

Annual Securities Report

(Report based on Article 24, Paragraph 1 of the
Financial Instruments and Exchange Act of Japan)

(The 20th fiscal term)

From July 1, 2023 to June 30, 2024

GREE, Inc.

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Part I. Information on the Company

I. Overview of the Company

1. Key financial data

(1) Consolidated financial data

Fiscal term		16th	17th	18th	19th	20th
Year ended		June 2020	June 2021	June 2022	June 2023	June 2024
Net sales	(millions of yen)	62,665	63,210	74,906	75,440	61,309
Ordinary profit	(millions of yen)	4,219	11,098	14,106	13,086	7,123
Profit attributable to owners of parent	(millions of yen)	2,709	13,533	10,121	9,278	4,630
Comprehensive income	(millions of yen)	5,953	17,960	7,741	5,710	4,509
Net assets	(millions of yen)	113,406	120,212	90,930	92,549	95,530
Total assets	(millions of yen)	126,492	141,389	116,730	124,806	128,788
Net assets per share	(yen)	496.30	567.43	521.76	539.35	555.13
Basic earnings per share	(yen)	11.79	61.44	54.58	54.07	27.10
Diluted earnings per share	(yen)	11.75	61.21	54.01	53.47	26.79
Equity ratio	(%)	89.3	84.6	77.4	73.7	73.7
Return on equity	(%)	2.4	11.6	9.6	10.2	5.0
Price earnings ratio	(times)	39.19	9.57	15.10	11.80	19.67
Cash flows from operating activities	(millions of yen)	2,032	6,846	13,218	4,590	3,502
Cash flows from investing activities	(millions of yen)	4,204	4,217	(5,299)	(439)	(23)
Cash flows from financing activities	(millions of yen)	(3,751)	(4,013)	(37,516)	3,264	(999)
Cash and cash equivalents at end of period	(millions of yen)	87,018	94,824	66,624	74,293	77,288
Number of employees [Separately, average number of temporary employees]	(people)	1,649 [1,361]	1,543 [1,069]	1,560 [1,080]	1,610 [1,166]	1,580 [1,032]

(Notes) 1. The number of employees represents full-time employees. The average number of temporary employees during the fiscal year (including regularly assigned temporary employees) is shown separately in square brackets.

2. In regard to the average number of shares during the period, which is used in calculating basic earnings per share and diluted earnings per share, the number of the Company's stock held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account has been excluded since they are shown as treasury shares in the consolidated balance sheet.

3. The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant accounting standards at the beginning of the 18th fiscal term, with key financial data for the 18th fiscal term reflecting the application of these accounting standards.

4. The Company changed its accounting policy related to the accounting method for revenue and expenses in the Investment business at the beginning of the 18th fiscal term, with key financial data for the 17th fiscal term retroactively adjusted according to the change in the accounting policy.

(2) Non-consolidated financial data

Fiscal term	16th	17th	18th	19th	20th
Year ended	June 2020	June 2021	June 2022	June 2023	June 2024
Net sales (millions of yen)	39,371	22,560	14,919	11,949	9,617
Ordinary profit (millions of yen)	4,233	8,810	7,732	5,218	5,843
Profit (millions of yen)	3,107	12,115	5,984	2,958	4,779
Share capital (millions of yen)	2,367	100	100	100	100
Total number of shares issued (shares)	242,249,700	242,249,700	179,749,700	179,749,700	179,749,700
Net assets (millions of yen)	111,781	116,703	83,155	61,701	64,082
Total assets (millions of yen)	122,251	135,373	101,270	92,514	97,114
Net assets per share (yen)	489.33	551.02	447.20	358.89	371.82
Dividend per share (Interim dividend included herein) (yen)	10.00 (—)	12.50 (—)	11.00 (—)	11.00 (—)	16.50 (—)
Basic earnings per share (yen)	13.52	55.00	32.27	17.24	27.98
Diluted earnings per share (yen)	13.47	54.79	31.93	17.05	27.66
Equity ratio (%)	91.1	85.8	81.6	66.2	65.5
Return on equity (%)	2.8	10.6	6.0	4.1	7.7
Price earnings ratio (times)	34.17	10.69	25.53	37.01	19.05
Dividend payout ratio (%)	74.0	22.7	34.1	63.8	58.9
Number of employees [Separately, average number of temporary employees] (people)	718 [770]	399 [489]	365 [466]	363 [484]	328 [247]
Total shareholder return (Index for comparison: TOPIX including dividends) (%)	94.2 (103.1)	121.9 (131.3)	171.2 (129.4)	136.2 (162.7)	118.6 (204.3)
Highest share price (yen)	557	648	1,285	946	656
Lowest share price (yen)	341	435	573	628	454

(Notes) 1. The number of employees represents full-time employees. The average number of temporary employees during the fiscal year (including regularly assigned temporary employees) is shown separately in square brackets.

- In regard to the average number of shares during the period, which is used in calculating basic earnings per share and diluted earnings per share, the number of the Company's stock held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account has been excluded since they are shown as treasury shares in the non-consolidated balance sheet.
- The highest and lowest share prices are those on the Tokyo Stock Exchange (Prime Market) from April 4, 2022 onward, and those on the Tokyo Stock Exchange (First Section) prior to that.
- The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant accounting standards at the beginning of the 18th fiscal term, with key financial data for the 18th fiscal term reflecting the application of these accounting standards.
- The Company changed its accounting policy related to the accounting method for revenue and expenses in the Investment business at the beginning of the 18th fiscal term, with key financial data for the 17th fiscal term retroactively adjusted according to the change in the accounting policy.

2. History

Date	Overview
December 2004	GREE, Inc., established in Shirokanedai, Minato-ku, Tokyo (capitalized with ¥10,000,000)
February 2005	Absorbed GREE, Inc. (Mitaka, Tokyo), with GREE, Inc. (Minato-ku, Tokyo) as the surviving company
February 2005	Relocated head office to 5-chome, Roppongi, Minato-ku, Tokyo
July 2005	Relocated head office to 4-chome, Roppongi, Minato-ku, Tokyo
November 2006	Launched social networking service EZ GREE (currently GREE) for au users in cooperation with KDDI Corporation
February 2007	Mobile version of GREE became official service on i-mode from NTT Docomo, Inc.
February 2007	Relocated head office to 3-chome, Roppongi, Minato-ku, Tokyo
April 2007	Launched paid service as part of EZ GREE (currently GREE)
May 2007	Launched paid service as part of mobile version of GREE for i-mode users
August 2007	Mobile version of GREE became official service on Yahoo! Mobile from SoftBank Mobile Corp.
March 2008	Relocated head office to 4-chome, Roppongi, Minato-ku, Tokyo
August 2008	Launched paid service as part of mobile version of GREE for Yahoo! Mobile users
December 2008	Listed on Tokyo Stock Exchange Mothers market
June 2010	Moved to the First Section of Tokyo Stock Exchange
June 2010	Launched GREE Platform service
July 2010	Relocated head office to 6-chome, Roppongi, Minato-ku, Tokyo
December 2010	Launched GREE Platform for Smartphone service
January 2011	Established US subsidiary GREE International, Inc. to conduct online business in the US
January 2011	Made Atlantis Co., Ltd. (currently Glossom, Inc.) a subsidiary to conduct online advertising business
April 2011	Made OpenFeint Inc. a subsidiary to strengthen the online business in the US
May 2012	Made Funzio, Inc. a subsidiary to strengthen ability to develop social games
October 2012	Made Pokelabo, Inc. a subsidiary to strengthen ability to develop social games
February 2014	Established Wright Flyer Studios, Inc. to strengthen ability to develop social games
May 2015	Liquidated US subsidiary OpenFeint Inc.
October 2015	Established funplex, Inc. (currently GREE Entertainment, Inc.) for full-scale entry to the game operation business
August 2016	Established US subsidiary GREE International Entertainment, Inc. to succeed GREE International, Inc.
February 2017	Made 3Minute inc. a subsidiary to strengthen the advertising and media business, with a focus on video
March 2018	Established aumo, Inc. to operate the excursion, sightseeing, and travel information site aumo
April 2018	Established Wright Flyer Live Entertainment, Inc. (currently REALITY, Inc.), which operates the Metaverse business
May 2018	Liquidated US subsidiary GREE International Entertainment, Inc.
August 2018	Wright Flyer Live Entertainment, Inc. (currently REALITY, Inc.) launched REALITY, the world's first live streaming platform specializing in virtual YouTubers (VTubers)
January 2019	Established GREE Lifestyle, inc., which operates media sites including ARINE and WOOZ
July 2020	Conducted absorption-type demerger of the Wright Flyer Studios business from the game business, putting the Wright Flyer Studios business under the control of wholly owned subsidiary WFS, Inc.
September 2020	Transitioned to a company with an Audit & Supervisory Committee
July 2021	Conducted absorption-type demerger of the smartphone game and licensing businesses from the game business, putting these businesses under the control of wholly owned subsidiary funplex, Inc., which changed its name to GREE Entertainment, Inc.
March 2022	The headquarters of the Company and some Group companies were relocated to Roppongi Hills Gate Tower
July 2022	Established BLRD PTE. LTD. to operate the Web3 business
January 2023	Established REALITY Studios, inc. to operate the VTuber business
September 2023	Sequoia, Inc. became the Company's parent company through a share delivery system

3. Description of business

The GREE Group (the “Group”) constitutes GREE, Inc. (the “Company”) and 26 consolidated subsidiaries, for a total of 27 companies. The Group is engaged in the Game and Anime, Metaverse, DX, Commerce, and Investment businesses.

(1) Game and Anime business

In addition to its GREE platform, the Group operates and develops various smartphone games, and distributes numerous popular titles in Japan and globally through its Group members WFS, Pokelabo, and GREE Entertainment.

The Group also participates in anime production committees, develops original content, develops domestic and overseas businesses with a focus on game content, and disseminates its products globally. In this way, it creates, develops, and produces intellectual property (IP) that will be loved over the long term by fans in Japan and abroad.

(2) Metaverse business

The Group develops and operates “REALITY,” a smartphone-oriented metaverse, and operates a VTuber agency that manages and produces a wide range of talents.

(3) DX business

Having developed Internet businesses over many years, the Group strives to support the digital transformation (DX) of corporate clients mainly in the marketing field.

(4) Commerce business (integrated into the DX business from the 21st fiscal term)

In addition to its media business centered around “aumo,” a travel information site, the Group is developing a SaaS business and a digital gift business.

(5) Investment business

Through fund investment and startup investment, the Group primarily invests in the Internet and IT fields in Japan and overseas, contributing to innovation through IT and creating new value.

Business diagram



4. Subsidiaries and associates

Name	Location	Capital stock (millions of yen)	Main business	Percentage of voting rights holding or held	Detail of relationship
(Parent company) Sequoia, Inc. (Note) 1	Minato-ku, Tokyo	3	Real estate investment and securities investment	53.6% held	Employee secondment
(Consolidated subsidiary) WFS, Inc. (Notes) 2, 3	Minato-ku, Tokyo	110	Development and operation of smartphone games	Holding 100.0%	Three officers serving concurrently; receipt of funds
(Consolidated subsidiary) Pokelabo, Inc. (Note) 3	Minato-ku, Tokyo	50	Development and operation of smartphone games	Holding 100.0%	Two officers serving concurrently; receipt of funds
(Consolidated subsidiary) GREE Entertainment, Inc. (Note) 3	Minato-ku, Tokyo	310	Development and operation of smartphone games	Holding 100.0%	Two officers serving concurrently; receipt of funds
(Consolidated subsidiary) REALITY, Inc. (Notes) 2, 3	Minato-ku, Tokyo	10	Metaverse business	Holding 100.0%	Three officers serving concurrently; lending of funds
(Consolidated subsidiary) Glossom, Inc. (Note) 3	Minato-ku, Tokyo	141	Advertising business	Holding 100.0%	Two officers serving concurrently; receipt of funds

(Notes) 1. Chairman, President and CEO Yoshikazu Tanaka directly holds 100% of the voting rights.

2. Net sales of WFS, Inc. and REALITY, Inc. (excluding intragroup sales between consolidated subsidiaries) exceed 10% of consolidated net sales.

WFS, Inc.

Key financial data	(1) Net sales	¥29,660 million
	(2) Ordinary profit	¥3,573 million
	(3) Profit	¥2,856 million
	(4) Net assets	¥6,964 million
	(5) Total assets	¥9,989 million

REALITY, Inc.

Key financial data	(1) Net sales	¥6,479 million
	(2) Ordinary profit	¥1,133 million
	(3) Profit	¥863 million
	(4) Net assets	¥(1,819) million
	(5) Total assets	¥2,752 million

3. The company is classified as a specified subsidiary.

4. There are also 21 consolidated subsidiaries and one equity-method affiliate not listed above.

5. Employees

(1) Consolidated

As of June 30, 2024

Segments	Number of employees
Game and Anime	740 [417]
Metaverse	153 [76]
DX	361 [309]
Commerce	62 [53]
Investment	11 [2]
Total for reportable segments	1,327 [857]
Other	6 [1]
Company-wide (shared)	247 [174]
Total	1,580 [1,032]

(Notes) 1. The number of employees represents full-time employees. The average number of temporary employees during the fiscal year (including regularly assigned temporary employees) is shown separately in square brackets.

2. The number of employees listed as “Company-wide (shared)” refers to those belonging to the administrative division.

(2) The Company

As of June 30, 2024

Number of employees	Average age	Average years of service	Average annual salary (thousands of yen)
328 [247]	38.6	6.9	8,123

Segments	Number of employees
Game and Anime	81 [73]
Company-wide (shared)	247 [174]
Total	328 [247]

(Notes) 1. The number of employees represents full-time employees. The average number of temporary employees during the fiscal year (including regularly assigned temporary employees) is shown separately in square brackets.

2. Average annual salary includes bonuses and extra wages.

3. The number of employees listed as “Company-wide (shared)” refers to those belonging to the administrative division.

(3) Labor unions

The Group has no labor unions, but the management and labor have a favorable relationship, and there are no particular items of note.

(4) Ratio of female workers in management positions, ratio of male workers taking childcare leave, and wage differences between male and female workers

1) The Company

Year ended June 30, 2024				
Ratio of female workers in management positions (%) (Note) 1	Ratio of male workers taking childcare leave (%) (Note) 2	Wage differences between male and female workers (%) (Note) 1		
		All workers	Regular employees	Part-time and fixed-term employees
14.0	—	76.2	81.7	76.8

(Notes) 1. The ratio is calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. This information is not required to be disclosed under the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991). Indicators that are not disclosed are denoted as "—" in accordance with the status of public disclosure.

3. Wage differences between male and female regular employees do not represent a disparity between male and female employees, but rather stem from differences in employee composition by grade.

2) Consolidated subsidiaries

Year ended June 30, 2024					
Name	Ratio of female workers in management positions (%) (Note) 1	Ratio of male workers taking childcare leave (%) (Note) 2	Wage differences between male and female workers (%) (Notes) 1, 3		
			All workers	Of which, regular employees	Of which, part-time and fixed-term employees
WFS, Inc.	7.9	—	77.1	79.9	90.5
Pokelabo, Inc.	0.0	—	—	—	—
GREE Entertainment, Inc.	4.8	—	—	—	—
REALITY, Inc.	40.0	—	—	—	—
Glossom, Inc.	8.3	—	—	—	—
ExPlay, Inc.	20.0	—	—	—	—

(Notes) 1. The ratio is calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. This information is not required to be disclosed under the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991). Indicators that are not disclosed are denoted as "—" in accordance with the status of public disclosure.

3. Wage differences between male and female regular employees do not represent a disparity between male and female employees, but rather stem from differences in employee composition by grade.

II. Business Overview

1. Management policy, management environment, and issues to be addressed

The Group's management policy, management environment, and issues to be addressed are as follows.

The forward-looking statements in this report are based on the Group's best assessment as of June 30, 2024.

(1) Group's basic management policy

With the stated mission of "Making the world a better place through the power of the Internet," the Group aims to continue providing new value to the world by exploring the possibilities of the Internet. The Group also strives to increase corporate and shareholder value as it develops its businesses based on this basic management policy.

(2) Management indicators

The management indicators on which the Group places the most weight are net sales and operating profit. It also watches user count, sales per user, and other indicators that directly impact net sales and operating profit.

(3) Business environment

In 2023, individual smartphone ownership in Japan expanded by 1.6 percentage points year on year to 78.9% (source: 2023 Communications Usage Trend Survey from the Ministry of Internal Affairs and Communications), while the domestic game app market contracted 2.0% year on year to ¥1,188.6 billion (source: Famitsu Game White Paper 2024 from Kadokawa ASCII Research Laboratories, Inc.).

(4) Business and financial issues of greatest priority

The Group recognizes that securing new sources of revenue is a critical management issue and that the following issues need to be addressed.

1) Game and Anime business

In the Game and Anime business, the Group will actively pursue in-house development, along with licensing and contracted development projects, promoting the rebuilding of a multi-layered pipeline and business structure, while also bolstering its development structure as it aims to build a development system based on multi-regional and multi-platform deployment.

2) Metaverse business

In the Metaverse business, the Group will continue to strike a balance between improving profitability and investing in growth. With the smartphone-oriented metaverse REALITY, it aims to expand its share in the domestic live streaming market and strengthen its profitability globally. It will also continue to invest in the VTuber business, a rapidly growing market.

3) DX business

In the DX business, the Group will promote the development and provision of SaaS solutions in the various businesses included in the segment, as it aims to transform the current labor-intensive business structure into one that can achieve ongoing growth through the accumulation of recurring revenue.

4) Investment business

In the Investment business, with the aim of securing stable profit contributions, the Group will continue to make medium- to long-term investments in major domestic and overseas venture capital (VC) funds and startup companies that mainly invest or operate in the Internet and IT fields.

5) Strengthening of organizational structure and internal control and compliance systems

In developing new businesses, the Group is working to hire and foster talented human resources who can flourish in the various business areas in which the Group plans to operate. In addition, in consideration of various potential risks associated with new business fields, the Group will enhance and strengthen its internal control and compliance systems.

2. Stance on sustainability and related initiatives

The Group's stance on sustainability and related initiatives are as follows.

The forward-looking statements in this report are based on the Group's best assessment as of June 30, 2024.

(1) Governance and risk management to support overall sustainability

Among sustainability-related risks, responses to climate change risks in particular are discussed and examined as part of the Group's overall risk management approach by the Group Risk Management Committee, which serves as an advisory body to the president and CEO. The Board of Directors receives reports on important matters discussed by the Group Risk Management Committee and oversees measures and initiatives to address climate change.

Furthermore, the Group has formulated various internal regulations, such as the Risk Management Regulations, and put in place a risk management system to prepare for diversifying risks, including those related to sustainability. Specifically, it has established the Group Risk Management Department and the Group Risk Management Committee. It has also set up and operates systems to promote appropriate risk management within each department and subsidiary.

(2) Key sustainability issues

The key sustainability issues for the Group identified through the aforementioned governance and risk management are as follows.

- Stance on addressing climate change, and related initiatives
- Stance on investment in intellectual property, and related initiatives
- Stance on investment in human capital, and related initiatives

The Group's stance on sustainability and related initiatives with respect to these issues are as follows.

1) Stance on addressing climate change, and related initiatives

The Group recognizes the risks of climate change as an important management issue, and has continued to consider its response to such risks. In September 2022, it publicly endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Under the TCFD framework, the Group discloses information in four areas: (1) governance, (2) strategy, (3) risk management, and (4) metrics and targets. It provides reports on its response to climate change risks. Further details can be found on the corporate website.

<https://corp.gree.net/jp/ja/sustainability/social/tcf.html>

2) Stance on investment in intellectual property, and related initiatives

The Group actively protects and acquires rights for its intellectual property as it expands its businesses. To protect its products and services and acquire rights for new technologies generated through new product and service development, global expansion, and other business activities, it conducts appropriate investigations and examinations on patent rights, trademark rights, and other intellectual property rights, and actively proceeds with related applications.

Furthermore, the Group has established internal rules, provides internal training, and conducts preliminary verifications through its business and legal departments to ensure its products, services, and software do not infringe on the intellectual property rights of third parties.

The Group also investigates and promptly takes appropriate measures in response to infringements by third parties. Further details can be found on the corporate website.

<https://corp.gree.net/jp/ja/sustainability/management/intellectual-property.html>

3) Stance on investment in human capital, and related initiatives

The Group recognizes that ensuring diversity is a strength that contributes to growth, and it operates original programs to create an environment conducive to work styles that suit the life stages of its employees.

To support individual growth and encourage friendly competition among its employees, the Group has introduced various growth support systems and sought to create a work environment where diverse talent can thrive under the following four key themes: "ability to take on challenges," "ability to grow," "ability to praise each other," and "ability to contribute to society."

Going forward, the Group will continue to promote the realization of its vision for the Company and sustainable growth from the perspective of human capital. Further details can be found on the corporate website.

<https://corp.gree.net/jp/ja/sustainability/social/>

Finally, the Group believes that active participation of diverse talent, regardless of nationality, gender, or background, is important. It will therefore continue to promote the recruitment, training, and advancement of diverse human resources, regardless of gender, age, nationality, or prior career path.

