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February 6, 2025

Consolidated Financial Results for the Six Months Ended December 31, 2024 (Under Japanese GAAP)

Company name: GREE Holdings, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3632
URL: https://hd.gree.net/jp/en/
Representative: Yoshikazu Tanaka, Founder, Chairman and CEO
Inquiries: Toshiki Oya, Director, Senior Vice President, CFO
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Scheduled date to file semi-annual securities report: February 6, 2025
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 Six Months Ended December 31, 2024 (from July 1, 2024 to December 31, 2024)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to shareholders of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	28,520	(5.0)	2,115	3.9	2,159	4.6	955	32.6
December 31, 2023	30,027	(9.5)	2,035	(38.6)	2,064	(31.8)	720	(22.9)

(Notes) Comprehensive income: Six months ended December 31, 2024: 843 million yen [(14.2)%]
Six months ended December 31, 2023: 983 million yen [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2024	5.58	5.52
December 31, 2023	4.22	4.17

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	126,108	93,735	73.9
June 30, 2024	128,788	95,530	73.7

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income)
As of December 31, 2024: ¥93,150 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	-	0.00			
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: 2 (Company name) GREE, Inc. (newly established), GREE Capital US, LLC

Excluded: 1 (Company name) QUANT, Inc.

(Notes)

* For details, please refer to page 13 “2. Consolidated Financial Statements and Key Notes (4) Notes to Consolidated Financial Statements (Significant Changes in the Scope of Consolidation)” in the appendix.

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

(Notes)

* For details, please refer to page 11 “2. Consolidated Financial Statements and Key Notes (4) Notes to Consolidated Financial Statements (Accounting Policies Adopted Specially for the Preparation of 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 page 11 “2. Consolidated Financial Statements and Key Notes (4) Notes to 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 December 31, 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 December 31, 2024	8,487,406 shares
As of June 30, 2024	8,714,774 shares

(iii) Average number of shares outstanding during the period

Six months ended December 31, 2024	171,090,181 shares
Six months ended December 31, 2023	170,752,387 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 (8,068,099 shares for the six months ended December 31, 2024 and 8,295,547 shares for the year ended June 30, 2024).

* Consolidated financial results are exempt from review conducted by certified public accountants or an audit corporation.

* 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.

Table of Contents for Appendix

1. Summary of Financial Performance 2
(1) Operating Results for the Period 2
(2) Financial Position for the Period 3
(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Statements 3
2. Consolidated Financial Statements and Key Notes 5
(1) Consolidated Balance Sheet 5
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income 7
Consolidated Statement of Income (Cumulative) 7
Consolidated Statement of Comprehensive Income (Cumulative) 8
(3) Consolidated Statement of Cash Flows 9
(4) Notes to Consolidated Financial Statements 11
(Changes in Accounting Policies) 11
(Accounting Policies Adopted Specially for the Preparation of Consolidated Financial Statements) 11
(Segment Information) 12
(Significant Changes in Shareholders' Equity) 13
(Going Concern Assumption) 13
(Significant Changes in the Scope of Consolidation) 13
(Significant Subsequent Events) 13

1. Summary of Financial Performance

(1) Operating Results for the Period

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 period were net sales of 28,520 million yen (down 5.0% YoY), operating profit of 2,115 million yen (up 3.9% YoY), ordinary profit of 2,159 million yen (up 4.6% YoY), and net profit attributable to owners of the parent of 955 million yen (up 32.6%).

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 of the period.

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 period, our operations focused on existing titles and results were weak.

As a result, the cumulative consolidated results for the period were net sales of 18,997 million yen (down 14.2% YoY) and operating profit of 1,979 million yen (down 32.0% 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 period were net sales of 4,035 million yen (up 7.7% YoY) and operating profit of 246 million yen (operating profit of 1 million yen in the same period of the previous fiscal year).

(iii) DX Business

Earnings remained firm as we made progress on our overall plan for the DX Business even as we continued to make investments aimed at transitioning to a recurring-earnings-type business structure.

