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May 8, 2024

Consolidated Financial Results for the Nine Months Ended March 31, 2024 (Under Japanese GAAP)

Company name: GREE, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 3632
 URL: <https://corp.gree.net/jp/en/>
 Representative: Founder, Chairman and CEO Yoshikazu Tanaka
 Inquiries: Director, Senior Vice President, CFO Toshiki Oya
 Telephone: +81-3-5770-9500
 Scheduled filing date for quarterly securities report: May 8, 2024
 Scheduled dividend payment start date: –
 Prepared supplementary material on quarterly financial results: Yes
 Held quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months Ended March 31, 2024 (from July 1, 2023 to March 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
March 31, 2024	47,199	(14.7)	4,555	(39.6)	5,355	(27.9)	3,201	(23.2)
March 31, 2023	55,320	2.4	7,540	(1.5)	7,425	(14.5)	4,167	(36.9)

(Notes) Comprehensive income: Nine months ended March 31, 2024: 3,094 million yen [779.9%]
 Nine months ended March 31, 2023: 351 million yen [(94.0)%]

	Net profit per share	Diluted profit per share
	Yen	Yen
Nine months ended		
March 31, 2024	18.74	18.53
March 31, 2023	24.24	23.99

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
March 31, 2024	127,106	94,090	73.6
June 30, 2023	124,806	92,549	73.7

Reference: Shareholders' equity
 As of March 31, 2024: ¥93,490 million
 As of June 30, 2023: ¥92,043 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, 2023	-	0.00	-	11.00	11.00
Fiscal year ending June 30, 2024	-	0.00	-		
Fiscal year ending June 30, 2024 (Forecast)				16.50	16.50

(Notes)

1. Revised most-recently announced forecast of cash dividends: Yes
2. The dividend forecast for the year-end dividend for the fiscal year ending June 30, 2024 is 16.50 yen per ordinary share.

3. Forecast of the Consolidated Results for Fiscal Year Ending June 30, 2024

Due to the rapidly changing business environment surrounding the Group over the near term, we have determined that it is difficult to calculate appropriate and reasonable figures for our earnings forecasts. Therefore, we have decided to suspend disclosure of consolidated earnings forecasts.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidated accounting): No

Newly included: -

Excluded: -

(2) Application of special accounting methods in preparing quarterly consolidated financial statements: Yes

(Notes)

For details, please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to Quarterly Consolidated Financial Statements (Special Accounting Treatment Applied in Preparing 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: No

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

(iii) Changes in accounting estimates: No

(iv) Restatements: No

(4) Number of issued shares (common shares)

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

As of March 31, 2024	179,749,700 shares
As of June 30, 2023	179,749,700 shares

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

As of March 31, 2024	8,750,232 shares
As of June 30, 2023	9,094,269 shares

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

Nine months ended March 31, 2024	170,813,305 shares
Nine months ended March 31, 2023	171,921,455 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 (8,331,005 shares for the nine months ended March 31, 2024 and 8,675,042 shares for the year ended June 30, 2023).

* Quarterly financial results reports are exempt from quarterly 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 statements regarding future prospects 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. Qualitative Information on the Quarterly Financial Results

(1) Explanation of Operating Results

The GREE Group has been aggressively investing in the Game and Anime, Metaverse, DX, Commerce, and Investment Businesses. As a result, the cumulative consolidated results for the third quarter were net sales of 47,199 million yen (down 14.7% YoY), operating profit of 4,555 million yen (down 39.6% YoY), ordinary profit of 5,355 million yen (down 27.9% YoY), and net profit attributable to owners of the parent of 3,201 million yen (down 23.2% YoY).

Effective from the first quarter of the current fiscal year, the businesses that were included in the “Internet Entertainment Business” in the previous fiscal year have been divided into the independent “Game and Anime Business,” “Metaverse Business,” “DX Business,” “Commerce Business,” and “Others,” and the “Investment and Incubation Business” has been renamed the “Investment Business.”

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 focused on stabilizing earnings through a long-term operational structure for existing smartphone games and improving profitability through overseas development, while developing new titles. Despite the success of anniversary events for *Heaven Burns Red*, sales declined YoY.