The Group is also currently considering specific indicators and targets for human capital and plans to disclose them as soon as they are ready.

3. Business and other risks

Regarding the business and financial information contained in this Annual Securities Report, management recognizes the following key risks that may have a significant impact on financial condition, operating results, and cash flows of consolidated companies.

However, as it would be difficult to rationally estimate the likelihood that such risks will turn into genuine issues or, if this were to occur, the timing or impact it might have on the Group's operating results, no attempt has been made to provide such data here. It is the Group's policy to adequately recognize the risks it faces and work to avoid them or respond appropriately when issues arise, but the content of this section and of the report as a whole should be carefully considered in assessing any investment in the Company's stock. The forward-looking statements in this report are based on the Group's best assessment as of June 30, 2024.

1) Risks related to business environment

I. Smartphone games

The difficulty of development increases as the quality of smartphone games improves through advances in functionality and increased multifunctionality, resulting in longer development times and higher development cost.

In addition, in the event that due to increased competition the Group is unable to win users as planned or the user count falls, this could impact the Group's business development and operating results.

II. Technological innovation

In an effort to respond flexibly to rapidly changing technological innovation, the Group is working to accumulate knowledge and expertise in cutting-edge technologies and hire and develop highly skilled technicians. However, in the event of any delay in responding appropriately to such changes, or in the event of increased capital expenditures on systems and labor costs as a result of addressing the changes, this may result in a reduction in the Group's technological advantage or the competitiveness of its services, which could in turn negatively impact the Group's business development and operating results.

2) Risks related to business development

I. Expansion of smartphone games

To get as many users as possible to use the services it provides on a continual basis, the Group has assembled a content lineup with high entertainment value. However, if the ratio of paying users or usage of paid services fall due to diversification of user preferences or obsolescence of content, this could negatively impact the Group's business development and operating results.

II. Expansion of smartphone-oriented metaverse REALITY

The Group engages in the Metaverse business. Although it aims to expand this business mainly through the smartphone-oriented metaverse REALITY, if the development of this business does not progress according to plan due to a divergence between the outlook for the business and actual conditions, this could negatively impact the Group's business development and operating results.

III. Investment business

In the Investment business, the Group invests in venture capital firms and startup companies that mainly invest or operate in the Internet and IT fields. If the business plan achievement rates at these investees worsen or their growth prospects or earnings outlooks deteriorate, the Group may not be able to recover its investments, and this could negatively impact its business development and operating results.

IV. Risk related to paid services

The Group's main revenue source is the so-called *gacha* (method of providing users with items selected randomly, directly in exchange for money or using a prepaid payment method) used in the GREE platform, smartphone games, and REALITY operated by the Group. The Group complies with guidelines established by an industry group and maintains the necessary internal regulations for the development of the business. However, in the event that these guidelines and internal regulations are not strictly followed, declines in user count, ratio of paying users, or usage of paid services could negatively impact the Group's business development and operating results.

V. International development

The Group is promoting the expansion of smartphone games and REALITY both inside and outside Japan. However, should the Company fail to address potential risks associated with foreign exchange or differences in laws and ordinances, systems, regulations, political and social conditions, culture, religion, user preferences, and business practices from country to country, resulting in hindrance to business advancement, this could negatively impact the Group's business development and operating results.

VI. New businesses

With a view to expanding its operations and diversifying its sources of revenue, the Group plans to continue active expansion into new business areas. This expansion is likely to incur additional systems investment and advertising expenses, possibly causing a decline in profit margin. Further, in the event that new services or businesses cannot be developed according to plan due to disparity between the outlook and actual circumstances, the Group may not be able to recover its investments, and this could negatively impact the Group's business development and operating results.

3) System-related risks

I. Capital expenditure burden related to systems

To ensure stable operation of its services and raise user satisfaction, the Group recognizes that it must conduct upfront spending on systems and infrastructure in line with the growth of its services. The Group plans to continue capital spending to deal with expected increases in user count and traffic, the adoption of new services, and improvements to security. It is also moving to cloud services to reduce associated risk. However, if actual user count and traffic significantly differ from initial projections, there is a possibility that capital expenditures could be moved forward or that the burden of such spending could swell, which could negatively impact the Group's business development and operating results.

II. Service or system trouble and Internet connection environment flaws

The Group recognizes that the stable operation of its services, of the systems that support them, and of the Internet connection environment is a prerequisite to the operation of its businesses, and therefore strives to establish systems to realize such stable operation. However, should various issues such as unexpected natural disaster or accident, abrupt increase in user count or traffic, serious cloud service disruption, unauthorized access via a network, or a computer virus infection transpire, the stable provision of services may become problematic, which could negatively impact the Group's business development and operating results.

4) Risks related to management system

I. Reliance on specific people

Yoshikazu Tanaka is not only the Group's chairman, president and CEO, but also its founder. He has played a critical role since the Group's founding in regard to promoting its businesses and determining and executing management policies and business strategies.

The Group is taking measures to strengthen its organizational structure and reduce its dependence on Mr. Tanaka, such as by sharing information with executives and employees at Board of Directors meetings and Management Meetings, and by delegating authority to them. However, if for some reason it becomes difficult for Mr. Tanaka to continue his involvement in the Group's business management, this could negatively impact the Group's business development and operating results.

II. Securing human resources

The Company recognizes the importance of continuing to hire and develop a wide range of skilled human resources to execute its business strategies, further develop its businesses, and support growth as a group. Since personnel with an exceedingly high level of technical skill and planning ability are desired, especially for the development division, in order for the Group to provide quality services in a stable manner and improve competitiveness, the Group strives to hire such personnel and further develop and retain existing personnel. However, if the hiring of human resources satisfying the Group's standards and the development of existing human resources do not proceed according to plan, this could negatively impact the Group's business development and operating results.

III. Internal control system

The Group recognizes that effectively functioning corporate governance is essential to achieve sustainable growth in corporate value. It recognizes the importance of ensuring appropriate operations and reliable financial reporting, as well as of complying with laws and ordinances based on sound ethics, and is working to enhance its internal control system. However, in the event that rapid business expansion results in the internal control system falling behind in terms of adequacy, this could make appropriate business management problematic, which in turn could negatively impact the Group's business development and operating results.

5) Compliance-related risks

I. Compliance system

The Group believes it is important that its compliance system functions effectively in order to improve corporate value going forward. For this reason, it is working to strengthen its compliance system by formulating internal regulations related to compliance, covering these regulations during internal training, and posting them to a portal site to ensure that all employees are aware of them.

However, even with such initiatives, it is difficult to eliminate all compliance-related risks. If compliance-related issues were to arise in connection with the Group's business operations, this could negatively impact the Group's business development and operating results.

II. Maintenance of the safety and integrity of services the Group provides

The services the Group provides have an unspecified large number of users registered to use them, heightening the risk of a range of issues arising. Furthermore, with a higher number and diversification of users, operators are being asked to maintain environments in which the full range of users can enjoy services safely and with a peace of mind.

In response to these circumstances, the Group is taking steps as follows:

- (a) Clarification of prohibited conduct in the Terms of Use
- (b) Monitoring system for posts and education and awareness activities for users
- (c) Establishment of Usage Environment Improvement Committee
- (d) Measures to protect and nurture minors and improve the usage environment

The Group believes it is maintaining a certain level of safety and security via these measures for the services it provides and plans to add more personnel to conduct monitoring, further strengthen the functions of related systems, and promote awareness and educational activities for users. However, in the event an issue arises in regard to services the Group provides, the Group may face legal liability. In addition, the credibility and brand of the Group or the credibility of the services it provides could be damaged, causing difficulty for the Group to provide services in a stable manner and negatively impacting the Group's business development and operating results.

III. Risk of misconduct

The Group distributes various games and the smartphone-oriented metaverse REALITY through platforms provided by third parties. It has been discovered that some malicious users on these platforms have obtained and used items through illicit means, making it necessary to take measures to prevent fraud. Such illicit conduct runs counter to the intentions of the Group, which implements countermeasures to prevent it. These include preventive measures within computer systems, stipulation of prohibited conduct in the Terms of Use, active education of users, and stringent penalties for violators, including suspension or cancellation of membership.

In the event illicit conduct using the Group's services were to occur, this could damage the Group's credibility and brand, negatively impacting its business development and operating results.

IV. Regulatory requirements

As an Internet-based service provider, the Group recognizes that compliance with Internet-related regulatory requirements and legislation is a management issue of the greatest importance. It is subject to a range of legislation, including the Telecommunications Business Act, Payment Services Act, Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People, Act on the Protection of Personal Information, Act against Unjustifiable Premiums and Misleading Representations, Act on Specified Commercial Transactions, Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders (Provider Liability Limitation Act), Act on Prohibition of Unauthorized Computer Access, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, and Act on Improvement of Transactions between Freelancers and Undertakings, along with various ordinances and guidelines established by supervisory authorities. In the event the Group encounters new or enhanced restrictions on its business as a result of the establishment or revision of such ordinances and regulations, or of administrative disposition by the supervisory authorities, this could negatively impact the Group's business development and operating results.

Of the various laws and ordinances that have an impact on the Group, the following are of particular importance. Detail pertaining to the Act on the Protection of Personal Information is provided in the next section.

(i) Telecommunications Business Act

The Group files reports as a "telecommunications business operator" in line with the provisions of the Telecommunications Business Act and has the obligation of protecting the privacy of transmissions. The Group's operations are conducted in compliance with this act, but in the event of an infraction by the Group leading to administrative disposition, this could negatively impact the Group's business development and operating results.

(ii) Payment Services Act

The virtual currencies developed for use in games distributed on the GREE platform ("GREE coins"), in various games distributed under the Group's name on third-party platforms, or elsewhere are subject to the Payment Services Act. The Group's operations are conducted in compliance with this act, but in the event of an infraction by the Group leading to administrative disposition, this could negatively impact the Group's business development and operating results.

Furthermore, when the Group conducts business overseas, it is subject in each country and region to local regulatory requirements and legislation pertaining to areas such as commercial transactions, advertising, premiums, personal information, privacy, protection of minors, prohibition of monopolization, intellectual property rights, consumer protection, and virtual assets. In addition, the Group is required to obtain local permits and licenses from the governments of those countries and regions to do business or make investments. In the event the Group encounters new or enhanced restrictions on its business as a result of the revision or establishment of such requirements and legislation, this could negatively impact the Group's business development and operating results.

V. Protection of personal information

The Group obtains personal information from users as it provides online services, and therefore has the obligations of an entity handling personal information as defined by the Act on the Protection of Personal Information (APPI). It must also comply with the personal information protection laws of the various countries in which it conducts business. To prevent the leakage or falsification of personal information, the Group has clarified the workflow and authority system to be used when handling personal information. It has formulated regulations and rules regarding the management of personal information, including the Personal Information Protection Regulations, and is working to raise awareness of matters related to personal information protection and compliance with the APPI and other relevant ordinances.

However, if personal information were leaked through the willful misconduct or negligence of a person or people associated with the Group, its business partners, or outsourcing vendors, or due to a computer system flaw, computer virus, or access to a computer by an outside party using illicit means, and the leaked information were exploited, the Group could face legal liability, including compensation for damages, and there could be damage to the credibility and brand of the Group or to the credibility of the services it provides, which would negatively impact the Group's business development and operating results.

VI. Disputes with third parties

The Group strives to minimize violation of laws and ordinances by its executives and employees by promoting legal compliance activities. However, there is a possibility of unexpected trouble or even lawsuits involving users, business partners, employees, or some other third party. In addition, there is a risk of lawsuits involving intellectual property rights, as described later. Depending on the content and result of such lawsuits, significant expenses associated with such lawsuits and potential damage to brand image could also negatively impact the Group's business development and operating results.

6) Risks related to intellectual property rights

I. Plan for protection of intellectual property rights

In light of legal compliance and corporate social responsibility, the Group recognizes the protection of intellectual property rights as an important management issue. For this reason, it strives to prevent infringement by its executives and employees of third-party intellectual property rights by maintaining internal rules and enhancing its in-house educational activities. However, in the event that negligence by an executive or employee of the Group results in the infringement of a third party's intellectual property rights, the Group could face legal liability, including compensation for damages, and there could be damage to the credibility and brand of the Group or to the credibility of the services it provides, which would negatively impact the Group's business development and operating results. In addition, while the Group strives to protect its own intellectual property rights, if such protection measures were to result in significant expense, or if the Group were unable to suitably protect its intellectual property rights and therefore could not maintain its competitive advantage, this would negatively impact the Group's business development and operating results.

II. Patent-related trends

At present, the Group is not aware of any patent-related issues or concerns that would have a significant impact on its businesses or services. However, since the scope of patent rights for Internet-related technology is unclear, it is possible that expenses related to patent disputes or potential disputes could balloon, which would negatively impact the Group's business development and operating results.

III. Content displayed on the Group's services

Regarding the content offered by the Group, a system is in place where the responsible business department cooperates with the legal department in confirming there is no infringement of third-party intellectual property rights. However, if the Group, despite lack of intent, is held liable for infringement of intellectual property rights due to the nature of, or differences in views on, intellectual property rights of third parties, this could have an adverse effect on the Group's business development and operating results. In addition, for content provided by external developers and content posted by users themselves, the Group strives to reduce the risk of infringement of third-party intellectual property rights by establishing the Terms of Use and other guidelines. However, if the Group is held legally liable and the situation unexpectedly develops into litigation or other dispute, this could negatively impact the Group's business development and operating results.

7) Risks related to business partnerships and M&A

I. Business or capital alliances with other companies

The Group endeavors to expand its operations through business or capital alliances, joint ventures, and other methods. By combining the Group's business expertise with that of the companies with which it creates alliances and joint ventures, the Group aims for significant synergy. However, if the initially anticipated synergy does not appear, or if an alliance or a joint venture is dissolved for some other reason, this could negatively impact the Group's business development and operating results.

II. Business expansion through M&A

The Group occasionally leverages M&A to accelerate its efforts to expand the scale of its operations and diversify its sources of revenue. Prior to conducting M&A, the Group undertakes a thorough investigation into the financial status and contractual relationships of any company it hopes to acquire, only making a final decision once associated risk has been closely examined. However, in the event the target of acquisition is found to have contingent liabilities or other liabilities not recognized during the advance investigation or the development of operations does not proceed according to plan, this could negatively impact the Group's business development and operating results. Furthermore, if an acquisition adds a new business in which the Group was not previously involved, the Group would take on additional risk factors inherent to that business.

4. Analyses of financial position, operating results, and cash flows

(1) Overview of business results

1) Business results

In 2023, individual smartphone ownership in Japan expanded by 1.6 percentage points year on year to 78.9% (source: 2023 Communications Usage Trend Survey from the Ministry of Internal Affairs and Communications), while the domestic game app market contracted 2.0% year on year to ¥1,188.6 billion (source: Famitsu Game White Paper 2024 from Kadokawa ASCII Research Laboratories, Inc.).

Against this backdrop, the Group actively invested in its Game and Anime, Metaverse, DX, Commerce, and Investment businesses.

In the fiscal year ended June 30, 2024, the Group reported net sales of ¥61,309 million (down 18.7% year on year), operating profit of ¥5,981 million (down 52.1% year on year), ordinary profit of ¥7,123 million (down 45.6% year on year), and profit attributable to owners of parent of ¥4,630 million (down 50.1% year on year).

Effective from the fiscal year ended June 30, 2024, the operations previously included in the Internet and Entertainment business during the previous fiscal year were reorganized into the following independent businesses: Game and Anime, Metaverse, DX, Commerce, and other, while the Investment and Incubation business was renamed the Investment business.

Changes in results versus the previous fiscal year and the rates of change have been calculated based on figures for the previous fiscal year restated according to the revised segment classifications.

Operating performance by segment was as follows.

a. Game and Anime business

The Group worked to achieve stable earnings through a long-term operational structure for its existing smartphone games and improve its earnings capacity through global expansion, while also pursuing the development of new games. However, performance was sluggish during the fiscal year under review, with no new titles released.

As a result, in the fiscal year under review, segment sales were ¥44,837 million (down 16.4% year on year) and operating profit was ¥6,925 million (down 9.4% year on year).

b. Metaverse business

In the platform business, the Group expanded the content and functionality of the smartphone-oriented metaverse REALITY, while also promoting global expansion. Additionally, it worked to improve its revenue structure through cost efficiency measures, and as a result the platform business achieved full-year profitability. Although the Group continued actively investing in the VTuber business, overall performance in the Metaverse business remained solid.

As a result, in the fiscal year under review, segment sales were ¥7,245 million (up 8.7% year on year) and operating profit was ¥206 million (operating loss of ¥337 million in the previous fiscal year).

c. DX business

Despite the impact of a large project having been completed in the previous fiscal year, the segment remained strong with a steady accumulation of DX support projects, particularly in the marketing DX business.

As a result, in the fiscal year under review, segment sales were ¥5,664 million (up 4.0% year on year), while operating profit was ¥938 million (down 9.0% year on year).

d. Commerce business

The Group promoted its “Media x SaaS” strategy throughout the Commerce business and utilized the media power it has cultivated in the media business to strengthen its SaaS business, which serves as a stable revenue base. However, the media business performed weakly during the fiscal year under review. In addition, the Group continued actively investing in the HR business that was launched during the fiscal year under review.

As a result, in the fiscal year under review, segment sales were ¥1,245 million (down 2.0% year on year) and operating profit was ¥1 million (operating loss of ¥5 million in the previous fiscal year).

e. Investment business

Despite investing in venture capital firms and startup companies that primarily invest or operate in the Internet and IT fields, performance in the segment was weak due to factors such as a decrease in gains on the sale of shares held by the Group’s investment funds.

As a result, in the fiscal year under review, segment sales were ¥2,638 million (down 69.7% year on year), and the segment recorded an operating loss of ¥88 million (operating profit of ¥5,875 million in the previous fiscal year).

2) Cash flows

As of June 30, 2024, cash and cash equivalents amounted to ¥77,288 million, up ¥2,994 million from June 30, 2023. Analysis of the Group's cash flows is as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥3,502 million (¥4,590 million provided in the previous fiscal year). The primary source of cash was ¥7,174 million in profit before income taxes, which was partially offset by ¥2,232 million in income taxes paid and a ¥1,584 million increase in operational investment securities.

(Cash flows from investing activities)

Net cash used in investing activities was ¥23 million (¥439 million used in the previous fiscal year). The main cash inflow was ¥284 million in proceeds from sale of investment securities, which was offset by ¥372 million in purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was ¥999 million (¥3,264 million provided in the previous fiscal year). The cash inflow primarily consisted of ¥6,000 million in proceeds from issuance of bonds, which was offset by ¥5,000 million in redemption of bonds and ¥1,973 million in dividends paid.

3) Production, orders received, and sales

a. Production

The Group's businesses involve providing services using the Internet, and investing in venture capital firms and startup companies. As these services do not include any production components, the Group does not report performance related to production.

b. Orders received

As the period between receipt of orders and the rendering of services is generally short, the Group chooses to omit reporting performance related to orders received.

c. Sales

Sales performance for the fiscal year under review is as follows.

Segments	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)	
	Sales (millions of yen)	Year-on-year changes (%)
Game and Anime	44,837	(16.4)
Metaverse	7,245	8.7
DX	5,664	4.0
Commerce	1,245	(2.0)
Investment	2,638	(69.7)
Other	153	(0.5)
Adjustments (Note 1)	(475)	—
Total	61,309	(18.7)

(Notes) 1. Adjustments represent elimination of intersegment transactions.

2. Sales performance by key partner and ratio of such sales to total sales

Partner	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)		Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)	
	Sales (millions of yen)	%	Sales (millions of yen)	%
Apple Inc.	24,974	33.1	18,613	30.4
Google Inc.	19,310	25.6	15,583	25.4

(2) Analysis of operating results and items for consideration

Information on management's analysis and recognition of the Group's operating results and items for consideration are as follows. Any information that pertains to future developments is based on the best assessment available as of June 30, 2024.

1) Significant accounting estimates and assumptions used in making such estimates

The Group prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan. In preparing these consolidated financial statements, estimates and assumptions are used that may have an impact on assets, liabilities, income, and expenses. Figures based on these estimates and assumptions may differ from actual results.

Information about important accounting policies is provided in V. Financial Information, 1. Consolidated financial statements, (1) Consolidated financial statements, Notes to consolidated financial statements (Significant matters that serve as the basis for preparation of the consolidated financial statements).

2) Analysis of financial position

As of June 30, 2024, total assets stood at ¥128,788 million, up ¥3,981 million from June 30, 2023.

Current assets came to ¥112,276 million, up ¥4,909 million. This rise was primarily driven by increases of ¥3,500 million in money held in trust and ¥2,531 million in operational investment securities, partially offset by decreases of ¥505 million in cash and deposits, ¥292 million in other current assets, and ¥283 million in notes and accounts receivable–trade, and contract assets.

Non-current assets amounted to ¥16,511 million, down ¥927 million. This decline mainly reflected decreases of ¥1,011 million in investment securities, ¥117 million in buildings and structures, and ¥105 million in “other” under investments and other assets, partially offset by a ¥435 million increase in deferred tax assets.

