764	6,251
Selling, general and administrative expenses	7,538	6,385
Operating profit (loss)	1,225	(133)
Non-operating income		
Interest income	26	52
Dividend income	15	17
Foreign exchange gains	366	—
Valuation gain on crypto assets	—	34
Other	5	3
Total non-operating income	412	107
Non-operating expenses		
Interest expenses	31	44
Commission expenses	0	0
Foreign exchange losses	—	1,374
Valuation loss on crypto assets	35	—
Total non-operating expenses	68	1,419
Ordinary profit (loss)	1,570	(1,445)
Extraordinary income		
Gain on sale of investment securities	28	18
Total extraordinary income	28	18
Extraordinary losses		
Loss on retirement of non-current assets	8	0
Total extraordinary losses	8	0
Profit (loss) before income taxes	1,590	(1,426)
Income taxes	409	229
Profit (loss)	1,180	(1,656)
Loss attributable to non-controlling interests	(2)	(12)
Profit (loss) attributable to owners of parent	1,183	(1,644)

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	Three months ended September 30, 2023	Three months ended September 30, 2024
Profit (loss)	1,180	(1,656)
Other comprehensive income		
Valuation difference on available-for-sale securities	(603)	55
Foreign currency translation adjustment	36	(203)
Share of other comprehensive income of entities accounted for using equity method	1,052	(230)
Total other comprehensive income	485	(378)
Comprehensive income	1,666	(2,034)
Comprehensive income attributable to:		
owners of parent	1,669	(2,022)
non-controlling interests	(2)	(12)

(3) Notes to Quarterly Consolidated Financial Statements

(Changes in Accounting Policies)

(Application of "Accounting Standards for Corporate Tax, Resident Tax, and Business Tax, etc.")

The "Accounting Standards for Corporate Tax, Resident Tax, and Business Tax, etc." (Corporate Accounting Standards No. 27, October 28, 2022. hereinafter referred to as the "2022 Revised Accounting Standards"), etc. have been applied from the beginning of the first quarter of the current consolidated fiscal year.

With regard to the amendments to the classification of corporate tax, etc. (taxation on other comprehensive income), we follow the transitional treatment set forth in the proviso of the 2022 Revised Accounting Standards No. 20-3 and the transitional treatment set forth in the proviso of the "Guidelines for the Implementation of Accounting Standards for Tax-Effect Accounting" (Corporate Accounting Standards Implementation Guideline No. 28, October 28, 2022, hereinafter referred to as the "2022 Revised Implementation Guideline"). We follow the transitional treatment set forth in the proviso of Article 65-2, Paragraph (2). The change in accounting policy has no impact on the quarterly consolidated financial statements.

In addition, with regard to the amendments related to the review of the treatment in consolidated financial statements when profits and losses arising from the sale of subsidiary shares, etc. between consolidated companies are deferred for tax purposes, the 2022 Revised Implementation Guideline has been applied from the beginning of the first quarter of the current consolidated fiscal year. The change in accounting policy has been applied retroactively, and the quarterly consolidated financial statements and consolidated financial statements for the previous quarter and previous consolidated fiscal year are retroactively applied. The change in accounting policy has no impact on the quarterly consolidated financial statements for the previous quarter and the consolidated financial statements for the previous consolidated fiscal year.

(Accounting Policies Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

With regard to tax expenses, we have made a reasonable estimate of the effective tax rate after the application of tax effect accounting for income before income taxes for the consolidated fiscal year, including the first quarter of the current consolidated fiscal year, and have calculated tax expenses by multiplying net profit/loss before income taxes for the quarter by the estimated effective tax rate.

However, if the use of the relevant estimated effective tax rate to calculate tax expenses yields a clearly unreasonable result, the statutory tax rate after adjusting for significant differences that do not fall under temporary differences, etc., in quarterly net profit/loss before income taxes is used.