As a result, the cumulative consolidated results for the third quarter were net sales of 35,102 million yen (down 14.2% YoY) and operating income of 5,507 million yen (down 1.4% 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 third quarter were net sales of 5,361 million yen (up 10.5% YoY) and operating income of 80 million yen (operating loss of 96 million yen in the same period of the previous year).

(iii) DX Business

Despite contribution from growth in the Advertising Business, results were somewhat soft due to the impact of large projects completed in the previous consolidated fiscal year.

As a result, the cumulative consolidated results for the third quarter were net sales of 4,185 million yen (down 0.2% YoY) and operating profit of 681 million yen (down 19.8% YoY).

(iv) Commerce Business

We have promoted the “Media and SaaS” strategy across the entire Commerce Business, leveraging our media capabilities to strengthen our SaaS Business, which is a stable earnings base. However, performance in the Media Business was weak in the third quarter of consolidated FY2024. We also continued to invest aggressively in the HR Business, which was launched in the current consolidated fiscal year.

As a result, the cumulative consolidated results for the third quarter were net sales of 966 million yen (down 1.7% YoY) and operating profit of 40 million yen (up 493.5% YoY).

(v) Investment Business

The GREE Group has invested in venture capital funds and startups that invest primarily in the Internet and IT sectors. The investment funds in which we have invested saw a year-on-year decline in income derived from sales of their shareholdings, which resulted in a year-on-year decline in our dividend distribution income.

As a result, the cumulative consolidated results for the third quarter were net sales of 1,832 million yen (down 60.3% YoY) and operating loss of 237 million yen (operating income of 2,467 million yen in the same period of the previous year).

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current consolidated fiscal year were 127,106 million yen, an increase of 2,300 million yen from the end of the previous consolidated fiscal year. Current assets totaled 110,623 million yen (up 3,256 million yen from the end of the previous consolidated fiscal year). Main factors behind this increase were a decrease of 1,443 million yen in “cash and deposits” and increases of 3,500 million yen in “money held in trust”, 784 million yen in “operational investment securities”, and 555 million yen in “notes and accounts receivable - trade, and contract assets”. Non-current assets totaled 16,482 million yen (down 956 million yen from the end of the previous consolidated fiscal year). Main factors behind this increase were an increase of 412 million yen in “deferred tax assets” and decreases of 1,081 million yen in “investment securities” and 131 million yen in “other” in “investments and other assets”.

Total liabilities amounted to 33,015 million yen, up 759 million yen from the end of the previous consolidated fiscal year. Current liabilities totaled 14,837 million yen (down 5,553 million yen from the end of the previous fiscal year). The main factors behind this decline were an increase of 644 million yen in “accounts payable – other”, an increase of 422 million yen in “other” under “current liabilities” and decreases of 5,000 million yen in “current portion of bonds payable” and 1,341 million yen in “contract liabilities”. Noncurrent liabilities totaled 18,178 million yen (up 6,312 million yen from the end of the previous fiscal year). The main factors behind this increase were increases of 6,000 million yen in “bonds payable” and 312 million yen in “other” under “non-current liabilities”.

Net assets totaled 94,090 million yen, down 1,541 million yen from the end of the previous consolidated fiscal year. The main factors behind this increase were a decrease of 141 million yen in “valuation difference on available-for-sale securities”, an increase of 1,323 million yen in “retained earnings” and a 207 million yen decrease in “treasury shares”.

The equity ratio, an indicator of financial stability, was 73.6% at the end of the third quarter. The current ratio, an indicator of financial solvency, was 745.6% at the end of the third quarter.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Statements

The Group will continue to develop its portfolio of content and services, work to expand its user base both in Japan and overseas, and broaden its stable earnings base.

Due to the rapidly changing business environment surrounding the Group over the near term and because there will be a certain degree of impact on the consolidated results of the Investment Business, we have determined that it is difficult to calculate appropriate and reasonable figures for our earnings forecasts. Therefore, we have decided to suspend disclosure of consolidated earnings forecasts.

Please refer to the “FY2024 Third Quarter Financial Results” released today for details on the outlook by segment and other information.