As a result, the cumulative consolidated results for the period were net sales of 3,504 million yen (up 7.7% YoY) and operating profit of 434 million yen (up 1.7% YoY).

(iv) Investment Business

We have been investing in venture capital funds and startups, mainly in the Internet and IT sectors. Performance was strong due to the sale of shares held by funds in which the Company has invested.

As a result, the cumulative consolidated results for the period were net sales of 2,083 million yen (up 109.2% YoY) and operating profit of 226 million yen (operating loss of 256 million yen in the same period of the previous fiscal year).

(2) Financial Position for the Period

(i) Assets, Liabilities and Net Assets

Total assets at the end of the period were 126,108 million yen, a decrease of 2,679 million yen from the end of the previous consolidated fiscal year. Current assets totaled 110,099 million yen (down 2,177 million yen from the end of the previous consolidated fiscal year). Main factors behind this decrease were a decrease of 9,976 million yen in “cash and deposits,” 423 million yen in “accounts receivable - other,” and increase of 7,500 million yen in “money held in trust”, and 654 million yen in “other”. Non-current assets totaled 16,009 million yen (down 502 million yen from the end of the previous consolidated fiscal year). Main factors behind this decrease were a decrease of 186 million yen in “other” and 115 million yen in “investment securities” in “investments and other assets”.

Total liabilities amounted to 32,373 million yen, down 884 million yen from the end of the previous consolidated fiscal year. Current liabilities totaled 23,252 million yen (up 8,230 million yen from the end of the previous fiscal year). The main factors behind this increase were an increase of 9,000 million yen in “current portion of bonds payable,” 505 million yen in “accounts payable - other,” and decrease of 713 million yen in “contract liabilities,” 394 million yen in “income taxes payable”. Non-current liabilities totaled 9,120 million yen (down 9,115 million yen from the end of the previous fiscal year). The main factors behind this decrease were decreases of 9,000 million yen in “bonds payable” and 115 million yen in “other” under “non-current liabilities”.

Net assets totaled 93,735 million yen, down 1,794 million yen from the end of the previous consolidated fiscal year. The main factors behind this decrease were a 157 million yen increase in net assets due to a decrease in “treasury shares,” while “retained earnings” decreased of 1,866 million yen.

The equity ratio, an indicator of financial stability, was 73.9% at the end of the period. The current ratio, an indicator of financial liquidity, was 473.5% at the end of the period.

(ii) Cash Flows

Cash and cash equivalents (hereinafter, net cash) as of the end of the period totaled 74,811 million yen, a decrease of 2,476 million yen compared with the end of the previous consolidated fiscal year.
Cash flows during the period were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the period was 558 million yen (compared with 3,566 million yen in the previous consolidated fiscal year). This was mainly attributable to payment of 1,234 million yen in “income taxes” and an increase in “contract liabilities” of 713 million yen, the posting of 2,120 million yen in “profit before income taxes” and an increase in “accounts payable - other” of 639 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities during the period was 117 million yen (compared with 142 million yen used in the same period of the previous fiscal year). This was mainly attributable to inflows of 126 million yen from the sale of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities during the period was 2,972 million yen (compared with 983 million yen used in the same period of the previous fiscal year). This was mainly attributable to outflow of 2,955 million yen from distribution of dividends.

(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 Second Quarter Financial Results” published the same day as this report.

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

(Millions of yen)

	As of June 30, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	49,788	39,811
Accounts receivable - trade, and contract assets	7,410	7,581
Accounts receivable - other	2,316	1,892
Operational investment securities	22,106	21,972
Money held in trust	27,500	35,000
Other	3,214	3,868
Allowance for doubtful accounts	(59)	(27)
Total current assets	112,276	110,099
Non-current assets		
Property, plant and equipment	2,154	2,037
Intangible assets		
Other	6	5
Total intangible assets	6	5
Investments and other assets		
Investment securities	9,230	9,115
Deferred tax assets	2,342	2,259
Other	3,133	2,947
Allowance for doubtful accounts	(356)	(356)
Total investments and other assets	14,351	13,966
Total non-current assets	16,511	16,009
Total assets	128,788	126,108
Liabilities		
Current liabilities		
Current portion of bonds payable	-	9,000
Income taxes payable	1,600	1,206
Contract liabilities	5,037	4,323
Provision for bonuses	668	551
Accounts payable - other	6,602	7,108
Other	1,112	1,062
Total current liabilities	15,021	23,252
Non-current liabilities		
Bonds payable	16,700	7,700
Other	1,536	1,420
Total non-current liabilities	18,236	9,120
Total liabilities	33,257	32,373