Total liabilities as of June 30, 2024 stood at ¥33,257 million, up ¥1,001 million from June 30, 2023.

Current liabilities totaled ¥15,021 million, down ¥5,369 million from June 30, 2023. This decline was mainly due to decreases of ¥5,000 million in current portion of bonds payable and ¥882 million in contract liabilities, partially offset by increases of ¥351 million in accounts payable–other and ¥156 million in provision for bonuses.

Non-current liabilities were ¥18,236 million, up ¥6,371 million. This growth was primarily due to increases of ¥6,000 million in bonds payable and ¥371 million in other non-current liabilities.

As of June 30, 2024, total net assets amounted to ¥95,530 million, up ¥2,980 million from June 30, 2023. This rise mainly reflected a ¥2,752 million increase in retained earnings and a ¥228 million decrease in treasury shares.

The Group's equity ratio, an indicator of an enterprise's stability, was 73.7% as of June 30, 2024. In addition, its current ratio, an indicator of its ability to make payments, was 747.4%.

3) Analysis of operating results

Net sales totaled ¥61,309 million, down 18.7% year on year. For an analysis of net sales, please refer to (1) Overview of business results, 1) Business results.

Cost of sales declined 6.1% year on year to ¥27,068 million, mainly due to a drop in outsourcing expenses and other costs related to the cooperative operation of games.

Selling, general and administrative expenses fell 17.2% year on year to ¥28,258 million, primarily attributable to a decline in settlement service fees.

Non-operating income rose 66.1% year on year to ¥1,347 million, mainly driven by an increase in foreign exchange gains.

Non-operating expenses declined 7.6% year on year to ¥205 million, primarily due to a smaller loss on valuation of crypto assets.

Extraordinary income fell 77.3% year on year to ¥72 million, mainly due to a decline in gain on sale of investment securities.

Extraordinary losses narrowed 97.0% year on year to ¥21 million, primarily attributable to a smaller loss on valuation of investment securities.

4) Analysis of cash flows

Information on cash flows for the fiscal year under review and on related factors is provided in (1) Overview of business results, 2) Cash flows.

5) Factors with a significant impact on operating results

Factors with a significant impact on operating results are provided in II. Business Overview, 3. Business and other risks.

6) Information on management's problem recognition and plans for the future

Information on management's problem recognition and plans for the future is provided in II. Business Overview, 1. Management policy, management environment, and issues to be addressed.

7) Source of capital and liquidity of funds

The Group maintains internal reserves to address future changes in the business environment and to support the development of new businesses and other initiatives. A significant portion of the Group's working capital is allocated to development costs in the Game and Anime business, as well as advertising and other sales-related expenses for each business. The Group recognizes that securing new sources of revenue is a critical management issue and therefore plans to pursue ongoing growth of the Game and Anime business, strengthen the DX business, and promote the Metaverse business. It intends to use funds on hand to cover the funding requirements for these efforts, but will raise additional funds as needed.

As of June 30, 2024, the balance of cash and cash equivalents was ¥77,288 million.

5. Material agreements

(1) Major trade agreements

Name of partner	Name of agreement	Agreement detail	Agreement period
Apple Inc.	Apple Developer Program License Agreement	Agreement regarding the distribution and sales of apps for iOS devices	One year (automatically renews each year)
Google Inc.	Google Play Developer Sales and Distribution Agreement	Agreement regarding the distribution and sales of apps for Android devices	No provision

(2) Other material agreements related to operations

There are no applicable matters to report.

6. Research and development

The Group develops game content for smartphones. In the fiscal year under review, it recorded ¥827 million in research and development expenses in the Game and Anime business and the Metaverse business.

III. Equipment and Facilities

1. Capital expenditures

In the fiscal year ended June 30, 2024, capital expenditures totaled ¥140 million, most of which went toward interior finishing on studios for the Metaverse business.

2. Principal facilities

The principal facilities of the Group are as follows.

The Company

As of June 30, 2024

Office name (Location)	Segments	Details of facilities	Book value (millions of yen)					Number of employees
			Building	Structures	Tools, furniture and fixtures	Other	Total	
Head office (Minato-ku, Tokyo)	All segments	Business facilities	1,620	11	303	0	1,934	328 [247]

(Notes) 1. The Company currently has no dormant facilities.

2. Of the book value, “other” consists of intangible assets.

3. The number of employees represents full-time employees. The average number of temporary employees during the fiscal year (including regularly assigned temporary employees) is shown separately in square brackets.

4. The building housing the abovementioned head office is leased. Annual rent expenses totaled ¥820 million.

3. Plans for additions or disposals of facilities

(1) Addition of important facilities

The Company has no plans to newly add important facilities.

(2) Disposal of important facilities

The Company has no plans to dispose of important facilities.

IV. Information on the Company

1. Information on the Company's shares

(1) Total number of shares

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	640,000,000
Total	640,000,000

2) Number of shares issued

Class	Number of shares issued as of end of fiscal year (shares) (June 30, 2024)	Number of shares issued as of filing date (shares) (September 30, 2024)	Stock exchange on which the Company is listed	Description
Common stock	179,749,700	179,749,700	Tokyo Stock Exchange (Prime Market)	The number of shares constituting one unit is 100 shares.
Total	179,749,700	179,749,700	—	—

(Note) The number of shares issued as of the filing date does not include those issued upon exercise of share acquisition rights between September 1, 2024 and the filing date of this Annual Securities Report.

(2) Share acquisition rights

1) Details of stock option program

Share acquisition rights issued in accordance with the provisions of the Companies Act are as follows.

1) Resolution of the Board of Directors on September 29, 2015

Resolution date	September 29, 2015
Category and number of grantees	Seven Company directors
Number of share acquisition rights*	1,135 units
Class and number of shares subject to share acquisition rights*	Common stock, 113,500 shares
Amount payable upon exercise of share acquisition rights*	¥1
Exercise period of share acquisition rights*	From October 15, 2015 to October 14, 2025
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Share issue price: ¥572 Additional paid-in capital per share: ¥286
Conditions for exercise of share acquisition rights*	(Notes) 1, 2
Matters regarding transfer of share acquisition rights*	The acquisition of share acquisition rights through transfer requires approval of the Board of Directors.
Matters regarding grant of share acquisition rights as a result of organizational restructuring actions*	(Note) 3

* The information above is as of the end of the fiscal year under review (June 30, 2024). There were no changes in the information between the end of the fiscal year and the end of the month preceding the filing date (August 31, 2024), so information as of the end of the month preceding the filing date has been omitted.

(Notes) 1. An individual allotted the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company.

2. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.

3. In the event the Company conducts a merger (limited to a case in which the Company ceases to exist due to the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange, or a share transfer (hereinafter collectively referred to as “Restructuring Actions”), the holder of the share acquisition rights, neither exercised nor obtained by the Company as of the time the Restructuring Actions take effective, is granted in place of these share acquisition rights, share acquisition rights of the relevant stock company (the “Reorganized Company”) as described in Article 236, Paragraph 1, item viii, (a)–(e) of the Companies Act, based on the following conditions. However, this is limited to cases where the grant of share acquisition rights in the Reorganized Company matching the following conditions is specifically stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement, or share transfer plan.

(1) Number of share acquisition rights of the Reorganized Company to be granted

To be rationally determined in consideration of conditions of Restructuring Actions and based on the number of the share acquisition rights held by the holder.

(2) Class of shares in the Reorganized Company subject to share acquisition rights to be granted

The same class of shares in the Reorganized Company as the class of shares to be issued upon exercise of the share acquisition rights.

(3) Number of shares of the Reorganized Company subject to share acquisition rights to be granted

To be rationally determined in consideration of conditions of Restructuring Actions.

(4) Amount of assets to be contributed upon exercise of share acquisition rights to be granted

Amount of assets to be contributed shall be the amount rationally determined in consideration of conditions of Restructuring Actions and based on the exercise price of the share acquisition rights, multiplied by the number of the Reorganized Company’s shares to be granted for each share acquisition right.

(5) Exercise period for share acquisition rights to be granted

From the first day of the exercise period for the share acquisition rights or the day the Restructuring Actions take effect, whichever is later, through the final day of the exercise period for the share acquisition rights.

(6) Conditions for exercise of share acquisition rights to be granted

To be determined based on agreements for the share acquisition rights.

(7) Matters regarding the increase in share capital and legal capital surplus in the event shares are issued upon exercise of share acquisition rights to be granted

To be determined based on agreements for the share acquisition rights.

(8) Restrictions on acquiring share acquisition rights through transfer

The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors of the Reorganized Company.

(9) Acquisition of share acquisition rights to be granted

To be determined based on agreements for the share acquisition rights.

2) Resolution of the Board of Directors on September 27, 2016

Resolution date	September 27, 2016
Category and number of grantees	Six Company directors
Number of share acquisition rights*	731 units
Class and number of shares subject to share acquisition rights*	Common stock, 73,100 shares
Amount payable upon exercise of share acquisition rights*	¥1
Exercise period of share acquisition rights*	From October 14, 2016 to October 13, 2026
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Share issue price: ¥533 Additional paid-in capital per share: ¥266.5
Conditions for exercise of share acquisition rights*	(Notes) 1, 2
Matters regarding transfer of share acquisition rights*	The acquisition of share acquisition rights through transfer requires approval of the Board of Directors.
Matters regarding grant of share acquisition rights as a result of organizational restructuring actions*	(Note) 3

* The information above is as of the end of the fiscal year under review (June 30, 2024). There were no changes in the information between the end of the fiscal year and the end of the month preceding the filing date (August 31, 2024), so information as of the end of the month preceding the filing date has been omitted.

- (Notes) 1. An individual allotted the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company.
2. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
3. In the event the Company conducts a merger (limited to a case in which the Company ceases to exist due to the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange, or a share transfer (hereinafter collectively referred to as “Restructuring Actions”), the holder of the share acquisition rights, neither exercised nor obtained by the Company as of the time the Restructuring Actions take effective, is granted in place of these share acquisition rights, share acquisition rights of the relevant stock company (the “Reorganized Company”) as described in Article 236, Paragraph 1, item viii, (a)–(e) of the Companies Act, based on the following conditions. However, this is limited to cases where the grant of share acquisition rights in the Reorganized Company matching the following conditions is specifically stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement, or share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be granted
To be rationally determined in consideration of conditions of Restructuring Actions and based on the number of the share acquisition rights held by the holder.
 - (2) Class of shares in the Reorganized Company subject to share acquisition rights to be granted
The same class of shares in the Reorganized Company as the class of shares to be issued upon exercise of the share acquisition rights.
 - (3) Number of shares of the Reorganized Company subject to share acquisition rights to be granted
To be rationally determined in consideration of conditions of Restructuring Actions.
 - (4) Amount of assets to be contributed upon exercise of share acquisition rights to be granted
Amount of assets to be contributed shall be the amount rationally determined in consideration of conditions of Restructuring Actions and based on the exercise price of the share acquisition rights, multiplied by the number of the Reorganized Company’s shares to be granted for each share acquisition right.
 - (5) Exercise period for share acquisition rights to be granted
From the first day of the exercise period for the share acquisition rights or the day the Restructuring Actions take effect, whichever is later, through the final day of the exercise period for the share acquisition rights.
 - (6) Conditions for exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
 - (7) Matters regarding the increase in share capital and legal capital surplus in the event shares are issued upon exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
 - (8) Restrictions on acquiring share acquisition rights through transfer
The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors of the Reorganized Company.
 - (9) Acquisition of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.

3) Resolution of the Board of Directors on September 27, 2017

Resolution date	September 27, 2017
Category and number of grantees	Six Company directors
Number of share acquisition rights*	1,069 units
Class and number of shares subject to share acquisition rights*	Common stock, 106,900 shares
Amount payable upon exercise of share acquisition rights*	¥1
Exercise period of share acquisition rights*	From October 13, 2017 to October 12, 2027
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Share issue price: ¥766 Additional paid-in capital per share: ¥383
Conditions for exercise of share acquisition rights*	(Notes) 1, 2
Matters regarding transfer of share acquisition rights*	The acquisition of share acquisition rights through transfer requires approval of the Board of Directors.
Matters regarding grant of share acquisition rights as a result of organizational restructuring actions*	(Note) 3

* The information above is as of the end of the fiscal year under review (June 30, 2024). There were no changes in the information between the end of the fiscal year and the end of the month preceding the filing date (August 31, 2024), so information as of the end of the month preceding the filing date has been omitted.

- (Notes) 1. An individual allotted the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company.
2. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
3. In the event the Company conducts a merger (limited to a case in which the Company ceases to exist due to the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange, or a share transfer (hereinafter collectively referred to as “Restructuring Actions”), the holder of the share acquisition rights, neither exercised nor obtained by the Company as of the time the Restructuring Actions take effective, is granted in place of these share acquisition rights, share acquisition rights of the relevant stock company (the “Reorganized Company”) as described in Article 236, Paragraph 1, item viii, (a)–(e) of the Companies Act, based on the following conditions. However, this is limited to cases where the grant of share acquisition rights in the Reorganized Company matching the following conditions is specifically stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement, or share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be granted
To be rationally determined in consideration of conditions of Restructuring Actions and based on the number of the share acquisition rights held by the holder.
- (2) Class of shares in the Reorganized Company subject to share acquisition rights to be granted
The same class of shares in the Reorganized Company as the class of shares to be issued upon exercise of the share acquisition rights.
- (3) Number of shares of the Reorganized Company subject to share acquisition rights to be granted
To be rationally determined in consideration of conditions of Restructuring Actions.
- (4) Amount of assets to be contributed upon exercise of share acquisition rights to be granted
Amount of assets to be contributed shall be the amount rationally determined in consideration of conditions of Restructuring Actions and based on the exercise price of the share acquisition rights, multiplied by the number of the Reorganized Company’s shares to be granted for each share acquisition right.
- (5) Exercise period for share acquisition rights to be granted
From the first day of the exercise period for the share acquisition rights or the day the Restructuring Actions take effect, whichever is later, through the final day of the exercise period for the share acquisition rights.
- (6) Conditions for exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (7) Matters regarding the increase in share capital and legal capital surplus in the event shares are issued upon exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (8) Restrictions on acquiring share acquisition rights through transfer
The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors of the Reorganized Company.
- (9) Acquisition of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.

4) Resolution of the Board of Directors on September 26, 2018

Resolution date	September 26, 2018
Category and number of grantees	Six Company directors
Number of share acquisition rights*	1,052 units
Class and number of shares subject to share acquisition rights*	Common stock, 105,200 shares
Amount payable upon exercise of share acquisition rights*	¥1
Exercise period of share acquisition rights*	From October 12, 2018 to October 11, 2028
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Share issue price: ¥482 Additional paid-in capital per share: ¥241
Conditions for exercise of share acquisition rights*	(Notes) 1, 2
Matters regarding transfer of share acquisition rights*	The acquisition of share acquisition rights through transfer requires approval of the Board of Directors.
Matters regarding grant of share acquisition rights as a result of organizational restructuring actions*	(Note) 3

* The information above is as of the end of the fiscal year under review (June 30, 2024). There were no changes in the information between the end of the fiscal year and the end of the month preceding the filing date (August 31, 2024), so information as of the end of the month preceding the filing date has been omitted.

- (Notes) 1. An individual allotted the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company.
2. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
3. In the event the Company conducts a merger (limited to a case in which the Company ceases to exist due to the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange, or a share transfer (hereinafter collectively referred to as “Restructuring Actions”), the holder of the share acquisition rights, neither exercised nor obtained by the Company as of the time the Restructuring Actions take effective, is granted in place of these share acquisition rights, share acquisition rights of the relevant stock company (the “Reorganized Company”) as described in Article 236, Paragraph 1, item viii, (a)–(e) of the Companies Act, based on the following conditions. However, this is limited to cases where the grant of share acquisition rights in the Reorganized Company matching the following conditions is specifically stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement, or share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be granted
To be rationally determined in consideration of conditions of Restructuring Actions and based on the number of the share acquisition rights held by the holder.
- (2) Class of shares in the Reorganized Company subject to share acquisition rights to be granted
The same class of shares in the Reorganized Company as the class of shares to be issued upon exercise of the share acquisition rights.
- (3) Number of shares of the Reorganized Company subject to share acquisition rights to be granted
To be rationally determined in consideration of conditions of Restructuring Actions.
- (4) Amount of assets to be contributed upon exercise of share acquisition rights to be granted
Amount of assets to be contributed shall be the amount rationally determined in consideration of conditions of Restructuring Actions and based on the exercise price of the share acquisition rights, multiplied by the number of the Reorganized Company’s shares to be granted for each share acquisition right.
- (5) Exercise period for share acquisition rights to be granted
From the first day of the exercise period for the share acquisition rights or the day the Restructuring Actions take effect, whichever is later, through the final day of the exercise period for the share acquisition rights.
- (6) Conditions for exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (7) Matters regarding the increase in share capital and legal capital surplus in the event shares are issued upon exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (8) Restrictions on acquiring share acquisition rights through transfer
The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors of the Reorganized Company.
- (9) Acquisition of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.

5) Resolution of the Board of Directors on September 25, 2019

Resolution date	September 25, 2019
Category and number of grantees	Six Company directors
Number of share acquisition rights*	995 units
Class and number of shares subject to share acquisition rights*	Common stock, 99,500 shares
Amount payable upon exercise of share acquisition rights*	¥1
Exercise period of share acquisition rights*	From October 11, 2019 to October 10, 2029
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Share issue price: ¥458 Additional paid-in capital per share: ¥229
Conditions for exercise of share acquisition rights*	(Notes) 1, 2
Matters regarding transfer of share acquisition rights*	The acquisition of share acquisition rights through transfer requires approval of the Board of Directors.
Matters regarding grant of share acquisition rights as a result of organizational restructuring actions*	(Note) 3

* The information above is as of the end of the fiscal year under review (June 30, 2024). There were no changes in the information between the end of the fiscal year and the end of the month preceding the filing date (August 31, 2024), so information as of the end of the month preceding the filing date has been omitted.

- (Notes) 1. An individual allotted the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company.
2. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
3. In the event the Company conducts a merger (limited to a case in which the Company ceases to exist due to the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange, or a share transfer (hereinafter collectively referred to as “Restructuring Actions”), the holder of the share acquisition rights, neither exercised nor obtained by the Company as of the time the Restructuring Actions take effective, is granted in place of these share acquisition rights, share acquisition rights of the relevant stock company (the “Reorganized Company”) as described in Article 236, Paragraph 1, item viii, (a)–(e) of the Companies Act, based on the following conditions. However, this is limited to cases where the grant of share acquisition rights in the Reorganized Company matching the following conditions is specifically stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement, or share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be granted
To be rationally determined in consideration of conditions of Restructuring Actions and based on the number of the share acquisition rights held by the holder.
- (2) Class of shares in the Reorganized Company subject to share acquisition rights to be granted
The same class of shares in the Reorganized Company as the class of shares to be issued upon exercise of the share acquisition rights.
- (3) Number of shares of the Reorganized Company subject to share acquisition rights to be granted
To be rationally determined in consideration of conditions of Restructuring Actions.
- (4) Amount of assets to be contributed upon exercise of share acquisition rights to be granted
Amount of assets to be contributed shall be the amount rationally determined in consideration of conditions of Restructuring Actions and based on the exercise price of the share acquisition rights, multiplied by the number of the Reorganized Company’s shares to be granted for each share acquisition right.
- (5) Exercise period for share acquisition rights to be granted
From the first day of the exercise period for the share acquisition rights or the day the Restructuring Actions take effect, whichever is later, through the final day of the exercise period for the share acquisition rights.
- (6) Conditions for exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (7) Matters regarding the increase in share capital and legal capital surplus in the event shares are issued upon exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (8) Restrictions on acquiring share acquisition rights through transfer
The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors of the Reorganized Company.
- (9) Acquisition of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.

6) Resolution of the Board of Directors on September 29, 2020

Resolution date	September 29, 2020
Category and number of grantees	Six Company directors
Number of share acquisition rights*	1,260 units
Class and number of shares subject to share acquisition rights*	Common stock, 126,000 shares
Amount payable upon exercise of share acquisition rights*	¥1
Exercise period of share acquisition rights*	From October 14, 2020 to October 13, 2030
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Share issue price: ¥500 Additional paid-in capital per share: ¥250
Conditions for exercise of share acquisition rights*	(Notes) 1, 2
Matters regarding transfer of share acquisition rights*	The acquisition of share acquisition rights through transfer requires approval of the Board of Directors.
Matters regarding grant of share acquisition rights as a result of organizational restructuring actions*	(Note) 3

* The information above is as of the end of the fiscal year under review (June 30, 2024). There were no changes in the information between the end of the fiscal year and the end of the month preceding the filing date (August 31, 2024), so information as of the end of the month preceding the filing date has been omitted.