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

(Millions of yen)

	As of June 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	50,293	48,850
Notes and accounts receivable - trade, and contract assets	7,694	8,249
Accounts receivable - other	2,298	1,846
Operational investment securities	19,574	20,359
Money held in trust	24,000	27,500
Other	3,506	3,839
Allowance for doubtful accounts	(0)	(22)
Total current assets	107,367	110,623
Non-current assets		
Property, plant and equipment	2,365	2,224
Intangible assets		
Other	8	6
Total intangible assets	8	6
Investments and other assets		
Investment securities	10,242	9,160
Deferred tax assets	1,907	2,319
Other	3,239	3,108
Allowance for doubtful accounts	(324)	(336)
Total investments and other assets	15,064	14,251
Total non-current assets	17,439	16,482
Total assets	124,806	127,106
Liabilities		
Current liabilities		
Current portion of bonds payable	5,000	—
Income taxes payable	1,684	1,565
Contract liabilities	5,919	4,578
Provision for bonuses	512	352
Accounts payable - other	6,251	6,895
Other	1,023	1,446
Total current liabilities	20,391	14,837
Non-current liabilities		
Bonds payable	10,700	16,700
Other	1,165	1,478
Total non-current liabilities	11,865	18,178
Total liabilities	32,256	33,015

(Millions of yen)

	As of June 30, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	2,365	2,365
Retained earnings	93,690	95,014
Treasury shares	(5,836)	(5,629)
Total shareholders' equity	90,319	91,850
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,657	1,516
Foreign currency translation adjustment	66	123
Total accumulated other comprehensive income	1,724	1,640
Share acquisition rights	454	486
Non-controlling interests	51	113
Total net assets	92,549	94,090
Total liabilities and net assets	124,806	127,106

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

(Millions of yen)

	Nine months ended March 31, 2023	Nine months ended March 31, 2024
Net sales	55,320	47,199
Cost of sales	21,987	20,570
Gross profit	33,333	26,629
Selling, general and administrative expenses	25,793	22,073
Operating profit	7,540	4,555
Non-operating income		
Interest income	116	71
Dividend income	54	15
Foreign exchange gains	—	580
Valuation gain on crypto assets	1	270
Other	9	19
Total non-operating income	182	957
Non-operating expenses		
Interest expenses	91	112
Commission expenses	51	31
Foreign exchange losses	153	—
Other	1	13
Total non-operating expenses	296	157
Ordinary profit	7,425	5,355
Extraordinary income		
Gain on sale of investment securities	291	47
Gain on sale of shares of subsidiaries and associates	3	—
Other	24	—
Total extraordinary income	319	47
Extraordinary losses		
Loss on retirement of non-current assets	3	19
Loss on valuation of investment securities	620	—
Other	0	—
Total extraordinary losses	624	19
Profit before income taxes	7,120	5,384
Income taxes	2,949	2,205
Profit	4,170	3,178
Profit (loss) attributable to non-controlling interests	3	(22)
Profit attributable to owners of parent	4,167	3,201

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	Nine months ended March 31, 2023	Nine months ended March 31, 2024
Profit	4,170	3,178
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,763)	(1,112)
Foreign currency translation adjustment	(35)	57
Share of other comprehensive income of entities accounted for using equity method	(20)	971
Total other comprehensive income	(3,819)	(83)
Comprehensive income	351	3,094
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	348	3,117
Comprehensive income attributable to non-controlling interests	3	(22)

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

No applicable items.

(Notes Regarding Significant Changes in Shareholders' Equity)

No applicable items.

(Changes in Significant Subsidiaries During the Period)

No applicable items.

(Special Accounting Treatment Applied in Preparing Quarterly Consolidated Financial Statements)

(Treatment of Tax Expense)

Tax expense is calculated by reasonably estimating the effective tax rate after applying tax effect accounting to pre-tax income (loss) for the consolidated fiscal year including this third quarter, and multiplying pre-tax income (loss) by such estimated effective tax rate.

However, if the calculation of tax expense using such estimated effective tax rate yields a noticeably irrational result, the statutory effective tax rate is used after adjusting for significant differences that do not qualify as temporary differences to or from income before income taxes and minority interests.

(Significant Subsequent Events)

No applicable items.