(Segment Information)

I. First quarter of the previous consolidated fiscal year (from July 1, 2023 to September 30, 2023)

Financial information on net sales and operating profit (loss) by reportable business segment

(Millions of yen)

	Reportable segment					Others (note 2)	Total	Adjustments (note 3)	Amount posted in quarterly consolidated financial statements
	Game and Anime Business	Metaverse Business	DX Business	Investment Business	Total				
Net sales									
Sales to external customers	11,714	1,948	1,528	560	15,570	37	15,787	-	15,787
Inter-segment sales and transfers	0	14	62	-	78	16	95	(95)	-
Total	11,715	1,962	1,590	560	15,829	53	15,882	(95)	15,787
Segment profit (loss) (note 1)	1,564	118	190	(157)	1,715	(6)	1,708	(483)	1,225

Notes:

(1) Segment profit (loss) totals are consistent with operating profit in quarterly consolidated statements of income.

(2) "Others" consists of business segments not included in reportable segments including new businesses under development.

(3) Segment profit (loss) adjustments of (483 million yen) include companywide costs, mainly general management costs not included in reportable segments.

II. First quarter of the current consolidated fiscal year (from July 1, 2024 to September 30, 2024)

1. Financial information on net sales and operating profit (loss) by reportable business segment

(Millions of yen)

	Reportable segment					Others (note 2)	Total	Adjustments (note 3)	Amount posted in quarterly consolidated financial statements
	Game and Anime Business	Metaverse Business	DX Business	Investment Business	Total				
Net sales									
Sales to external customers	9,059	1,951	1,655	238	12,904	36	12,941	-	12,941
Inter-segment sales and transfers	4	6	94	-	105	16	121	(121)	-
Total	9,063	1,957	1,749	238	13,009	53	13,062	(121)	12,941
Segment profit (loss) (note 1)	748	146	208	(813)	290	(6)	283	(417)	(133)

Notes:

(1) Segment profit (loss) totals are consistent with operating profit in quarterly consolidated statements of income.

(2) "Others" consists of business segments not included in reportable segments including new businesses under development.

(3) Segment profit (loss) adjustments of (417 million yen) include companywide costs, mainly general management costs not included in reportable segments.

2. Notes regarding changes to reportable segments

(Changes to reportable segments)

The Group previously operated the following business segments; the Game and Anime Business, the Metaverse Business, the DX Business, the Commerce Business, the Investment Business, and Others. However, following the organizational change to merge the Commerce Business Department into the DX Business Department effective July 1, 2024, the Commerce Business has been merged into the DX Business and reclassified as such beginning in the first quarter of the current consolidated fiscal year.

Segment information from previous fiscal years has been recalculated and presented on the basis of the reclassified business segments.

(Significant Changes in Shareholders' Equity)

No applicable items.

(Going Concern Assumption)

No applicable items.

(Consolidated Statement of Cash Flows)

Quarterly consolidated statements of cash flows for the first quarter of the current fiscal year have not been prepared. Depreciation (including amortization of fixed assets) for the first quarter of the current fiscal year is as follows.

	Consolidated Q1 FY2024 (three months ended September 30, 2023)	Consolidated Q1 FY2025 (three months ended September 30, 2024)
Depreciation	111 million yen	62 million yen

(Significant Changes in the Scope of Consolidation)

GREE, Inc. (newly established) was included in the scope of consolidation in the first quarter of the current fiscal year due to its new establishment in connection with the transition to a holding company structure.

In addition, QUANT, Inc., a consolidated subsidiary, was excluded from the scope of consolidation as it was dissolved by absorption-type merger with GREE Lifestyle, Inc., a consolidated subsidiary, as the surviving company.

(Notes)

GREE, Inc. (newly established) was included in the scope of consolidation in the first quarter of the current consolidated fiscal year as it was established as a successor preparatory company in connection with the transition to a holding company structure. For details, please see Notice regarding company split for the purpose of transitioning to a holding company structure (simplified absorption-type company split), establishment of a successor preparatory company and partial amendment of the Articles of Incorporation (change of trade name and business purposes).

(Significant Subsequent Events)

No applicable items.