- (Notes) 1. An individual allotted the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company.
2. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
3. In the event the Company conducts a merger (limited to a case in which the Company ceases to exist due to the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange, or a share transfer (hereinafter collectively referred to as “Restructuring Actions”), the holder of the share acquisition rights, neither exercised nor obtained by the Company as of the time the Restructuring Actions take effective, is granted in place of these share acquisition rights, share acquisition rights of the relevant stock company (the “Reorganized Company”) as described in Article 236, Paragraph 1, item viii, (a)–(e) of the Companies Act, based on the following conditions. However, this is limited to cases where the grant of share acquisition rights in the Reorganized Company matching the following conditions is specifically stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement, or share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be granted
To be rationally determined in consideration of conditions of Restructuring Actions and based on the number of the share acquisition rights held by the holder.
- (2) Class of shares in the Reorganized Company subject to share acquisition rights to be granted
The same class of shares in the Reorganized Company as the class of shares to be issued upon exercise of the share acquisition rights.
- (3) Number of shares of the Reorganized Company subject to share acquisition rights to be granted
To be rationally determined in consideration of conditions of Restructuring Actions.
- (4) Amount of assets to be contributed upon exercise of share acquisition rights to be granted
Amount of assets to be contributed shall be the amount rationally determined in consideration of conditions of Restructuring Actions and based on the exercise price of the share acquisition rights, multiplied by the number of the Reorganized Company’s shares to be granted for each share acquisition right.
- (5) Exercise period for share acquisition rights to be granted
From the first day of the exercise period for the share acquisition rights or the day the Restructuring Actions take effect, whichever is later, through the final day of the exercise period for the share acquisition rights.
- (6) Conditions for exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (7) Matters regarding the increase in share capital and legal capital surplus in the event shares are issued upon exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (8) Restrictions on acquiring share acquisition rights through transfer
The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors of the Reorganized Company.
- (9) Acquisition of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.

7) Resolution of the Board of Directors on September 28, 2021

Resolution date	September 28, 2021
Category and number of grantees	Five Company directors
Number of share acquisition rights*	11,970 units
Class and number of shares subject to share acquisition rights*	Common stock, 1,197,000 shares
Amount payable upon exercise of share acquisition rights*	¥1
Exercise period of share acquisition rights*	From October 14, 2021 to October 13, 2031
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Share issue price: ¥827 Additional paid-in capital per share: ¥413.5
Conditions for exercise of share acquisition rights*	(Notes) 1, 2
Matters regarding transfer of share acquisition rights*	The transfer of share acquisition rights requires approval of the Board of Directors.
Matters regarding grant of share acquisition rights as a result of organizational restructuring actions*	(Note) 3

* The information above is as of the end of the fiscal year under review (June 30, 2024). There were no changes in the information between the end of the fiscal year and the end of the month preceding the filing date (August 31, 2024), so information as of the end of the month preceding the filing date has been omitted.

- (Notes) 1. An individual allotted the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company.
2. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights. Individuals that have been allotted the share acquisition rights may exercise the share acquisition rights from the day following the date on which the market capitalization condition has been met.
[Market capitalization condition]
The main condition for exercise of the rights is that, at any time within seven years from the date of allotment of the rights, the market capitalization of the Company (calculated using the formula below) exceeds ¥500 billion on each of five consecutive business days (excluding days on which the Company's common stock is not traded).
Market capitalization = (Total number of common shares issued by the Company* – Number of common shares held by the Company as treasury stock*) × Closing price of the Company's common shares in regular trading on the Tokyo Stock Exchange*
*All three figures shall be the figures for each of the relevant five consecutive business days.
3. In the event the Company conducts a merger (limited to a case in which the Company ceases to exist due to the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange, or a share transfer (hereinafter collectively referred to as "Restructuring Actions"), the holder of the share acquisition rights, neither exercised nor obtained by the Company as of the time the Restructuring Actions take effective, is granted in place of these share acquisition rights, share acquisition rights of the relevant stock company (the "Reorganized Company") as described in Article 236, Paragraph 1, item viii, (a)–(e) of the Companies Act, based on the following conditions. However, this is limited to cases where the grant of share acquisition rights in the Reorganized Company matching the following conditions is specifically stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement, or share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be granted
To be rationally determined in consideration of conditions of Restructuring Actions and based on the number of the share acquisition rights held by the holder.
 - (2) Class of shares in the Reorganized Company subject to share acquisition rights to be granted
The same class of shares in the Reorganized Company as the class of shares to be issued upon exercise of the share acquisition rights.
 - (3) Number of shares of the Reorganized Company subject to share acquisition rights to be granted
To be rationally determined in consideration of conditions of Restructuring Actions.
 - (4) Amount of assets to be contributed upon exercise of share acquisition rights to be granted
Amount of assets to be contributed shall be the amount rationally determined in consideration of conditions of Restructuring Actions and based on the exercise price of the share acquisition rights, multiplied by the number of the Reorganized Company's shares to be granted for each share acquisition right.
 - (5) Exercise period for share acquisition rights to be granted
From the first day of the exercise period for the share acquisition rights or the day the Restructuring Actions take effect, whichever is later, through the final day of the exercise period for the share acquisition rights.
 - (6) Conditions for exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
 - (7) Matters regarding the increase in share capital and legal capital surplus in the event shares are issued upon exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.

- (8) Restrictions on acquiring share acquisition rights through transfer
The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors of the Reorganized Company.
- (9) Acquisition of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.

8) Resolution of the Board of Directors on September 28, 2021

Resolution date	September 28, 2021
Category and number of grantees	Six Company directors
Number of share acquisition rights*	727 units
Class and number of shares subject to share acquisition rights*	Common stock, 72,700 shares
Amount payable upon exercise of share acquisition rights*	¥1
Exercise period of share acquisition rights*	From October 14, 2021 to October 13, 2031
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Share issue price: ¥810 Additional paid-in capital per share: ¥405
Conditions for exercise of share acquisition rights*	(Notes) 1, 2
Matters regarding transfer of share acquisition rights*	The transfer of share acquisition rights requires approval of the Board of Directors.
Matters regarding grant of share acquisition rights as a result of organizational restructuring actions*	(Note) 3

* The information above is as of the end of the fiscal year under review (June 30, 2024). There were no changes in the information between the end of the fiscal year and the end of the month preceding the filing date (August 31, 2024), so information as of the end of the month preceding the filing date has been omitted.

- (Notes) 1. An individual allotted the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company.
2. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
3. In the event the Company conducts a merger (limited to a case in which the Company ceases to exist due to the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange, or a share transfer (hereinafter collectively referred to as “Restructuring Actions”), the holder of the share acquisition rights, neither exercised nor obtained by the Company as of the time the Restructuring Actions take effective, is granted in place of these share acquisition rights, share acquisition rights of the relevant stock company (the “Reorganized Company”) as described in Article 236, Paragraph 1, item viii, (a)–(e) of the Companies Act, based on the following conditions. However, this is limited to cases where the grant of share acquisition rights in the Reorganized Company matching the following conditions is specifically stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement, or share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be granted
To be rationally determined in consideration of conditions of Restructuring Actions and based on the number of the share acquisition rights held by the holder.
- (2) Class of shares in the Reorganized Company subject to share acquisition rights to be granted
The same class of shares in the Reorganized Company as the class of shares to be issued upon exercise of the share acquisition rights.
- (3) Number of shares of the Reorganized Company subject to share acquisition rights to be granted
To be rationally determined in consideration of conditions of Restructuring Actions.
- (4) Amount of assets to be contributed upon exercise of share acquisition rights to be granted
Amount of assets to be contributed shall be the amount rationally determined in consideration of conditions of Restructuring Actions and based on the exercise price of the share acquisition rights, multiplied by the number of the Reorganized Company’s shares to be granted for each share acquisition right.
- (5) Exercise period for share acquisition rights to be granted
From the first day of the exercise period for the share acquisition rights or the day the Restructuring Actions take effect, whichever is later, through the final day of the exercise period for the share acquisition rights.
- (6) Conditions for exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (7) Matters regarding the increase in share capital and legal capital surplus in the event shares are issued upon exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (8) Restrictions on acquiring share acquisition rights through transfer
The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors of the Reorganized Company.
- (9) Acquisition of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.

9) Resolution of the Board of Directors on September 27, 2022

Resolution date	September 27, 2022
Category and number of grantees	One Company director
Number of share acquisition rights*	1,243 units
Class and number of shares subject to share acquisition rights*	Common stock, 124,300 shares
Amount payable upon exercise of share acquisition rights*	¥1
Exercise period of share acquisition rights*	From October 14, 2022 to October 13, 2032
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Share issue price: ¥777 Additional paid-in capital per share: ¥388.5
Conditions for exercise of share acquisition rights*	(Notes) 1, 2
Matters regarding transfer of share acquisition rights*	The transfer of share acquisition rights requires approval of the Board of Directors.
Matters regarding grant of share acquisition rights as a result of organizational restructuring actions*	(Note) 3

* The information above is as of the end of the fiscal year under review (June 30, 2024). There were no changes in the information between the end of the fiscal year and the end of the month preceding the filing date (August 31, 2024), so information as of the end of the month preceding the filing date has been omitted.

- (Notes) 1. An individual allotted the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company.
2. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
3. In the event the Company conducts a merger (limited to a case in which the Company ceases to exist due to the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange, or a share transfer (hereinafter collectively referred to as “Restructuring Actions”), the holder of the share acquisition rights, neither exercised nor obtained by the Company as of the time the Restructuring Actions take effective, is granted in place of these share acquisition rights, share acquisition rights of the relevant stock company (the “Reorganized Company”) as described in Article 236, Paragraph 1, item viii, (a)–(e) of the Companies Act, based on the following conditions. However, this is limited to cases where the grant of share acquisition rights in the Reorganized Company matching the following conditions is specifically stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement, or share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be granted
To be rationally determined in consideration of conditions of Restructuring Actions and based on the number of the share acquisition rights held by the holder.
- (2) Class of shares in the Reorganized Company subject to share acquisition rights to be granted
The same class of shares in the Reorganized Company as the class of shares to be issued upon exercise of the share acquisition rights.
- (3) Number of shares of the Reorganized Company subject to share acquisition rights to be granted
To be rationally determined in consideration of conditions of Restructuring Actions.
- (4) Amount of assets to be contributed upon exercise of share acquisition rights to be granted
Amount of assets to be contributed shall be the amount rationally determined in consideration of conditions of Restructuring Actions and based on the exercise price of the share acquisition rights, multiplied by the number of the Reorganized Company’s shares to be granted for each share acquisition right.
- (5) Exercise period for share acquisition rights to be granted
From the first day of the exercise period for the share acquisition rights or the day the Restructuring Actions take effect, whichever is later, through the final day of the exercise period for the share acquisition rights.
- (6) Conditions for exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (7) Matters regarding the increase in share capital and legal capital surplus in the event shares are issued upon exercise of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.
- (8) Restrictions on acquiring share acquisition rights through transfer
The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors of the Reorganized Company.
- (9) Acquisition of share acquisition rights to be granted
To be determined based on agreements for the share acquisition rights.

2) Details of rights plans

There are no applicable matters to report.

3) Status of other share acquisition rights

There are no applicable matters to report.

(3) Exercise status of moving strike convertible bonds

There are no applicable matters to report.

(4) Total number of shares issued and share capital

Period	Change in total number of shares issued (shares)	Balance of shares issued (shares)	Change in share capital (millions of yen)	Balance of share capital (millions of yen)	Change in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
July 1, 2019–June 30, 2020 (Note) 1	18,500	242,249,700	5	2,367	5	2,365
November 5, 2020 (Note) 2	—	242,249,700	(2,267)	100	—	2,365
December 28, 2021 (Note) 3	(62,500,000)	179,749,700	—	100	—	2,365

(Notes) 1. The increases were due to the exercise of share acquisition rights.

2. The ¥2,267 million decrease in share capital was due to a capital reduction.

3. The decrease of 62,500,000 shares in the total number of shares issued was due to the cancellation of shares.

(5) Shareholder composition

As of June 30, 2024

Category	Status of shares (100 shares constitute a unit)								Shares less than one unit (shares)
	National and local government bodies	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders		Individual and others	Total	
					Non-individuals	Individuals			
Number of shareholders	—	17	33	117	187	107	33,060	33,521	—
Shares held (units)	—	216,431	32,365	969,323	174,702	656	403,339	1,796,816	68,100
Shareholding ratio (%)	—	12.04	1.80	53.93	9.72	0.04	22.47	100.00	—

(Notes) 1. Of the 419,227 shares of treasury stock, 4,192 units are included in “individual and others,” and 27 shares are included in “shares less than one unit.”

2. Of the 8,295,547 shares of the Company’s stock held by The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account), 82,955 units are included in “financial institutions,” and 47 shares are included in “shares less than one unit.”

(6) Major shareholders

As of June 30, 2024

Name	Address	Number of shares held (thousands of shares)	Number of shares held as percentage of total shares issued (excluding treasury shares) (%)
Sequoia, Inc.	14-5, Akasaka 1-chome, Minato-ku, Tokyo	96,000	53.53
Yoshikazu Tanaka	Minato-ku, Tokyo	14,825	8.27
The Master Trust Bank of Japan, Ltd. (Trust Account)	8-3, Akasaka 1-chome, Minato-ku, Tokyo	9,471	5.28
The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account 76166)	8-3, Akasaka 1-chome, Minato-ku, Tokyo	5,387	3.00
The Master Trust Bank of Japan, Ltd. (Executive Remuneration BIP Trust Account 76759)	8-3, Akasaka 1-chome, Minato-ku, Tokyo	2,907	1.62
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	2,117	1.18
Masaki Fujimoto	Chuo-ku, Tokyo	1,826	1.02
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 Heritage Drive North Quincy, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	1,076	0.60
J.P. MORGAN SE – LUXEMBOURG BRANCH 384535 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	6 route de Trèves, L-2635 Senningerberg, Luxemburg (15-1, Konan 2-chome, Minato-ku, Tokyo)	1,066	0.59
Nomura Securities Co., Ltd.	13-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	1,008	0.56
Total	—	135,683	75.66

(Note) The Company holds 419 thousand shares of treasury stock; however these shares have been excluded from this list of major shareholders since they carry no voting rights.

(7) Voting rights

1) Shares issued

As of June 30, 2024

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares)	Common stock 419,200	—	—
Shares with full voting rights (others)	Common stock 179,262,400	1,792,624	—
Shares less than one unit	Common stock 68,100	—	—
Total number of shares issued	179,749,700	—	—
Total number of voting rights held by all shareholders	—	1,792,624	—

(Note) Of the 8,295,547 shares of the Company's stock held by The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account), 8,295,500 shares (voting rights for 82,955 units) are included in "shares with full voting rights (others)," and 47 shares are included in "shares less than one unit."

2) Treasury shares

As of June 30, 2024

Shareholder	Shareholder address	Number of shares held under own name (shares)	Number of shares held under name of others (shares)	Total number of shares held (shares)	Number of shares held as percentage of total shares issued (%)
GREE, Inc.	11-1, Roppongi 6-chome, Minato-ku, Tokyo	419,200	—	419,200	0.23
Total	—	419,200	—	419,200	0.23

(Note) 8,295,547 shares of the Company's stock held by The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account) are not included in the above treasury shares.

(8) Executive and employee stock ownership plan

(ESOP Trust)

1. Overview of ESOP Trust

The Company has adopted an employee incentive plan called a Stock Grant ESOP Trust (hereinafter referred to as “ESOP Trust”) with the objectives of further advancing business operations with a focus on earnings improvement, making Group employees mindful of the Company’s performance and share price, and strengthening its corporate value in the long term.

The ESOP Trust is a trust-type employee incentive plan based on the US employee stock ownership plan (ESOP) intended for the purpose of enhancing employee compensation system using the Company’s stock. By contributing funds to acquire the Company’s stock, the Company establishes a trust, for which the beneficiaries are employees of the Company and its subsidiaries who satisfy certain requirements. During a predetermined acquisition period, the trust acquires from the stock market a certain number of shares in the Company that is expected to be granted to employees of the Company and its subsidiaries based on predetermined Stock Grant Regulations. Thereafter, the trust grants the Company’s stock to entitled employees free of charge during their employment, as per the Stock Grant Regulations and based on such employees’ posts during the term of the trust and other factors. Since the Company’s stock granted to employees are acquired with contributions wholly provided by the Company, there is no burden on the employee.

The adoption of this trust allows employees to receive economic benefits when the Company’s stock price increases. As such, it is expected to encourage employees to apply a stock price-conscious mindset in the performance of their duties and boost their morale. In addition, since the voting rights for the Company’s stock that serves as the trust assets are used to reflect the will of the employees who are the beneficiary candidates, the trust promotes employees’ engagement in management. In this way, the plan should prove effective in improving corporate value.

2. Total number of shares to be acquired by employees

8,784,600 shares

3. Scope of individuals who can receive beneficiary and other rights via the ESOP Trust

Employees of the Company and its subsidiaries who satisfy certain requirements

(Executive Remuneration BIP Trust)

1. Overview of Executive Remuneration BIP Trust

The Company has adopted a share-based remuneration plan (hereinafter referred to as the “Plan”) for its directors (excluding outside directors, directors who are Audit & Supervisory Committee members, and non-residents of Japan; the same shall apply hereinafter) and senior vice presidents (excluding those who concurrently serve as directors and non-residents of Japan; hereinafter collectively referred to as “Eligible Directors, etc.” together with directors).

The Plan assumes the form of an Executive Remuneration Board Incentive Plan Trust (hereinafter referred to as “BIP Trust”). Under the Plan, the Company issues and pays shares of the Company’s stock and a cash amount equivalent to the cash proceeds from the conversion of the Company’s stock to Eligible Directors, etc. in accordance with factors such as the position and degree of achievement of performance of the Eligible Directors, etc. When the trust period for the BIP Trust set for the implementation of the Plan expires, the Company will in principle aim to continuously implement the Plan by amending the trust agreement or setting up an additional trust.

With the adoption of the Plan, the Company seeks to clarify the correlation between the remuneration of the Eligible Directors, etc. and the value of the share price of the Company to the Eligible Directors, etc., and further enhance the motivation of Eligible Directors, etc. to contribute to increases in corporate value and help maximize corporate value.

2. Total number of shares to be acquired by Eligible Directors

Acquisition period: November 2022 to November 2027

Maximum shares to be acquired by Eligible Directors, etc.: 3,250,000 shares

3. Scope of individuals who can receive beneficiary and other rights via the Executive Remuneration BIP Trust

Directors and senior vice presidents of the Company who satisfy certain requirements

2. Acquisition of treasury shares

Class of shares

Common shares

(1) Acquisition by resolution of the General Meeting of Shareholders

There are no applicable matters to report.

(2) Acquisition by resolution of the Board of Directors

There are no applicable matters to report.

(3) Acquisition not based on resolution of the General Meeting of Shareholders or the Board of Directors

There are no applicable matters to report.

(4) Disposition and holding of acquired treasury shares

Category	Year ended June 30, 2024		Year ending June 30, 2025	
	Number of shares (shares)	Total amount disposed (yen)	Number of shares (shares)	Total amount disposed (yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were cancelled	—	—	—	—
Acquired treasury shares transferred in connection with merger, share exchange, share delivery, or demerger	—	—	—	—
Others	—	—	—	—
Number of treasury shares held	419,227	—	419,227	—

(Notes) 1. The number of treasury shares held does not include the number of shares held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account.

2. The number of treasury shares held in the fiscal year ending June 30, 2025 does not include shares less than one unit purchased between September 1, 2024 and the filing date of this Annual Securities Report.

3. Dividend policy

The Group recognizes that shareholder returns are an important management issue. As such, it has a basic policy of appropriately distributing profits in line with the Group's actual and projected business results and financial condition, with consideration given to the need to maintain adequate internal reserves to efficiently operate and expand its businesses. The Group has not established any specific rule on the number of dividend payouts. The body that makes decisions on dividends of surplus is the Board of Directors.

The Group aims to provide stable, continuous dividends, maintaining a dividend on equity (DOE) ratio of about 3% and a consolidated payout ratio of 30% or higher (maximum of 70%). For the fiscal year under review, it resolved to pay an ordinary dividend of ¥16.5 per share.

The Company's Articles of Incorporation stipulate that "the Board of Directors may resolve to pay an interim dividend with December 31 each year as the record date."

The dividends of surplus for the fiscal year under review are as follows.

Resolution date	Total amount of dividends (millions of yen)	Dividend per share (yen)
August 1, 2024 Board of Directors	2,822	16.5

(Note) The total amount of dividends does not include dividends paid to the Company's stock held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account (¥136 million for the fiscal year ended June 30, 2024).