(Millions of yen)

	As of June 30, 2024	As of December 31, 2024
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	2,362	2,362
Retained earnings	96,443	94,576
Treasury shares	(5,608)	(5,450)
Total shareholders' equity	93,298	91,588
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,431	1,385
Foreign currency translation adjustment	216	175
Total accumulated other comprehensive income	1,648	1,561
Share acquisition rights	487	496
Non-controlling interests	96	89
Total net assets	95,530	93,735
Total liabilities and net assets	128,788	126,108

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income (Cumulative)

(Millions of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Net sales	30,027	28,520
Cost of sales	13,582	13,750
Gross profit	16,444	14,770
Selling, general and administrative expenses	14,408	12,655
Operating profit	2,035	2,115
Non-operating income		
Interest income	51	95
Dividend income	15	68
Valuation gain on crypto assets	165	306
Other	18	10
Total non-operating income	251	481
Non-operating expenses		
Interest expenses	67	88
Commission expenses	31	0
Foreign exchange losses	118	346
Other	4	0
Total non-operating expenses	222	436
Ordinary profit	2,064	2,159
Extraordinary income		
Gain on sale of investment securities	28	46
Total extraordinary income	28	46
Extraordinary losses		
Loss on retirement of non-current assets	13	0
Loss on valuation of investment securities	-	85
Total extraordinary losses	13	85
Profit before income taxes	2,080	2,120
Income taxes	1,377	1,190
Profit	702	930
Loss attributable to non-controlling interests	(17)	(24)
Profit attributable to owners of parent	720	955

Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Profit (loss)	702	930
Other comprehensive income		
Valuation difference on available-for-sale securities	(771)	184
Foreign currency translation adjustment	(0)	(41)
Share of other comprehensive income of entities accounted for using equity method	1,052	(230)
Total other comprehensive income	280	(86)
Comprehensive income	983	843
Comprehensive income attributable to:		
owners of parent	1,000	868
non-controlling interests	(17)	(24)

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	2,080	2,120
Depreciation	195	121
Interest and dividend income	(67)	(163)
Interest expenses	67	88
Foreign exchange losses (gains)	117	189
Loss (gain) on sale of investment securities	(28)	(46)
Loss (gain) on valuation of investment securities	-	85
Decrease (increase) in trade receivables	(214)	(158)
Decrease (increase) in accounts receivable - other	564	434
Increase (decrease) in allowance for doubtful accounts	14	(31)
Decrease (increase) in operational investment securities	1,307	(54)
Decrease (increase) in prepaid expenses	(445)	(637)
Decrease (increase) in long-term prepaid expenses	14	206
Increase (decrease) in accounts payable - other	566	639
Increase (decrease) in accrued expenses	138	31
Increase (decrease) in accrued consumption taxes	259	(73)
Increase (decrease) in contract liabilities	(422)	(713)
Increase (decrease) in provision for bonuses	134	(117)
Other, net	36	(201)
Subtotal	4,320	1,718
Interest and dividends received	67	163
Interest paid	(62)	(88)
Income taxes refund (paid)	(759)	(1,234)
Net cash provided by (used in) operating activities	3,566	558
Cash flows from investing activities		
Purchase of property, plant and equipment	(121)	(3)
Purchase of investment securities	(323)	-
Proceeds from sale of investment securities	116	126
Proceeds from sale of shares of subsidiaries and associates	39	-
Payments of leasehold deposits	(3)	(4)
Proceeds from refund of leasehold deposits	153	1
Other, net	(3)	(2)
Net cash provided by (used in) investing activities	(142)	117
Cash flows from financing activities		
Proceeds from issuance of bonds	6,000	-
Redemption of bonds	(5,000)	-
Dividends paid	(1,972)	(2,955)
Other, net	(11)	(16)
Net cash provided by (used in) financing activities	(983)	(2,972)
Effect of exchange rate change on cash and cash equivalents	(106)	(179)
Net increase (decrease) in cash and cash equivalents	2,333	(2,476)