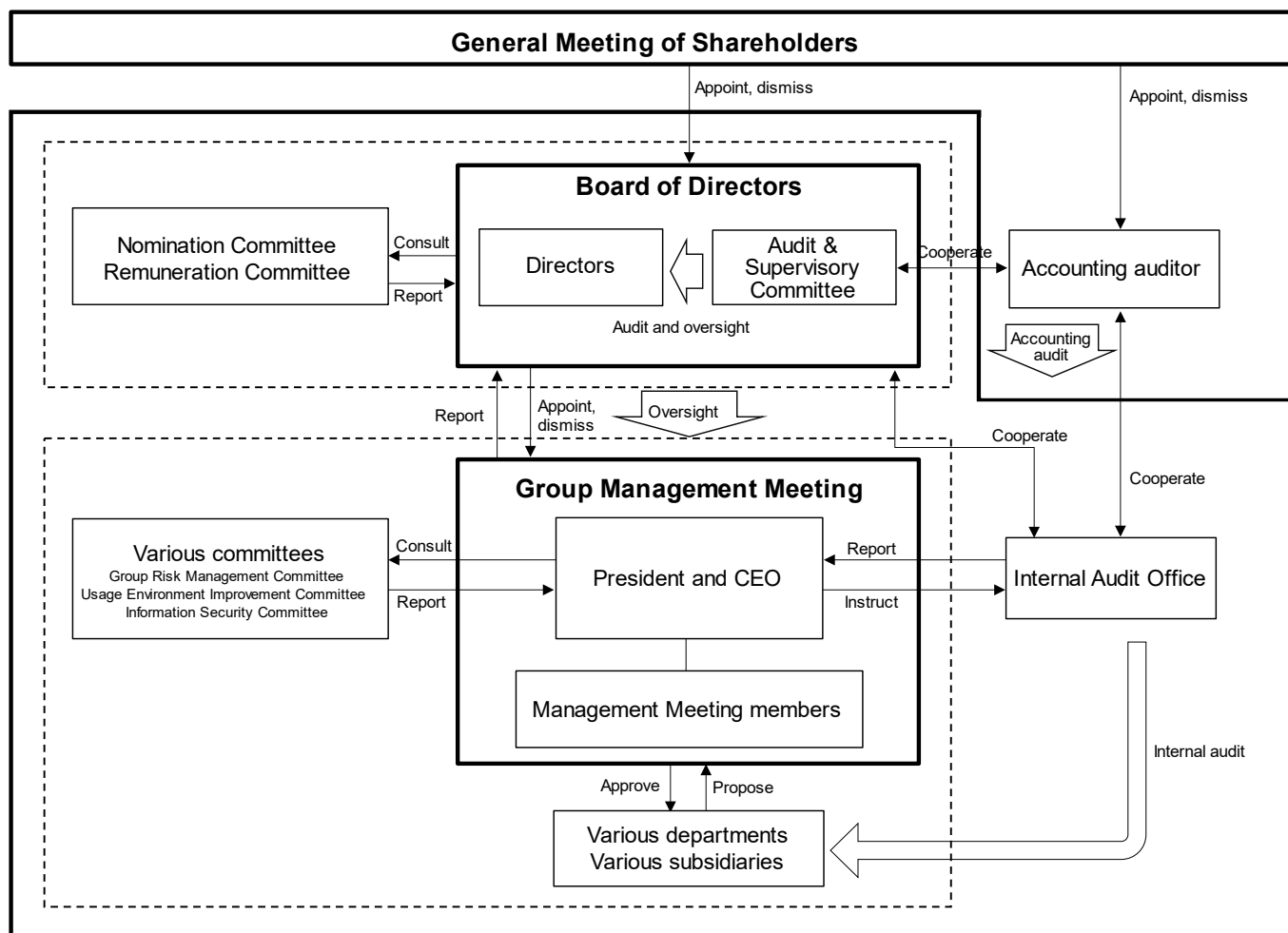
4. Corporate governance

(1) Overview of corporate governance

1) Basic policy on corporate governance

The Company considers corporate governance to be of the utmost importance for strengthening competitiveness through careful risk management and for maximizing corporate and shareholder value. Based on this policy, the Company strives to conduct appropriate and efficient business activities, where directors and employees have a proper understanding of their duties and work to maintain and further improve awareness of laws and ordinances, societal norms, ethics, and other rules and guidelines, which they apply in actual business practices.

2) Overview of corporate governance system and reasons for its adoption



The Company has adopted a corporate governance structure with an Audit & Supervisory Committee, and has set up a General Meeting of Shareholders and a Board of Directors. It has also adopted an executive officer system, under which the Board of Directors makes decisions on the execution of business, and executive officers carry out their respective duties under the direction and supervision of the president and CEO.

As of the filing date of this report, the Company's corporate governance system was as follows.

a. Board of Directors

The Board of Directors comprises nine directors who are not members of the Audit & Supervisory Committee (three of whom are independent outside directors) and four directors who are members of the Audit & Supervisory Committee (all four of whom are independent outside directors), for a total of 13 members. In addition to regular monthly Board of Directors meetings, extraordinary Board of Directors meetings are held to realize rational management and make timely management decisions. The Board of Directors makes decisions on management policies and strategies, business plans, and other critical management matters, and supervises the execution of business at the Company.

Chairman and CEO Yoshikazu Tanaka serves as chair of the Board of Directors. Information on other members is provided in (2) Directors and Audit & Supervisory Committee members.

b. Audit & Supervisory Committee

The Audit & Supervisory Committee comprises four independent outside directors, including one full-time member. The duties of the committee members include auditing the execution of duties by directors, preparing audit reports, and making decisions on details of a proposal for appointment, dismissal, and non-reappointment of the accounting auditor.

As a general rule, the Audit & Supervisory Committee meets on a monthly basis and performs audits and other responsibilities based on audit and other policies or plans that are formulated each fiscal year. Members of the Audit & Supervisory Committee attend Board of Directors meetings and other important meetings, and conduct strict supervision of directors' execution of duties. Furthermore, the Audit & Supervisory Committee cooperates closely with the accounting auditor, the Internal Audit Office, and the Office of Audit & Supervisory Committee that assists members of the Audit & Supervisory Committee. They also attend regular meetings, confirm management policies, and exchange opinions on important matters and other items with the president and CEO.

Independent outside director (full-time Audit & Supervisory Committee member) Kenichiro Takagi serves as chair of the Audit & Supervisory Committee. Other members are independent outside directors Koichi Shima, Nobuyuki Watanabe, and Michiko Ashizawa.

c. Nomination Committee and Remuneration Committee

The Company has established a Nomination Committee and a Remuneration Committee as advisory bodies to the Board of Directors to strengthen its corporate governance by clarifying the decision-making processes that underpin its selection of candidates for positions such as director (excluding directors who are members of the Audit & Supervisory Committee) and members of the Management Meeting, and the remuneration of such officers. Both committees comprise a majority of independent outside directors, and are chaired by an independent outside director.

Independent outside director Kazunobu Iijima serves as chair of the Nomination Committee. Other members are independent outside directors Takeshi Natsuno and Michinori Mizuno, independent outside director (full-time Audit & Supervisory Committee member) Kenichiro Takagi, and president and CEO Yoshikazu Tanaka.

Independent outside director Kazunobu Iijima serves as chair of the Remuneration Committee. Other members are independent outside directors Takeshi Natsuno and Michinori Mizuno, independent outside director (full-time Audit & Supervisory Committee member) Kenichiro Takagi, and president and CEO Yoshikazu Tanaka.

d. Group Management Meeting

The Company has established a Group Management Meeting that is attended by members appointed by the Board of Directors. As a general rule, the Group Management Meeting is held weekly. It decides on important matters related to the management of the entire Group, and aims to enhance the agility and efficiency of decision-making related to business execution.

President and CEO Yoshikazu Tanaka chairs the Group Management Meeting. Other participants are directors and senior vice presidents Masaki Fujimoto, Toshiki Oya, Sanku Shino, Eiji Araki, and Yuta Maeda, and vice president Kazuhisa Adachi.

The Group Management Meeting is also attended by a full-time Audit & Supervisory Board member who supervises decision-making with regard to business execution.

3) Other matters related to corporate governance

a. Status of preparation of internal control systems and Group risk management organization

The Company established at its Board of Directors meeting an Internal Control System Basic Policy as follows, based on which it prepares internal control systems and a Group risk management organization.

1. System to ensure that duties of directors and employees are executed in compliance with laws and ordinances and the Company's Articles of Incorporation

- (1) The Board of Directors, Audit & Supervisory Committee, and associated employees conduct supervision and auditing related to the execution of duties by directors and employees as established by laws and ordinances.
- (2) In addition to establishing a Code of Ethics to clarify standards of conduct for directors and employees, the Company enacts Risk Management Regulations and Compliance Regulations and promotes the establishment, maintenance, and strengthening of a system to ensure that the performance of duties complies with laws and ordinances and the Articles of Incorporation.
- (3) As part of the preparation, maintenance, and strengthening of its Group risk management organization, the Company has established a Group Risk Management Committee under the direct control of the president and CEO. It also conducts regular in-house training pertaining to risk management and compliance.
- (4) The Company sets up whistleblower contact points in the Internal Audit Office, Legal & IP Department, and HR Unit, as well as in an outside law office to promote early detection and prevention of issues.

2. System for retention and management of information related to the execution of duties by directors

Based on laws and ordinances and internal regulations, including the Document Management Regulations, the Company establishes a system for the retention and management of information related to the execution of duties by directors and for the viewing of such information by directors and members of the Audit & Supervisory Committee as needed.

3. Regulations and other systems related to management of loss risks
 - (1) In preparation for dealing with diversifying risks, the Company formulates and promotes compliance with various internal regulations and promotes the preparation, maintenance, and strengthening of its risk management system.
 - (2) The Board of Directors, Group Management Meeting, and various committees carefully deliberate important matters, aiming to eliminate or mitigate business risks.
 - (3) When initiating new transactions, the Company carefully investigates and deliberates them using an approval process based on the Business Authority Regulations, Approval Regulations, Credit Control Regulations, and other rules and regulations, so as to eliminate or mitigate business risks.
 - (4) Internal audits by the Internal Audit Office are intended to identify and resolve risks as early as possible.
 - (5) When a new, serious risk arises, the Board of Directors promptly selects a director to be in charge of response.
4. System to ensure efficient execution of duties by directors
 - (1) By employing an executive officer system, the Company separates management-related decision-making and supervisory functions from its business execution functions and promotes fast, efficient business operation. It also prepares a Board of Directors system that allows for efficient deliberation of important matters in advance.
 - (2) In addition to Board of Directors meetings, the Company holds Group Management Meetings for the deliberation and reporting of important matters related to business execution, within the scope stipulated by the Group Management Meeting Regulations.
 - (3) In internal regulations, the Company formulates standards regarding work systems and organization, division of duties, and authorities in order to establish a system of responsibility in the execution of duties and ensure that business is conducted smoothly and efficiently.
5. System to ensure appropriateness of operations in the corporate group comprising the Company and its subsidiaries

Based on internal regulations, including the Group Regulations, the Company uses close communication and cooperation with its subsidiaries as it works to prepare its group-wide compliance system and optimize operations so that corporate governance functions appropriately.
6. System for reporting to the Company on matters regarding the execution of duties by directors of subsidiaries

The Company prepares internal regulations, including the Group Regulations, which stipulate procedures for the execution of duties at its subsidiaries and clarify matters relating to advance screening, advisory functions, and approval on the part of the Company, as well as proposals, decisions, and reporting on the part of the subsidiaries.
7. Regulations and other systems related to management of loss risks at subsidiaries
 - (1) The Company prepares internal regulations, including the Group Regulations, which stipulate that subsidiaries bear the responsibility of preparing a system for managing risks to facilitate the continuation and advancement of business.
 - (2) Subsidiaries have a responsibility to build systems to report to the Company regarding all risk phenomena that might impede the Group's efforts to achieve business objectives and targets.
8. System to ensure efficient execution of duties by directors of subsidiaries

The Company prepares internal regulations, including the Group Regulations, which stipulate matters related to the management, organization, authorities, and regulations of its subsidiaries.
9. System to ensure that duties of directors and employees of subsidiaries are executed in compliance with laws and ordinances and the Articles of Incorporation
 - (1) The Company's Legal & IP Department conducts regular training pertaining to risk management and compliance so that the directors and members of the Audit & Supervisory Board of its subsidiaries appropriately fulfill their obligations to supervise and audit the execution of duties.
 - (2) The Company sets up whistleblower contact points in the Internal Audit Office, Legal & IP Department, and HR Unit, as well as in an outside law office to promote early detection and prevention of issues.
10. Item related to employees in the event that the Audit & Supervisory Committee requests the placement of employees to assist with duties

Employees of the Office of Audit & Supervisory Committee assist the Audit & Supervisory Committee.
11. Items related to ensuring the independence of employees in the preceding paragraph (item 10) from directors, as well as the effectiveness of instructions from the Audit & Supervisory Committee to said employees
 - (1) When employees of the Office of Audit & Supervisory Committee receive requests for assistance from directors who are members of the Audit & Supervisory Committee, they must exclusively submit to the instructions of the Audit & Supervisory Committee in relation to these requests, without receiving any instructions from directors or other employees.
 - (2) Assignments, transfer, discipline, and performance appraisals of subject employees require the previous consent of the director who is a full-time member of the Audit & Supervisory Committee in order to ensure independence from directors (excluding directors who are members of the Audit & Supervisory Committee).

12. System for directors and employees to report to the Audit & Supervisory Committee; system for other reporting to the Audit & Supervisory Committee
 - (1) Items that require a Board of Directors' resolution as per the Board of Directors Regulations are added to the agenda of the Board of Directors meeting as deemed appropriate. The Audit & Supervisory Committee is also able to confirm at meetings of the Board of Directors, Group Management Meeting, and other committees the content of other important matters that do not require a Board of Directors' resolution.
 - (2) In regard to important requests for managerial decisions, reports, and other documents that are not on the agenda of the aforementioned meetings, the Audit & Supervisory Committee may view the documents and request explanations of the content as needed.
 - (3) In the event directors or employees discover a serious violation of laws and ordinances or the Articles of Incorporation, or discover facts that may cause significant damage to the Company, they shall promptly report the matter to the Audit & Supervisory Committee.

13. System for individuals who execute duties at subsidiaries or individuals who receive reports from such individuals to report to the Audit & Supervisory Committee of the Company
 - (1) Directors or employees of subsidiaries shall promptly make an appropriate report about business execution if requested by the Audit & Supervisory Committee of the Company.
 - (2) In the event directors or employees of subsidiaries discover a serious violation of laws and ordinances or the Articles of Incorporation, or discover facts that may cause significant damage to the Group, they shall promptly report the matter to the Audit & Supervisory Committee of the Company.

14. System to ensure that individuals who make a report to the Audit & Supervisory Committee do not suffer any disadvantage as a result
The Company prohibits any disadvantageous handling of directors or employees of the Group resulting from a report made to the Audit & Supervisory Committee, and ensures that directors and employees of the Group are made aware of this fact.

15. Item related to the handling of expenses or financial obligations incurred as a result of the Audit & Supervisory Committee executing their duties, including procedures for requesting advances or reimbursements for expenses arising through such execution of duties
When the Audit & Supervisory Committee request an advance or reimbursement for an expense arising from the execution of duties, such expense or financial obligation shall be handled promptly except in a case where it is deemed not to be necessary for the execution of duties of the Audit & Supervisory Committee.

16. Other system to ensure that audits by the Audit & Supervisory Committee are conducted effectively
The Audit & Supervisory Committee shall be given opportunities to exchange opinions with directors (excluding directors who are members of the Audit & Supervisory Committee), employees, and the accounting auditor on a regular basis.

17. System to ensure the reliability of financial reports
To ensure the accuracy of documents related to financial calculations as stipulated by the Financial Instruments and Exchange Act and of other information, the Group establishes the Basic Policy on Financial Reporting. Under the instruction of the president and CEO, the Group establishes an internal control system related to financial reporting, and conducts ongoing assessments to confirm if the mechanism functions appropriately, make necessary rectifications, and ensure the suitability of such mechanisms.

18. System for elimination of organized crime
 - (1) The Group takes a resolute stance and responds systematically to ensure that it has absolutely no relationship with organized crime that poses a threat to civic order and safety, and that it does not respond to unreasonable demands or transaction requests.
 - (2) The Legal & IP Department, serving as the organized crime countermeasures department, establishes the Rules on Organized Crime Countermeasures and works to gather information from the pertinent government bodies. In addition, it establishes a system for cooperating closely with government bodies and legal advisor in the event that issues do arise.

a. Overview of content of liability limitation agreement

The Company has an agreement with all of its directors (excluding executive directors and others) based on Article 427, Paragraph 1 of the Companies Act that limits their liability for damages as described in Article 423, Paragraph 1 of the same Act. Based on this agreement, their liability for damages is limited to the amount established by laws and ordinances. This liability limitation is permitted only in instances in which the directors (excluding executive directors and others) perform their duties in good faith and in the absence of gross negligence.

b. Overview of content of liability insurance policy covering directors and others

The Company has entered a directors and officers liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act.

1) Scope of insured

The policy covers the Company's directors (including Audit & Supervisory Committee members), executive officers, and employees, as well as directors, members of the Audit & Supervisory Board, executive officers, and employees of its subsidiaries. All directors are insured under the policy.

2) Overview of insurance policy

The policy covers damages and litigation expenses incurred by insured individuals in the event of a claim for damages arising from an act (including an improper act) committed by such an individual based on the position of the individual at the Company or its subsidiaries. It does not cover claims for damages or other expenses arising from intentional or gross negligence. The Company pays all insurance premiums for the policy.

c. Requisite number of directors

The Company stipulates in its Articles of Incorporation that there are to be up to 10 directors (excluding directors who are members of the Audit & Supervisory Committee) and up to five directors who are members of the Audit & Supervisory Committee.

d. Resolution requirements for appointment of directors

The Company stipulates in its Articles of Incorporation that a resolution of the General Meeting of Shareholders on the appointment of directors requires the attendance of shareholders holding one third or more of the voting rights out of the shareholders who can exercise voting rights, and a majority of voting rights of those attending. Cumulative voting shall not be used.

e. General Meeting of Shareholders resolution items that may be resolved by the Board of Directors

1. Exemption of liability for directors

The Company, pursuant to Article 426, Paragraph 1 of the Companies Act, stipulates in its Articles of Incorporation that it may, by resolution of the Board of Directors, exempt directors from liabilities as set forth in Article 423, Paragraph 1 of the same Act, to the extent permitted by laws and ordinances, so that directors can fully perform their expected roles in the execution of their duties.

2. Acquisition of treasury shares

The Company, pursuant to Article 165, Paragraph 2 of the Companies Act, stipulates in its Articles of Incorporation that it may acquire treasury shares by resolution of the Board of Directors. This is to allow the acquisition of treasury shares through market trading in order for the Company to exercise agile capital policy in response to changes in the management environment.

3. Dividends of surplus

The Company, pursuant to each item under Article 459, Paragraph 1 of the Companies Act, stipulates in its Articles of Incorporation that it may pay dividends of surplus by resolution of the Board of Directors, except in cases where other provisions of law apply. The aim is to ensure the agility of its capital policy.

f. Requirements for special resolution of the General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that special resolution of the General Meeting of Shareholders as set forth in Article 309, Paragraph 2 of the Companies Act requires the attendance of shareholders holding one third or more of the voting rights out of the shareholders who can exercise voting rights, and two thirds or more of voting rights of those attending. The aim is to ensure that the General Meeting of Shareholders runs smoothly by relaxing the quorum for special resolution of the General Meeting of Shareholders.

g. Activities of the Board of Directors, Audit & Supervisory Committee, Nomination Committee, and Remuneration Committee

1) Activity of the Board of Directors

In the fiscal year ended June 30, 2024, the Board of Directors held 12 meetings, and the attendance status for each director was as follows.

Title and position	Name	Meetings	Attendance
Chairman, president and CEO	Yoshikazu Tanaka	12	12
Director	Masaki Fujimoto	12	12
Director	Toshiki Oya	12	12
Director	Eiji Araki	12	12
Director	Sanku Shino	12	11
Director	Yuta Maeda	12	12
Director	Kotaro Yamagishi	2	2
Outside director	Takeshi Natsuno	12	12
Outside director	Kazunobu Iijima	12	12
Outside director	Michinori Mizuno	10	10
Outside director Full-time Audit & Supervisory Committee member	Kunihiro Matsushima	12	12
Outside director Audit & Supervisory Committee member	Koichi Shima	12	12
Outside director Audit & Supervisory Committee member	Nobuyuki Watanabe	12	12
Outside director Audit & Supervisory Committee member	Michiko Ashizawa	10	10

The Board of Directors makes decisions on important management matters such as the Company's management policy, business strategy, and business plan, and oversees the execution of operations.

2) Activity of the Audit & Supervisory Committee

The activity of the Audit & Supervisory Committee is provided in (3) Status of audits, 1) Audit by the Audit & Supervisory Committee.

3) Activity of the Nomination Committee

In the fiscal year ended June 30, 2024, the Nomination Committee held two meetings, and the attendance status for each of the committee members was as follows.

	Title and position	Name	Meetings	Attendance
Chair	Outside director	Kazunobu Iijima	2	2
Member	Outside director	Takeshi Natsuno	2	2
Member	Outside director	Michinori Mizuno	2	2
Member	Outside director Full-time Audit & Supervisory Committee member	Kunihiro Matsushima	2	2
Member	Chairman, president and CEO	Yoshikazu Tanaka	2	2

The Nomination Committee has been established with the aim of ensuring transparency in the selection process for candidates for directors (excluding directors who are Audit & Supervisory Committee members) and members of the Management Meeting, thereby enhancing corporate governance.

4) Activity of the Remuneration Committee

In the fiscal year ended June 30, 2024, the Remuneration Committee held two meetings, and the attendance status for each of the committee members was as follows.

	Title and position	Name	Meetings	Attendance
Chair	Outside director	Kazunobu Iijima	2	2
Member	Outside director	Takeshi Natsuno	2	2
Member	Outside director	Michinori Mizuno	2	2
Member	Outside director Full-time Audit & Supervisory Committee member	Kunihiro Matsushima	2	2
Member	Chairman, president and CEO	Yoshikazu Tanaka	2	2

The Remuneration Committee has been established with the aim of ensuring transparency in procedures for determining matters such as the remuneration of directors (excluding directors who are Audit & Supervisory Committee members) and members of the Management Meeting, thereby enhancing corporate governance.

(2) Directors and Audit & Supervisory Committee members

1) List of directors and Audit & Supervisory Committee members

Men: 12; Women: 1 (ratio of female officers: 8 %)

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Chairman, President and CEO	Yoshikazu Tanaka	February 18, 1977	<p>Apr. 1999 Joined Sony Communication Network Corporation (currently Sony Network Communications Inc.)</p> <p>Feb. 2000 Joined Rakuten, Inc. (currently Rakuten Group, Inc.)</p> <p>Dec. 2004 Founded the Company, and became President and CEO</p> <p>Nov. 2013 President and CEO and Head of New Businesses of the Company</p> <p>Mar. 2014 President and CEO and Head of Commerce and Media Business of the Company</p> <p>Sep. 2014 President and CEO of the Company</p> <p>Sep. 2014 Chairman, President and CEO of the Company</p> <p>Oct. 2016 Chairman, President and CEO, and Officer in charge of new business areas of the Company</p> <p>Mar. 2017 Chairman, President and CEO, and Officer in charge of Advertising and Media Business of the Company</p> <p>Oct. 2019 Chairman, President and CEO, and Officer in charge of Advertising and Media Business of the Company</p> <p>Jan. 2022 Chairman, President and CEO, and Head of Advertising and Media Business of the Company</p> <p>May 2022 Chairman, President and CEO, Head of Commerce Business, and Head of DX Business of the Company</p> <p>Jul. 2024 Chairman, President and CEO of the Company (current position)</p>	(Note) 4	110,828 (Note) 7

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Senior Vice President, Chief Technology Officer, and Head of Development	Masaki Fujimoto	February 17, 1979	<p>Apr. 2001 Joined Astra the Studio, Inc.</p> <p>Jan. 2003 Joined Tunebiz Co., Ltd.</p> <p>Jun. 2005 Director of the Company</p> <p>Aug. 2010 Vice President, Chief Technology Officer, and Head of Platform Development of the Company</p> <p>Jul. 2011 Vice President, Chief Technology Officer, and Head of Development of the Company</p> <p>Sep. 2012 Director & Managing Executive Officer, Chief Technology Officer, and Head of Development of the Company</p> <p>Nov. 2013 Director & Managing Executive Officer, Chief Technology Officer, and Head of Development Management of the Company</p> <p>Oct. 2015 Director & Managing Executive Officer, Chief Technology Officer in charge of development of the Company</p> <p>Jul. 2016 Director of Pokelabo, Inc.</p> <p>Oct. 2016 Director & Managing Executive Officer, Chief Technology Officer in charge of development and personnel of the Company</p> <p>Mar. 2017 Director of funplex, Inc. (currently GREE Entertainment, Inc.)</p> <p>Sep. 2017 Senior Vice President, Chief Technology Officer, and Officer in charge of Development and Human Resources of the Company</p> <p>Apr. 2019 Senior Vice President, Chief Technology Officer in charge of Development of the Company</p> <p>Oct. 2019 Senior Vice President, Chief Technology Officer, and Officer in charge of Development of the Company</p> <p>Sep. 2021 Chief Technology Officer of the Digital Agency (current position)</p> <p>Jan. 2022 Senior Vice President, Chief Technology Officer, and Head of Development of the Company (current position)</p> <p>(Significant concurrent position outside the Company) Chief Technology Officer of the Digital Agency</p>	(Note) 4	1,827

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Senior Vice President, Chief Financial Officer, Head of Corporate Affairs, and Head of Investment Business	Toshiki Oya	December 16, 1969	<p>Apr. 1992 Joined Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)</p> <p>Mar. 1994 Registered as Certified Public Accountant</p> <p>Oct. 1999 Joined Softbank Investment Co., Ltd. (currently SBI Holdings, Inc.)</p> <p>Feb. 2003 Joined Yahoo Japan Corporation (currently LY Corporation)</p> <p>Jun. 2005 Director of Creo Co., Ltd.</p> <p>Apr. 2011 Representative Director of Creo Co., Ltd.</p> <p>Apr. 2012 Chief Financial Officer of Yahoo Japan Corporation (currently LY Corporation)</p> <p>Jun. 2014 Director & Managing Executive Officer, Chief Financial Officer of Yahoo Japan Corporation (currently LY Corporation)</p> <p>Jun. 2015 Vice President and Chief Financial Officer of Yahoo Japan Corporation (currently LY Corporation)</p> <p>Apr. 2018 Senior Advisor to Chairman of Yahoo Japan Corporation (currently LY Corporation)</p> <p>Sep. 2018 Director of the Company</p> <p>Sep. 2018 Director of Pokelabo, Inc. (current position)</p> <p>Oct. 2018 Senior Vice President and Officer in charge of Corporate Affairs of the Company</p> <p>May 2019 Director of funplex, Inc. (currently GREE Entertainment, Inc.) (current position)</p> <p>Oct. 2019 Senior Vice President, Chief Financial Officer, and Officer in charge of Corporate Affairs of the Company</p> <p>Feb. 2020 Director of WFS, Inc. (current position)</p> <p>Jul. 2021 Senior Vice President, Chief Financial Officer, Officer in charge of Corporate Affairs, and Officer in charge of Investment and Incubation Business of the Company</p> <p>Jan. 2022 Senior Vice President, Chief Financial Officer, Head of Corporate Affairs, and Officer in charge of Investment and Incubation Business of the Company</p> <p>Jul. 2022 Senior Vice President, Chief Financial Officer, Head of Corporate Affairs, and Head of Investment and Incubation Business of the Company</p> <p>Jul. 2023 Senior Vice President, Chief Financial Officer, Head of Corporate Affairs, and Head of Management Strategy of the Company</p> <p>Jul. 2024 Senior Vice President, Chief Financial Officer, Head of Corporate Affairs, and Head of Investment Business of the Company (current position)</p> <p>(Significant concurrent positions outside the Company) Director of Pokelabo, Inc. Director of GREE Entertainment, Inc. Director of WFS, Inc.</p>	(Note) 4	145

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Senior Vice President, Chief Strategy Officer, and Deputy Head of Corporate Affairs	Sanku Shino	November 27, 1974	<p>Apr. 2000 Joined Hakuholdo Inc.</p> <p>Nov. 2008 Joined the Company</p> <p>Jan. 2009 General Manager of Marketing of the Company</p> <p>Jul. 2009 Executive Officer and General Manager of Marketing of the Company</p> <p>Aug. 2010 Executive Officer and Head of Marketing of the Company</p> <p>Apr. 2011 Executive Officer and Head of Marketing Division of the Company</p> <p>Sep. 2013 Vice President and Head of Marketing Division of the Company</p> <p>Nov. 2013 Vice President and Head of Web Game Business, Web Game Headquarters of the Company</p> <p>Sep. 2014 Vice President and Deputy Head of the Japan Game Business of the Company</p> <p>Oct. 2015 Vice President and Officer in charge of the Japan Game Business of the Company</p> <p>Oct. 2015 Director of funplex, Inc. (currently GREE Entertainment, Inc.)</p> <p>Sep. 2017 Senior Vice President and Officer in charge of the Japan Game Business of the Company</p> <p>Oct. 2019 Senior Vice President and Officer in charge of the Japan Game Business of the Company</p> <p>Feb. 2020 Director of Pokelabo, Inc.</p> <p>Feb. 2020 Director of WFS, Inc.</p> <p>Jul. 2021 Senior Vice President and Officer in charge of GREE Entertainment Business of the Company</p> <p>Jul. 2021 President and CEO of GREE Entertainment, Inc.</p> <p>Jan. 2022 Senior Vice President and Head of GREE Entertainment Business of the Company</p> <p>Jul. 2022 Senior Vice President and Officer in charge of new business development of the Company</p> <p>Feb. 2023 Director of REALITY, Inc. (current position)</p> <p>Jul. 2023 Senior Vice President and Deputy Head of Management Strategy of the Company</p> <p>Dec. 2023 Director of Glossom, Inc. (current position)</p> <p>Jul. 2024 Senior Vice President, Chief Strategy Officer, and Deputy Head of Corporate Affairs of the Company (current position)</p> <p>(Significant concurrent positions outside the Company) Director of REALITY, Inc. Director of Glossom, Inc.</p>	(Note) 4	340

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Senior Vice President and Head of Metaverse Business	Eiji Araki	July 15, 1982	<p>May 2001 Joined Neuron Co., Ltd. (currently United, Inc.)</p> <p>Dec. 2002 Director of Neuron Co., Ltd. (currently United, Inc.)</p> <p>Aug. 2004 Joined Fractalist Inc. (currently United, Inc.)</p> <p>Aug. 2005 Joined the Company</p> <p>Sep. 2010 General Manager of Social Network Business, Media Development Division of the Company</p> <p>Jul. 2011 General Manager of Media Development, North America Division of the Company</p> <p>Sep. 2013 Vice President and General Manager of Native Game Business, Native Game Division of the Company</p> <p>Nov. 2013 Vice President and Head of Native Game Business, Native Game Headquarters of the Company</p> <p>Feb. 2014 President and CEO of Wright Flyer Studios, Inc. (currently WFS, Inc.)</p> <p>Sep. 2014 Vice President and Head of the Japan Game Business of the Company</p> <p>Oct. 2015 Vice President and Officer in charge of the Japan Game Business of the Company</p> <p>Jan. 2016 Vice President and Officer in charge of the Wright Flyer Studios Business of the Company</p> <p>Sep. 2017 Senior Vice President and Officer in charge of the Wright Flyer Studios Business of the Company</p> <p>Apr. 2018 President and CEO of Wright Flyer Live Entertainment, Inc. (currently REALITY, Inc.) (current position)</p> <p>Jul. 2018 Senior Vice President and Officer in charge of the Wright Flyer Business of the Company</p> <p>Oct. 2019 Senior Vice President and Officer in charge of the Wright Flyer Business of the Company</p> <p>Jul. 2020 Director of WFS, Inc. (current position)</p> <p>Oct. 2020 Senior Vice President and Officer in charge of the Wright Flyer Studios Business and REALITY Business of the Company</p> <p>Jan. 2022 Senior Vice President, Head of REALITY Business of the Company</p> <p>Jun. 2022 Senior Vice President and Head of Metaverse Business of the Company (current position)</p> <p>Feb. 2023 Director of Glossom, Inc. (Significant concurrent positions outside the Company) President and CEO of REALITY, Inc. Director of WFS, Inc.</p>	(Note) 4	52

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Senior Vice President and Head of Game and Animation Business	Yuta Maeda	July 26, 1982	<p>Apr. 2006 Joined JAFCO Co., Ltd.</p> <p>Jul. 2009 Joined Pokelabo, Inc. (currently Mynet Games Inc.)</p> <p>Dec. 2011 CEO of Pokelabo, Inc. (currently Mynet Games Inc.)</p> <p>Nov. 2012 Joined the Company</p> <p>Dec. 2012 General Manager of Pokelabo Business, Media Division of the Company</p> <p>Aug. 2013 General Manager of Pokelabo Business, Native Game Division of the Company</p> <p>Sep. 2013 Vice President and General Manager of Pokelabo Business, Native Game Division of the Company</p> <p>Nov. 2013 Vice President and General Manager of Pokelabo Business, Native Game Division, Native Game Headquarters of the Company</p> <p>Sep. 2014 Vice President and Head of Pokelabo and Asia Businesses of the Company</p> <p>Oct. 2015 Vice President and Officer in charge of Pokelabo and Asia Businesses of the Company</p> <p>Apr. 2016 President and CEO of Pokelabo, Inc. (current position)</p> <p>Sep. 2017 Senior Vice President and Officer in charge of Pokelabo and Asia Businesses of the Company</p> <p>Apr. 2019 Director of WFS, Inc.</p> <p>Oct. 2019 Senior Vice President and Officer in charge of Pokelabo and Asia Businesses of the Company</p> <p>Apr. 2020 Director of funplex, Inc. (currently GREE Entertainment, Inc.)</p> <p>Oct. 2021 Representative Director and Senior Vice President of WFS, Inc. (current position)</p> <p>Jan. 2022 Senior Vice President, Head of Pokelabo and Asia Businesses, and Head of Wright Flyer Studios Business of the Company</p> <p>Apr. 2022 Representative Director and Senior Vice President of GREE Entertainment, Inc.</p> <p>Jul. 2022 Senior Vice President and Head of Game and Animation Business of the Company (current position)</p> <p>Jul. 2022 President and CEO of GREE Entertainment, Inc.</p> <p>Feb. 2023 Director of REALITY, Inc. (current position)</p> <p>Feb. 2023 Director of Glossom, Inc. (current position)</p> <p>Jul. 2023 Representative Director and Senior Vice President of GREE Entertainment, Inc. (current position)</p> <p>(Significant concurrent positions outside the Company) President and CEO of Pokelabo, Inc. Representative Director and Senior Vice President of WFS, Inc. Director of REALITY, Inc. Director of Glossom, Inc. Representative Director and Senior Vice President of GREE Entertainment, Inc.</p>	(Note) 4	258

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Director	Takeshi Natsumo	March 17, 1965	<p>Apr. 1988 Joined Tokyo Gas Co., Ltd.</p> <p>Jun. 1996 Director and Vice President of Hypernet Corporation</p> <p>Sep. 1997 Joined NTT Mobile Network, Inc. (currently NTT Docomo, Inc.)</p> <p>Jun. 2005 Executive Director and General Manager of Multimedia Service Division of NTT Docomo, Inc.</p> <p>May 2008 Guest Professor, Keio University Graduate School of Media and Governance</p> <p>Jun. 2008 Outside Director of Sega Sammy Holdings Inc.</p> <p>Jun. 2008 Director of PIA Corporation</p> <p>Jun. 2008 Outside Director of transcosmos inc.</p> <p>Jun. 2008 Outside Director of SBI Holdings, Inc.</p> <p>Jun. 2008 Director of NTT Resonant Incorporated</p> <p>Dec. 2008 Director of DWANGO Co., Ltd.</p> <p>Jun. 2009 Outside Director of DLE Inc.</p> <p>Sep. 2009 Outside Director of the Company (current position)</p> <p>Dec. 2010 Outside Director of U-NEXT Co., Ltd. (currently Usen-Next Holdings Co., Ltd.) (current position)</p> <p>Jun. 2013 Outside Director of Trender, Inc.</p> <p>Oct. 2014 Director of Kadokawa Dwango Corporation (currently Kadokawa Corporation)</p> <p>Jun. 2016 Outside Director of transcosmos inc. (Audit & Supervisory Committee Member) (current position)</p> <p>Aug. 2016 Outside Director of Oracle Corporation Japan (current position)</p> <p>Jun. 2017 Outside Director of AWS Holdings, Inc. (currently Uicom Holdings, Inc.)</p> <p>Jun. 2018 Chairman and Representative Director of Movie Walker Co., Ltd.</p> <p>Oct. 2018 Director of Book Walker Co., Ltd.</p> <p>Feb. 2019 Representative Director and President of DWANGO Co., Ltd. (current position)</p> <p>Apr. 2020 Director of Cyber Informatics Research Institute and Guest Professor, Kindai University (current position)</p> <p>Jun. 2021 Representative Director and President of Kadokawa Corporation</p> <p>Jun. 2022 Chairman and Director of Kadokawa World Entertainment, Inc. (current position)</p> <p>Jun. 2023 Director of Kadokawa Craft Inc. (current position)</p> <p>Jun. 2023 Member of the Board and Chief Executive Officer of Kadokawa Corporation (current position)</p> <p>(Significant concurrent positions outside the Company) Outside Director (Audit & Supervisory Committee Member) of transcosmos inc. Representative Director and President of DWANGO Co., Ltd. Outside Director of Usen-Next Holdings Co., Ltd. Outside Director of Oracle Corporation Japan Member of the Board and Chief Executive Officer of Kadokawa Corporation Director of Cyber Informatics Research Institute and Guest Professor, Kindai University</p>	(Note) 4	35

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Director	Kazunobu Iijima	January 4, 1947	<p>Apr. 1972 Joined Mitsubishi Corporation</p> <p>Apr. 1995 General Manager of Media Broadcasting Department of Mitsubishi Corporation</p> <p>May 1997 Joined Fuji Television Network, Inc. (currently Fuji Media Holdings, Inc.)</p> <p>Jun. 2001 Executive Officer, Executive Director of Corporate Planning Department of Fuji Television Network, Inc. (currently Fuji Media Holdings, Inc.)</p> <p>Jun. 2004 Outside Director of WOWOW Inc.</p> <p>Jun. 2006 Executive Managing Director, Executive Director of Corporate Planning Department of Fuji Television Network, Inc. (currently Fuji Media Holdings, Inc.)</p> <p>Apr. 2007 Director of SKY Perfect JSAT Corporation (currently SKY Perfect JSAT Holdings Inc.)</p> <p>Jun. 2007 Managing Director of Fuji Television Network, Inc. (currently Fuji Media Holdings, Inc.)</p> <p>Oct. 2008 Managing Director of Fuji Television Network, Inc.</p> <p>Jun. 2012 President and CEO of The Sankei Building Co., Ltd. (current position)</p> <p>Sep. 2012 Outside Director of the Company (current position)</p> <p>Nov. 2013 Representative Director and Chairman of Cool Japan Fund Inc.</p> <p>Jun. 2017 Director and Chairman of Cool Japan Fund Inc. (Significant concurrent position outside the Company) President and CEO of The Sankei Building Co., Ltd.</p>	(Note) 4	5

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Director	Michinori Mizuno	March 10, 1958	<p>Apr. 1981 Joined CBS Sony Inc. (currently Sony Music Entertainment (Japan) Inc.)</p> <p>Feb. 2003 Representative Director and President of Sony Creative Products Inc.</p> <p>Jun. 2005 Representative Director, Executive Officer, and Vice President of Sony Music Communications Inc. (currently Sony Music Solutions Inc.)</p> <p>Jun. 2006 Representative Director, Executive Officer, and President of Sony Music Communications Inc. (currently Sony Music Solutions Inc.)</p> <p>Jun. 2008 Corporate Executive of Sony Music Entertainment (Japan) Inc. and Representative of Solution & Rights Business Group</p> <p>Feb. 2014 Corporate Executive COO of Sony Music Entertainment (Japan) Inc.</p> <p>Jun. 2015 Representative Director and CEO of Sony Music Entertainment (Japan) Inc.</p> <p>Jun. 2015 Executive Officer of Sony Corporation (currently Sony Group Corporation)</p> <p>Jun. 2018 Managing Executive Officer of Sony Corporation (currently Sony Group Corporation)</p> <p>Apr. 2019 Chairman and Representative Director of Sony Music Entertainment (Japan) Inc.</p> <p>Jun. 2020 Chairman of Sony Music Foundation (current position)</p> <p>Jun. 2020 Advisor of Sony Music Entertainment (Japan) Inc.</p> <p>Sep. 2022 Outside Director of Bushiroad Inc. (current position)</p> <p>Jun. 2023 Outside Director of HAPPINET CORPORATION (current position)</p> <p>Sep. 2023 Outside Director of the Company (current position)</p> <p>(Significant concurrent positions outside the Company) Outside Director of Bushiroad Inc. Outside Director of HAPPINET CORPORATION Chairman of Sony Music Foundation</p>	(Note) 4	1

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Director Audit & Supervisory Committee Member	Kenichiro Takagi	May 12, 1959	<p>Apr. 1983 Joined the Nippon Telegraph and Telephone Public Corporation (currently NIPPON TELEGRAPH AND TELEPHONE CORPORATION)</p> <p>Mar. 1991 Joined DDI CORPORATION (currently KDDI CORPORATION)</p> <p>Apr. 2009 General Manager of Corporate Management Division of KDDI CORPORATION</p> <p>Mar. 2010 Audit & Supervisory Board Member of Jupiter Telecommunications Co., Ltd. (currently JCOM Co., Ltd.)</p> <p>Oct. 2010 Administrative Officer and General Manager of Corporate Management Division of KDDI CORPORATION</p> <p>Apr. 2013 Administrative Officer and General Manager of Consumer Business Planning Division of KDDI CORPORATION</p> <p>Apr. 2015 Executive Officer and General Manager of Consumer Business Planning Division of KDDI CORPORATION</p> <p>Jan. 2018 Representative Director and President of AEON HOLDINGS CORPORATION</p> <p>Apr. 2020 Full-time Audit & Supervisory Board Member of KDDI CORPORATION</p> <p>Sep. 2024 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)</p>	(Note) 5	—