Cash and cash equivalents at beginning of period	74,293	77,288
Cash and cash equivalents at end of period	76,626	74,811

(4) Notes to 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 period.

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 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 period. The change in accounting policy has been applied retroactively, and consolidated financial statements for the same period of the previous fiscal year and consolidated financial statements for the previous fiscal year are retroactively applied. The change in accounting policy has no impact on those previous financial statements.

(Accounting Policies Adopted Specially for the Preparation of 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 period, and have calculated tax expenses by multiplying net profit/loss before income taxes for the period 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. Six months ended December 31, 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)	Consolidated total
	Game and Anime Business	Metaverse Business	DX Business	Investment Business	Total				
Net sales									
Sales to external customers	22,149	3,732	3,096	995	29,973	53	30,027	-	30,027
Inter-segment sales and transfers	2	16	158	-	177	34	211	(211)	-
Total	22,151	3,748	3,255	995	30,151	87	30,239	(211)	30,027
Segment profit (loss) (note 1)	2,910	1	427	(256)	3,082	(21)	3,061	(1,025)	2,035

Notes:

(1) Segment profit (loss) totals are consistent with operating profit in 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 (1,025 million yen) include companywide costs, mainly general management costs not included in reportable segments.

II. Six months ended December 31, 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)	Consolidated total
	Game and Anime Business	Metaverse Business	DX Business	Investment Business	Total				
Net sales									
Sales to external customers	18,988	4,021	3,340	2,083	28,435	85	28,520	-	28,520
Inter-segment sales and transfers	8	14	163	-	185	34	220	(220)	-
Total	18,997	4,035	3,504	2,083	28,621	119	28,740	(220)	28,520
Segment profit (loss) (note 1)	1,979	246	434	226	2,887	(1)	2,885	(770)	2,115

Notes:

(1) Segment profit (loss) totals are consistent with operating profit in 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 (770 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 of the consolidated fiscal year.

Segment information from the 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.

(Significant Changes in the Scope of Consolidation)

GREE, Inc. (newly established) and GREE Capital US, LLC was included in the scope of consolidation in the period due to its new establishment.

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 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)

(Transition to a holding company structure via a company split)

In accordance with a resolution by the Company's board of directors meeting held on August 22, 2024, as of January 1, 2025, the Company transitioned to a holding company structure via a company split. The GREE platform business operated by the Company, portions of the Company's development common department, and a portion of the assets, liabilities, contractual status, and other related rights and obligations were transferred to GREE, Inc., which was established as a successor preparatory company. In addition, the company changed its name from GREE, Inc. to GREE Holdings, Inc.

1. Overview of the company split

(1) Details regarding the businesses involved

GREE platform business, portions of the Company's development common department

(2) Date of company split

January 1, 2025

(3) Legal form of company split

Absorption-type demerger with a successor company, wherein the Company was the absorption-type splitting company and GREE, Inc., a wholly owned subsidiary of the Company, was the successor company.

(4) Name of the Company after the company split

Absorption-type splitting company: GREE Holdings, Inc.
Successor company: GREE, Inc.

(5) Purpose of company split

In line with the GREE Group's mission of "Making the world a better place through the power of the Internet", we aim to continue to provide new value to the world by taking full advantage of the potential of the Internet. As we expect changes in the environment of the rapidly changing Internet sector to progress on an even larger scale and at an even faster pace than before, we have decided to transition to a holding company structure with the aim of achieving sustainable growth and increasing corporate value.

2. Overview of accounting measures implemented

The company split has been treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).