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Director Audit & Supervisory Committee Member	Koichi Shima	December 5, 1957	<p>May 1983 Joined Japan Recruit Center Co., Ltd. (currently Recruit Holdings Co., Ltd.)</p> <p>Apr. 1994 Executive Manager of General Affairs Dept. of Recruit From A Co., Ltd. (currently Recruit Co., Ltd.)</p> <p>Jul. 1997 Director of Recruit From A Co., Ltd. (currently Recruit Co., Ltd.)</p> <p>Apr. 2001 Executive Manager, the Financial Management Office of Recruit Co., Ltd.</p> <p>Apr. 2003 Corporate Executive Officer of Recruit Co., Ltd.</p> <p>Apr. 2008 President and Representative Director of Recruit Media Communications Co., Ltd. (currently Recruit Co., Ltd.)</p> <p>Apr. 2010 Advisor of Recruit Co., Ltd.</p> <p>Jun. 2010 Standing Corporate Auditor of Recruit Co., Ltd.</p> <p>Oct. 2012 Standing Member of the Audit & Advisory Board of Recruit Holdings Co., Ltd.</p> <p>Sep. 2016 Audit & Supervisory Board Member of the Company</p> <p>Sep. 2016 Outside Director of Ligua, Inc.</p> <p>Apr. 2018 Outside Director (Audit & Supervisory Committee Member) of Nippon Denkai, Ltd.</p> <p>May 2020 Outside Director of Kitanotatsujin Corporation (current position)</p> <p>Jun. 2020 Outside Director of COSMOS INITIA Co., Ltd. (current position)</p> <p>Sep. 2020 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)</p> <p>Sep. 2022 Outside Director (Audit & Supervisory Committee Member) of UT Group Co., Ltd. (current position)</p> <p>(Significant concurrent positions outside the Company) Outside Director of Kitanotatsujin Corporation Outside Director of COSMOS INITIA Co., Ltd. Outside Director (Audit & Supervisory Committee Member) of UT Group Co., Ltd.</p>	(Note) 5	—

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Director Audit & Supervisory Committee Member	Nobuyuki Watanabe	August 7, 1972	<p>Apr. 1999 Registered as Attorney at Law Joined TMI Associates</p> <p>Jan. 2007 Partner Attorney of TMI Associates (current position)</p> <p>Jun. 2012 Outside Audit & Supervisory Board Member of Creo Co., Ltd.</p> <p>Nov. 2018 Outside Auditor of SOTSU CO., LTD.</p> <p>Jun. 2020 Auditor-secretary at Kadokawa Dwango Educational Institute (current position)</p> <p>Sep. 2020 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)</p> <p>(Significant concurrent position outside the Company) Partner Attorney of TMI Associates</p>	(Note) 5	—

Title and position	Name	Date of birth	Career summary	Term	Number of Company shares held (thousands of shares)
Director Audit & Supervisory Committee Member	Michiko Ashizawa	October 23, 1972	<p>Oct. 1996 Joined International Department of KPMG Century Audit Corporation (currently KPMG AZSA LLC)</p> <p>Apr. 2003 Joined Sony Corporation</p> <p>Sep. 2003 Joined Industrial Revitalization Corporation of Japan</p> <p>Feb. 2006 Joined Advantage Partners LLP (currently Advantage Partners, Inc.)</p> <p>Apr. 2013 Associate Professor of School of Economics and Business Administration, Yokohama City University</p> <p>Jun. 2016 Outside Director of Netyear Group Corporation</p> <p>Jun. 2018 Outside Director of NEC Networks & System Integration Corporation (Chairperson of Nomination and Compensation Committee) (current position)</p> <p>Jun. 2020 Outside Auditor of NHK SPRING CO., LTD.</p> <p>Jul. 2022 Outside Director of Timers inc. (current position)</p> <p>Aug. 2022 Visiting Scholar of Stanford University</p> <p>Sep. 2023 Associate Professor of Graduate School of Business Administration, Keio University (current position)</p> <p>Sep. 2023 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)</p> <p>(Significant concurrent positions outside the Company) Outside Director of NEC Networks & System Integration Corporation Associate Professor of Graduate School of Business Administration, Keio University</p>	(Note) 6	—
Total					113,491

(Notes) 1. Directors Takeshi Natsuno, Kazunobu Iijima, Michinori Mizuno are outside directors.

2. Audit & Supervisory Committee members Kenichiro Takagi, Koichi Shima, Nobuyuki Watanabe, and Michiko Ashizawa are outside directors.
3. The Company separates management's strategic decision-making and supervisory functions from its business execution functions and employs an executive officer system to increase the quality and speed of decision-making and business execution and improve corporate value. There are nine executive officers who do not also serve as directors.
4. The term is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended June 30, 2024 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending June 30, 2025.
5. The term is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended June 30, 2024 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending June 30, 2026.
6. The term is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended June 30, 2023 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending June 30, 2025.
7. The number of Company shares held by Chairman, President and CEO Yoshikazu Tanaka include shares held by his asset management company Sequoia, Inc.

2) Status of outside directors

a. Relationship with outside directors, and their function and role in corporate governance

The Company has three outside directors (excluding directors who are members of the Audit & Supervisory Committee). Outside director Takeshi Natsuno, with his knowledge of and experience in the telecommunications and Internet industries, contributes to the Company's management in regard to its business strategy and development of services. The Company requested Kazunobu Iijima to become an outside director upon determining that he would be able to contribute to the Company's management with his knowledge of and experience in the media industry. It also requested Michinori Mizuno to become an outside director upon determining that he would be able to contribute to the Company's management with his knowledge of and experience in the entertainment industry and corporate management.

As a general rule, outside directors attend the monthly Board of Directors meetings and actively supervise and advise on the performance of duties from an objective, neutral position.

b. Relationship with outside directors serving as members of the Audit & Supervisory Committee, and their function and role in corporate governance

The Company has four outside directors serving as members of the Audit & Supervisory Committee. Outside director Kenichiro Takagi brings extensive experience and insight in business planning, corporate management, and as an Audit & Supervisory Board member of communications and Internet service companies. The Company asked him to assume his position, believing he can effectively perform audit duties from an independent and neutral standpoint. Outside director Koichi Shima has previously served as an executive officer in a company engaged in human resources and Internet services, as well as a representative director of its subsidiary, accumulating broad experience and knowledge in those industries. He also has a wealth of experience and achievements as a corporate auditor across multiple companies. Based on this background, the Company asked him to assume his position, expecting that he will provide advice and recommendations primarily to the Board of Directors, drawing on his business experience. Outside director Nobuyuki Watanabe is a lawyer. The Company asked him to assume his position, with the expectation that, as a legal specialist, he will provide recommendations and advice on the Company's legal matters, compliance, and corporate governance, as well as on the execution of duties by the Company's directors. Outside director Michiko Ashizawa possesses deep insight into general business management as a researcher, having gained experience as a certified public accountant at an audit firm and through involvement in corporate reform projects at the Industrial Revitalization Corporation of Japan and research in corporate revitalization M&A. She provides advice and recommendations to the Board of Directors based on her expertise and contributes to the establishment and maintenance of the Company's compliance system and corporate governance.

To secure independence from the Company's departments that conduct business operations, all of the Company's Audit & Supervisory Committee members are outside directors. They conduct audits through activities such as attending important meetings, including Board of Directors meetings, and reviewing important documents.

- c. Personal, capital, and trade relationships or other interests between outside directors and the Company
As of the filing date of this report, the following outside directors have a capital relationship with the Company.

Outside director Takeshi Natsuno	Number of Company shares held: 34 thousand
Outside director Kazunobu Iijima	Number of Company shares held: 5 thousand
Outside director Michinori Mizuno	Number of Company shares held: 1 thousand

Outside director Takeshi Natsuno is also president and CEO of Kadokawa Corporation. The Company and Kadokawa Corporation jointly develop and operate games and have a relationship involving royalty payments based on games collaborations. In light of details and monetary amounts, these transactions are not deemed likely to impact the independent position of Mr. Natsuno, and therefore overviews of the transactions have been omitted.

Other than the preceding, the six outside directors have no personal, capital, or trade relationships with or any interests in the Company.

- d. Basic thinking regarding independence of outside directors; standards and policy regarding independence of outside directors
Based on the independence standards established by Tokyo Stock Exchange guidelines and the outside director requirements established by the Companies Act, the Company has established independence determination standards for outside directors. An outside director is deemed to have independence if none of the following 1–7 apply.

1. A person engaged in execution of operations at the Company or its subsidiaries
2. A party for which the Company is a major trade partner (Note 1) or a person engaged in execution of operations at such party
3. The Company's major trade partner (Note 2) or a person engaged in execution of operations at such partner
4. A consultant, accounting specialist, or legal specialist who receives significant amounts of money or other assets (Note 3) other than executive compensation from the Company (if the party receiving such assets is an organization such as an incorporated entity or a union, then a person associated with such an organization)
5. A person engaged in execution of operations at a party in which the Group holds 10% or more of total voting rights, either directly or indirectly
6. A close relative of 1–5 (Note 4)
7. A person to whom 1–5 applied within the last three years

Note 1: "A party for which the Company is a major trade partner" refers to a trade partner whose transactions with GREE, Inc. amount to 2% or more of its consolidated net sales.

Note 2: "The Company's major trade partner" refers to a trade partner with which GREE, Inc. conducts transactions worth 2% or more of its consolidated net sales.

Note 3: "Significant amounts of money or other assets" refer to a total value of ¥10 million or more in a single fiscal year in the case of an individual, and transactions with the Company totaling over 2% of consolidated net sales in the case of an organization.

Note 4: "A close relative" refers to a spouse or relative within the second degree of kinship.

- 3) Cooperation on supervision or audit by outside directors and internal audit, as well as audits by members of the Audit & Supervisory Committee and the accounting auditor; relationship between supervision or audit by outside directors and internal control division
Outside directors, through exchanges of opinion with the Board of Directors, Audit & Supervisory Committee, directors, and others, cooperate in audits by members of the Audit & Supervisory Committee, internal audits, and audits by the accounting auditor. They also supervise and audit the establishment and operation of an internal control system.

(3) Status of audits

1) Audit by the Audit & Supervisory Committee

Organization, members, and procedures of the Audit & Supervisory Committee

a. Activity of the Audit & Supervisory Committee

The Audit & Supervisory Committee comprises four independent outside directors, including one full-time member. During the fiscal year under review, the committee operated under an audit policy and plan resolved in accordance with the Audit & Supervisory Committee Regulations and Audit & Supervisory Committee Auditing Standards, received regular reports from directors, executive officers, and other key employees in regard to establishment of an internal control system and its operational status, and requested explanations and provided opinions as needed. It also deliberated on matters such as conflict-of-interest transactions of directors excluding those concurrently serving as members of the Audit & Supervisory Committee, audit plans (including budgets), the approval of the fees of the accounting auditor and the non-assurance services it provides, the evaluation of the accounting auditor's performance, key audit matters (KAM) discussed with the accounting auditor as part of audits, and the preparation of the audit report. As a general rule, the Audit & Supervisory Committee meets monthly prior to meetings of the Board of Directors. At meetings of the Audit & Supervisory Committee held during the fiscal year under review, Audit & Supervisory Committee members shared information and received reports from the Internal Audit Office on the results of various audits. Meetings of the Audit & Supervisory Committee averaged about 45 minutes, during which the following resolutions, consultations, and reports were conducted over the course of the year.

(Resolutions)

Annual audit policy and plan, annual audit budget, annual audit report from the Audit & Supervisory Committee, assessment and reappointment or non-reappointment of accounting auditor, consent to compensation for accounting auditor, nomination of directors (excluding members of the Audit & Supervisory Committee), determination of opinions related to compensation, consent to election proposals for members of the Audit & Supervisory Committee, and other agendas.

(Consultation)

Compensation for Audit & Supervisory Committee members

(Reports)

Monthly audit reports from Audit & Supervisory Committee members, audit reports on important payment transactions by the parent and subsidiaries, reports on onsite audits at key subsidiaries, reports on quarterly reviews and the year-end audit of the accounting auditor, reports on various internal audits, reports from Audit & Supervisory Board members of key subsidiaries, advance confirmation of Board of Directors meeting agenda, and other reports.

In addition, specific matters examined by the Audit & Supervisory Committee were as follows.

- Audit policy and plan
- Effectiveness of the maintenance and operation of the Group's internal control system
- Compliance and risk management preparedness
- Suitability of methods and results of accounting auditor's audits of financial documents
- Assessment and election of accounting auditor

b. Activity of Audit & Supervisory Committee members

In accordance with the audit policy and division of duties determined by the Audit & Supervisory Committee, each Audit & Supervisory Committee member conducted audits as follows.

(a) Activity of full-time member

Interviewed the president and CEO regarding execution of duties; attended Board of Directors meetings, Management Meetings, and other key meetings; confirmed the status of initiatives regarding sustainability issues and the disclosure system for related information; attended meetings of the Nomination Committee and the Remuneration Committee (advisory bodies to the Board of Directors); interviewed executive directors, executive officers, and other key employees; conducted onsite audits of key subsidiaries; audited important payment transactions by the parent and subsidiaries; confirmed the status of internal audits by coordinating with the Internal Audit Office; confirmed the status of subsidiaries by coordinating with subsidiaries' Audit & Supervisory Board members; and confirmed the status of accounting audits by coordinating with the accounting auditor

(b) Activity of non-full-time members

Attended meetings of the Board of Directors and other committees, and provided advice and recommendations on key issues based on experience and expertise

Attendance of Audit & Supervisory Committee members at meetings of the Audit & Supervisory Committee and the Board of Directors during the fiscal year ended June 30, 2024 was as follows.

Name	Attendance at Audit & Supervisory Committee meetings during the fiscal year under review	Attendance at Board of Directors meetings during the fiscal year under review
Kunihiro Matsushima (full-time member)	100% (14/14 times)	100% (12/12 times)
Koichi Shima	100% (14/14 times)	100% (12/12 times)
Nobuyuki Watanabe	100% (14/14 times)	100% (12/12 times)
Michiko Ashizawa	100% (12/12 times)	100% (10/10 times)

2) Internal audit

The Internal Audit Office conducts internal audits under direct supervision of the president and CEO. It conducts such audits under an annual basic plan for internal audits formulated each fiscal year and approved by the president and CEO. The plan is reported to the Board of Directors and the Audit & Supervisory Committee, and all audit results are reported to the president and CEO and the Audit & Supervisory Committee in a timely manner. Significant findings are also reported to the Board of Directors. By having the audited departments report on the progress of improvement for deficiencies identified through the audits, the Internal Audit Office ensures high effectiveness of its internal audit functions.

The Company has established the Office of Audit & Supervisory Committee to assist the duties of the Audit & Supervisory Committee and support the smooth execution of such duties. All staff members of the Internal Audit Office concurrently serve in the Office of Audit & Supervisory Committee, ensuring the Audit & Supervisory Committee and the Internal Audit Office are always synchronized in the information necessary for audit activities. Specifically, the full-time member of the Audit & Supervisory Committee and the Internal Audit Office exchange information on audit activities and the status of the Company on a weekly basis. In addition, staff members of the Internal Audit Office attend every Audit & Supervisory Committee meeting and report internal audit results and relevant information concerning the Company and its major subsidiaries in a timely manner.

3) Accounting audit

a. Name of accounting auditor

Ernst & Young ShinNihon LLC

b. Period of continuous auditing

18 years

c. Certified public accountants who conducted the accounting audit

Hirofumi Harashina, Designated Limited Liability Partner and Engagement Partner

Shingo Arai, Designated Limited Liability Partner and Engagement Partner

d. Composition of assistants associated with the accounting audit

Certified public accountants: 9 people

Others: 42 people

e. Selection method and reasons for selecting accounting auditor

(Policy on dismissal or non-reappointment of accounting auditor)

The Audit & Supervisory Committee, upon consensus of all members, will dismiss an accounting auditor in the event that any of the various items under Article 340, Paragraph 1 of the Companies Act applies to the accounting auditor, and it is determined that dismissal is appropriate.

In addition, in the event it is determined there is some reason that interferes with an accounting auditor's ability to appropriately conduct audits, either due to the Company's circumstances or other reason, and it is determined that dismissal or non-reappointment is appropriate, the Audit & Supervisory Committee decides on details of a proposal for dismissal or non-reappointment of accounting auditor that is submitted to the General Meeting of Shareholders.

(Reason for reappointment of accounting auditor)

The Audit & Supervisory Committee resolved to reappoint Ernst & Young ShinNihon LLC as the accounting auditor in light of items stipulated by the Audit & Supervisory Committee in the "policy on dismissal or non-reappointment of accounting auditor" and the "accounting auditor assessment checklist," and based on opinions from the related departments that conduct business operations (Finance and Accounting Department and Internal Audit Office).

None of the items included in the "policy on dismissal or non-reappointment of accounting auditor" apply to Ernst & Young ShinNihon LLC.

f. Assessment of accounting auditor by Audit & Supervisory Committee members and the Audit & Supervisory Committee
The Audit & Supervisory Committee carried out an assessment of accounting auditor in accordance with the policy and assessment guidelines established by the Audit & Supervisory Committee, and based on opinions from the related departments that conduct business operations.

4) Audit fees

a. Fees paid to certified public accountants and others engaged in the accounting audit

Category	Year ended June 30, 2023		Year ended June 30, 2024	
	Fees for audit and attestation (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit and attestation (millions of yen)	Fees for non-audit services (millions of yen)
GREE, Inc.	64	2	67	2
Consolidated subsidiaries	4	—	5	—
Total	69	2	72	2

Year ended June 30, 2023

Non-audit services at the Company comprised mainly advisory services of various types.

Year ended June 30, 2024

Non-audit services at the Company comprised mainly commissioning of the preparation of comfort letters related to corporate bond issuance.

b. Fees paid to certified public accountants and others who belong to the same network firm as the accounting auditor (excluding a. above)

Category	Year ended June 30, 2023		Year ended June 30, 2024	
	Fees for audit and attestation (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit and attestation (millions of yen)	Fees for non-audit services (millions of yen)
GREE, Inc.	—	52	—	53
Consolidated subsidiaries	—	—	—	—
Total	—	52	—	53

Year ended June 30, 2023

Non-audit services at the Company comprised mainly advisory services of various types.

Year ended June 30, 2024

Non-audit services at the Company comprised mainly advisory services of various types.

c. Policy for determining audit fees

The Company determines the audit fees for its accounting auditor through discussions with the accounting auditor based on factors such as the audit plan, progress with the execution of duties, and fee estimate presented by the accounting auditor. From the perspective of ensuring the independence of the accounting auditor, it obtains the approval of the Audit & Supervisory Committee regarding the determination of the amount of the audit fees.

d. Reason that the Audit & Supervisory Committee agreed to accounting auditor fees

Based on the Japan Audit & Supervisory Board Members Association's practical guidelines on cooperation with the accounting auditor, the Audit & Supervisory Committee confirmed the details of the accounting auditor's audit plan, status of execution of duties, and grounds for calculation of fee estimates. After consideration of these factors, the Audit & Supervisory Committee consented to the accounting auditor fees in accordance with Article 399, Paragraphs 1 and 3 of the Companies Act.

(4) Executive remuneration

1) The amounts of remuneration for officers and items related to the policy for determining such amounts

At the Board of Directors meeting held in August 2022, the Company decided on a policy for determining the details of executive remuneration after consulting with the Remuneration Committee and receiving its report on the matter.

a. Policy for determining the details of individual remuneration

(a) Remuneration levels

Remuneration for directors (excluding directors who are members of the Audit & Supervisory Committee) is determined based on comparisons with other companies in the same industry or of the same size both in Japan and overseas, taking into consideration such factors as performance, the size of the relevant director's role and responsibilities, and balance with employee salaries. This is to ensure a competitive remuneration system that will allow the Company to continue to secure excellent human resources.

(b) Remuneration structure

The remuneration of inside directors (excluding non-executive directors) comprises basic remuneration as fixed remuneration, and trust-type share-based remuneration and stock compensation-type stock options, with conditions for the exercise of rights, as share-based remuneration, while the remuneration of outside directors and inside directors (non-executive directors) comprises only base remuneration as fixed remuneration that is unaffected by business results to ensure their independence.

Base remuneration as fixed remuneration is paid monthly, and trust-type share-based remuneration is paid annually based on the points granted to directors during their term of office, in the form of delivery of shares and payment of cash equivalent to the value of the shares. On the other hand, stock compensation-type stock options, with conditions for the exercise of rights, are granted all at once when the stock option plan is introduced.

b. Policy for determining the ratio of monetary to non-monetary remuneration for individual directors

In regard to remuneration for inside directors (excluding non-executive directors), based on the aforementioned policy, the ratio of fixed remuneration to share-based remuneration is set according to the roles and responsibilities regarding companywide performance.

c. Matters pertaining to the method of determining the details of remuneration for individual directors

The determination of the specific content of the base remuneration is delegated to the chairman and CEO based on a resolution of the Board of Directors, and the chairman and CEO decides the amount for individual directors with reference to the recommendations made through deliberation by the Remuneration Committee, which is an advisory body to the Board of Directors, within the scope of the resolution of the General Meeting of Shareholders.

For trust-type share-based remuneration, within the scope of the resolution of the General Meeting of Shareholders, the specific details are delegated to the chairman and CEO, and the points to be granted to each individual in accordance with the Stock Benefit Regulations are determined by resolution of the Board of Directors with reference to the recommendations made through deliberation by the Remuneration Committee, which is an advisory body to the Board of Directors.

In regard to stock compensation-type stock options with conditions for the exercise of rights, the Board of Directors has resolved to delegate authority to the chairman and CEO to set the number of options to be allotted to each individual based on items to be offered as resolved by the Board of Directors with reference to the recommendations made through deliberation by the Remuneration Committee, which is an advisory body to the Board of Directors.

In addition, members of the Audit & Supervisory Committee, within the allowable amount as resolved by the General Meeting of Shareholders, deliberate and set the remuneration amount for each director who is a member of the Audit & Supervisory Committee.

2) Total amount of remuneration, total amount by type of remuneration, and number of grantees, based on breakdown by officer category

Officer category	Total amount of remuneration (millions of yen)	Total amount by type of remuneration (millions of yen)		Number of grantees
		Cash remuneration	Non-cash remuneration	
Inside director	112	10	101	7
Outside director (excluding Audit & Supervisory Committee member)	37	37	—	3
Outside director (Audit & Supervisory Committee member)	37	37	—	4

- (Notes) 1. In addition to the amounts shown in the table, an amount equivalent to an employee's salary (¥194 million) is paid to directors who serve concurrently as employees.
2. As of the end of the fiscal year under review, there were nine directors (excluding members of the Audit & Supervisory Committee) and four directors (members of the Audit & Supervisory Committee).
3. Non-cash remuneration comprises stock compensation-type stock options, and reflects the expense amounts recorded in the fiscal year under review. The conditions for allotment are as described in IV. Information on the Company, 1. Information on the Company's shares, (2) Share acquisition rights, 1) Details of stock option program.

3) Stock compensation-type stock options with conditions for exercise

At the 17th Annual General Meeting of Shareholders held on September 28, 2021, in addition to its conventional stock compensation-type stock options, the Company introduced stock options with market capitalization conditions with the aim of further increasing incentive to raise market capitalization in the future. Options are to be allotted to five directors, and information on the share acquisition rights is as follows.

a. Total number of share acquisition rights

The total number of share acquisition rights to be issued within one year of the date of the General Meeting of Shareholders is limited to 20,000.

b. Class and number of shares subject to share acquisition rights

Exercise of one share acquisition right is to result in the issuance of 100 shares of common stock. In the event of a stock split or reverse stock split that would make it appropriate to change the number of shares issued upon exercise of a share acquisition right, the Company shall make adjustments as deemed necessary.

c. Amount to be paid for share acquisition rights

The amount to be paid for share acquisition rights shall be the amount determined by the Company's Board of Directors based on fair value on the date of allotment of such share acquisition rights as determined by the calculation method generally used to calculate the fair value of stock acquisition rights. To clarify, the Company shall pay the directors to whom the share acquisition rights are allotted monetary remuneration equivalent to the total amount of the share acquisition rights, and each director shall use that monetary remuneration to offset the payment obligation relating to the share acquisition rights.

d. Amount of assets to be contributed upon exercise of the share acquisition rights

The amount of assets to be contributed upon exercise of each share acquisition right shall be ¥1 per share to be delivered upon exercise, multiplied by the number of shares granted.

e. Period during which the share acquisition rights may be exercised

The period during which the share acquisition rights may be exercised (hereinafter referred to as the "Exercise Period") shall be October 14, 2021 to October 13, 2031. However, if the last day of the Exercise Period falls on a Company holiday, the actual last day shall be the preceding business day.

f. Restrictions on acquiring the share acquisition rights through transfer

The acquisition of share acquisition rights through transfer requires approval via resolution of the Board of Directors.

g. Conditions for exercise of the share acquisition rights

The main condition for exercise of the share acquisition rights is that, at any time within seven years from the date of allotment of the rights, the aggregate market value of the Company's common stock (calculated by the following formula) exceeds ¥500 billion on each of five consecutive business days (excluding days on which the Company's common stock is not traded). Any holder of the share acquisition rights may exercise the rights starting on the next business day after this condition has been met.

Formula: Market capitalization (aggregate market value) = (Total number of common shares issued by the Company* – Number of common shares held by the Company as treasury stock*) × Closing price of the Company's common shares in regular trading on the Tokyo Stock Exchange*

*All three figures shall be the figures for each of the relevant five consecutive business days.

Any holder of the share acquisition rights may exercise the rights during the periods set forth in the following items up to the ratio set forth in the respective items (the ratio to include rights already exercised). If the number of exercisable rights calculated based on these ratios includes a fractional figure, the fraction shall be discarded, and only whole share acquisition rights shall be exercised.

(a) One year from the date the aforementioned market capitalization condition is achieved

50% of the total number of share acquisition rights allotted to a holder of the share acquisition rights

(b) After the end of the period described in (a) until the final day of the Exercise Period

100% of the total number of share acquisition rights allotted to a holder of the share acquisition rights

The holder of the share acquisition rights must be a senior executive officer or in an equivalent position or higher at the time of exercise as well. However, this condition does not apply if the Board of Directors recognizes a justifiable reason the condition should not apply. Other conditions for exercise of the share acquisition rights, if any, shall be determined by resolution of the Board of Directors.

h. Matters pertaining to acquisition of the share acquisition rights

In the event that the General Meeting of Shareholders approves (or, if the approval of the General Meeting is not required, the Board of Directors resolves) a merger agreement resulting in the Company's extinction, a demerger agreement or plan resulting in the Company becoming a demerging company, or a share transfer agreement or plan resulting in the Company becoming a wholly owned subsidiary, the Company may, on a date separately designated by the Company's Board of Directors, acquire all remaining share acquisition rights without compensation.

In the event that, prior to exercise of the share acquisition rights by their holders, the exercise of the rights becomes impossible pursuant to the provisions set forth in the preceding section, the Company may, on a date separately designated by the Company's Board of Directors, acquire all remaining share acquisition rights without compensation.

i. Other details regarding share acquisition rights

Other details regarding share acquisition rights, if any, shall be decided by the Board of Directors.

4) Activities of the Board of Directors and Compensation Review Meeting in the process of determining executive remuneration

During the fiscal year under review, activities of the Board of Directors and Compensation Review Meeting in the process of determining directors' remuneration were as follows.

Date of activity	Name	Detail of activity
June 23, 2023	Remuneration Committee	Deliberated directors' remuneration
September 27, 2023	Board of Directors	Resolved directors' remuneration

(5) Information on shareholdings

1) Criteria for shareholding classification and rationale

The Company classifies its shareholdings into shares held for pure investment and shares held for purposes other than pure investment. The former are held mainly for the purpose of generating profit through changes in share price or through dividends, while the latter are positioned as strategic holdings.

2) Shares held for purposes other than pure investment

a. Holding policy, method of verifying rationality of holdings, and detail of verification by the Board of Directors regarding propriety of individual holdings

The Company considers strategic holdings only when it deems establishing and strengthening stable, long-term relationships with the companies in question would contribute to improving its corporate value in the long term.

When the Company has strategic holdings, the Board of Directors confirms the purpose and rationality of those holdings from a long-term perspective, verifying the propriety of individual holdings. If the Board of Directors determines that the significance of a particular holding has diminished, it considers reducing the size of the holding in question.

b. Number of stocks (companies) and amount recorded on the balance sheet

	Number of stocks (companies)	Total amount on balance sheet (millions of yen)
Unlisted stocks	7	473
Stocks other than unlisted stocks	1	1,199

c. Number of shares for each stock of specified equity investments and deemed holdings, and amount recorded on the balance sheet

Specified equity investments

Name of stock	Year ended June 30, 2024	Year ended June 30, 2023	Purpose of holding, overview of business and other alliances, quantitative effect, and reason for increase in shares held	Reciprocal shareholdings
	Number of shares (shares)	Number of shares (shares)		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
Bushiroad Inc.	3,116,000	3,116,000	Holding is intended to maintain and strengthen the companies' trade relationship.	None
	1,199	2,396		

(Note) It is difficult to provide the quantitative effect of holding these investments. The Company has verified the purpose of the holding, the economic rationality, and the status of transactions.

3) Shares held for pure investment

There are no applicable matters to report.

4) Equity investment for which the purpose of holdings changed from pure investment to other than pure investment during the fiscal year under review

There are no applicable matters to report.

5) Equity investment for which the purpose of holdings changed from other purposes to pure investment purpose during the fiscal year under review

There are no applicable matters to report.

V. Financial Information

1. Basis of presentation for consolidated and non-consolidated financial statements

- (1) The Company's consolidated financial statements are prepared in conformity with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as the "Regulation on Consolidated Financial Statements").
- (2) The non-consolidated financial statements are prepared in conformity with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance of Japan No. 59 of 1963; hereinafter referred to as the "Regulation on Financial Statements").

As a company designated for the submission of financial statements prepared in accordance with special provisions, the Company prepares its non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

2. Independent auditing of financial statements

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company arranged for the auditing firm Ernst & Young ShinNihon LLC to conduct independent audits of the consolidated and non-consolidated financial statements of the Company for the fiscal year under review (July 1, 2023 to June 30, 2024).

3. Particular efforts to secure the appropriateness of consolidated financial statements and other financial reports

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements and other financial reports. Specifically, to maintain a system allowing it to accurately ascertain the content of accounting standards, and appropriately respond to revisions to those standards, it maintains membership in the Financial Accounting Standards Foundation (FASF) and participates in seminars provided by FASF on a quarterly basis.

1. Consolidated financial statements

(1) Consolidated financial statements

1) Consolidated balance sheet

(Millions of yen)

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	50,293	49,788
Notes and accounts receivable—trade, and contract assets	*1 7,694	*1 7,410
Accounts receivable—other	2,298	2,316
Operational investment securities	*2 19,574	*2 22,106
Money held in trust	24,000	27,500
Other	3,506	3,214
Allowance for doubtful accounts	(0)	(59)
Total current assets	107,367	112,276
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,901	1,783
Tools, furniture and fixtures	464	370
Total property, plant and equipment	*3 2,365	*3 2,154
Intangible assets		
Other	8	6
Total intangible assets	8	6
Investments and other assets		
Investment securities	*2 10,242	*2 9,230
Deferred tax assets	1,907	2,342
Other	3,239	3,133
Allowance for doubtful accounts	(324)	(356)
Total investments and other assets	15,064	14,351
Total non-current assets	17,439	16,511
Total assets	124,806	128,788
Liabilities		
Current liabilities		
Current portion of bonds payable	5,000	—
Income taxes payable	1,684	1,600
Contract liabilities	5,919	5,037
Provision for bonuses	512	668
Accounts payable—other	6,251	6,602
Other	1,023	1,112
Total current liabilities	20,391	15,021
Non-current liabilities		
Bonds payable	10,700	16,700
Other	1,165	1,536
Total non-current liabilities	11,865	18,236
Total liabilities	32,256	33,257

(Millions of yen)

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	2,365	2,362
Retained earnings	93,690	96,443
Treasury shares	(5,836)	(5,608)
Total shareholders' equity	90,319	93,298
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,657	1,431
Foreign currency translation adjustment	66	216
Total accumulated other comprehensive income	1,724	1,648
Share acquisition rights	454	487
Non-controlling interests	51	96
Total net assets	92,549	95,530
Total liabilities and net assets	124,806	128,788

2) Consolidated statements of income and comprehensive income
Consolidated statement of income

(Millions of yen)

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Net sales	*1 75,440	*1 61,309
Cost of sales	28,831	27,068
Gross profit	46,608	34,240
Selling, general and administrative expenses	*2, *3 34,110	*2, *3 28,258
Operating profit	12,498	5,981
Non-operating income		
Interest income	160	117
Dividend income	54	15
Foreign exchange gains	584	1,170
Gain on valuation of crypto assets	—	22
Other	10	21
Total non-operating income	810	1,347
Non-operating expenses		
Interest expenses	122	160
Commission expenses	51	31
Loss on valuation of crypto assets	46	—
Other	1	13
Total non-operating expenses	222	205
Ordinary profit	13,086	7,123
Extraordinary income		
Gain on sale of investment securities	293	72
Gain on sale of shares of subsidiaries and associates	3	—
Other	24	0
Total extraordinary income	321	72
Extraordinary losses		
Loss on retirement of non-current assets	7	21
Impairment losses	56	—
Loss on valuation of investment securities	636	—
Other	13	—
Total extraordinary losses	713	21
Profit before income taxes	12,693	7,174
Income taxes—current	3,320	2,610
Income taxes—deferred	95	(21)
Total income taxes	3,416	2,589
Profit	9,277	4,585
(Loss) attributable to non-controlling interests	(0)	(44)
Profit attributable to owners of parent	9,278	4,630

Consolidated statement of comprehensive income

(Millions of yen)

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Profit	9,277	4,585
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,613)	(1,138)
Foreign currency translation adjustment	66	150
Share of other comprehensive income of entities accounted for using equity method	(20)	912
Total other comprehensive income	*1 (3,567)	*1 (75)
Comprehensive income	5,710	4,509
Comprehensive income attributable to:		
Owners of parent	5,710	4,554
Non-controlling interests	(0)	(44)

3) Consolidated statement of changes in equity
Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	2,365	86,320	(3,690)	85,094
Changes during period					
Dividends of surplus			(1,905)		(1,905)
Profit attributable to owners of parent			9,278		9,278
Purchase of treasury shares				(2,414)	(2,414)
Disposal of treasury shares		(2)		269	267
Transfer of loss on disposal of treasury shares		2	(2)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	7,370	(2,145)	5,225
Balance at end of period	100	2,365	93,690	(5,836)	90,319

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	5,291	—	5,291	490	53	90,930
Changes during period						
Dividends of surplus						(1,905)
Profit attributable to owners of parent						9,278
Purchase of treasury shares						(2,414)
Disposal of treasury shares						267
Transfer of loss on disposal of treasury shares						—
Net changes in items other than shareholders' equity	(3,633)	66	(3,567)	(35)	(2)	(3,605)
Total changes during period	(3,633)	66	(3,567)	(35)	(2)	1,619
Balance at end of period	1,657	66	1,724	454	51	92,549

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	2,365	93,690	(5,836)	90,319
Changes during period					
Dividends of surplus			(1,877)		(1,877)
Profit attributable to owners of parent			4,630		4,630
Disposal of treasury shares				228	228
Change in ownership interest of parent due to transactions with non-controlling interests		(2)			(2)
Net changes in items other than shareholders' equity					
Total changes during period	—	(2)	2,752	228	2,978
Balance at end of period	100	2,362	96,443	(5,608)	93,298

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,657	66	1,724	454	51	92,549
Changes during period						
Dividends of surplus						(1,877)
Profit attributable to owners of parent						4,630
Disposal of treasury shares						228
Change in ownership interest of parent due to transactions with non-controlling interests						(2)
Net changes in items other than shareholders' equity	(226)	150	(75)	32	45	1
Total changes during period	(226)	150	(75)	32	45	2,980
Balance at end of period	1,431	216	1,648	487	96	95,530

4) Consolidated statement of cash flows

(Millions of yen)

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Cash flows from operating activities		
Profit before income taxes	12,693	7,174
Depreciation	332	343
Impairment losses	56	—
Interest and dividend income	(215)	(133)
Interest expenses	122	160
Foreign exchange losses (gains)	(275)	(567)
Loss (gain) on sale of investment securities	(293)	(72)
Decrease (increase) in operational investment securities	(2,817)	(1,584)
Loss (gain) on valuation of investment securities	636	—
Decrease (increase) in trade receivables	60	284
Decrease (increase) in accounts receivable–other	(731)	(17)
Increase (decrease) in allowance for doubtful accounts	7	90
Decrease (increase) in deposits paid	(47)	(108)
Decrease (increase) in prepaid expenses	(129)	189
Decrease (increase) in long-term prepaid expenses	(174)	(24)
Increase (decrease) in accounts payable–other	328	576
Increase (decrease) in accrued consumption taxes	(890)	(37)
Increase (decrease) in contract liabilities	1,262	(882)
Increase (decrease) in allowance for relocation cost	(16)	—
Other, net	(828)	365
Subtotal	9,083	5,756
Interest and dividends received	269	133
Interest paid	(88)	(155)
Payment amount or refund amount of income taxes	(4,674)	(2,232)
Net cash provided by (used in) operating activities	4,590	3,502
Cash flows from investing activities		
Purchase of property, plant and equipment	(429)	(138)
Purchase of investment securities	(1,500)	(372)
Proceeds from sale of investment securities	293	284
Proceeds from sale of shares of subsidiaries and associates	94	39
Payments of leasehold deposits	(12)	(3)
Proceeds from refund of leasehold deposits	1,184	173
Other, net	(70)	(7)
Net cash provided by (used in) investing activities	(439)	(23)
Cash flows from financing activities		
Proceeds from issuance of bonds	7,700	6,000
Redemption of bonds	—	(5,000)
Purchase of treasury shares	(2,414)	—
Dividends paid	(1,970)	(1,973)
Other, net	(49)	(25)
Net cash provided by (used in) financing activities	3,264	(999)
Effect of exchange rate change on cash and cash equivalents	252	515
Net increase (decrease) in cash and cash equivalents	7,668	2,994
Cash and cash equivalents at beginning of period	66,624	74,293
Cash and cash equivalents at end of period	*1 74,293	*1 77,288

Notes to consolidated financial statements

(Significant matters that serve as the basis for preparation of the consolidated financial statements)

1. Scope of consolidation

(1) Number and name of consolidated subsidiaries

Number of consolidated subsidiaries: 26

Name of main consolidated subsidiaries

WFS, Inc.

Pokelabo, Inc.

GREE Entertainment, Inc.

REALITY, Inc.

Glossom, Inc.

During the fiscal year under review, the Company newly established jobda, inc. and added this subsidiary to the scope of consolidation.

(2) Name of main non-consolidated subsidiary

Name of main non-consolidated subsidiary

GREE Business Operations, Inc.

Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are all small in scale, and total assets, net sales, profit or loss (amount corresponding to equity interests), and retained earnings (amount corresponding to equity interests) do not have a significant impact on consolidated financial statements, so they are excluded from the scope of consolidation.

2. Application of equity method

(1) Number of equity-method affiliates: 1

Name of main equity-method affiliate

AT-II Investment Limited Partnership

During the fiscal year under review, AT-I Investment Limited Partnership was liquidated and excluded from the scope of application of the equity method.

(2) Name of non-consolidated subsidiary and affiliate not accounted for by the equity method

Name of main companies

Non-consolidated subsidiary

GREE Business Operations, Inc.

Affiliate

GeePlus, Inc.

Reason for not applying the equity method

The non-consolidated subsidiary and affiliate not accounted for by the equity method have only a slight impact on consolidated financial statements in terms of profit or loss (amount corresponding to equity interests) and retained earnings (amount corresponding to equity interests). Since they have little materiality to the Group as a whole, they are excluded from the equity-method of accounting.

(3) For equity-method affiliates, financial statements for the individual companies are used in cases where the closing date differs from that of the consolidated financial statements.

3. Accounting period of consolidated subsidiaries

Of the consolidated subsidiaries, STRIVE, Inc. has an accounting period ending December 31. In preparing consolidated financial statements, the Company uses a provisional settlement of accounts for STRIVE as of the closing date of the consolidated financial statements. The closing date of all other consolidated subsidiaries matches that of the consolidated financial statements.

4. Accounting policies

(1) Valuation standard and method for significant assets

Securities

Held-to-maturity securities

Stated at amortized cost using the straight-line method.

Available-for-sale securities

Securities other than shares without a determinable market value

Stated at fair market value (with any unrealized gains or losses reported directly as a component of net assets and the cost of securities sold calculated by the moving average method).

Shares without a determinable market value

Stated at cost using the moving average method. In regard to investments in investment limited partnerships or other similar partnerships (those recognized as securities by Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the Company uses the net amount of its equity interests based on the latest financial statements available as per the closing date stipulated by the partnership agreement.

(2) Depreciation method for significant assets

a. Property, plant and equipment

The declining balance method is mainly applied.

However, for facilities attached to buildings acquired on or after April 1, 2016, the straight-line method is applied, according to standards matching the method prescribed by the Corporation Tax Act.

The ranges of useful life for property, plant and equipment are mainly as follows.

Buildings and structures	8–18 years
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Tools, furniture and fixtures	3–15 years
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b. Intangible assets

Software for internal use

The straight-line method is applied based on the useful life at the Company (2–5 years).

(3) Accounting standards for significant provisions

a. Allowance for doubtful accounts

To prepare for losses from uncollectable receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

b. Provision for bonuses

To provide for the payment of bonuses to employees, of the estimated total amount of bonus payment, the Company records the portion to be borne by the fiscal year under review.

(4) Recognition standards for significant revenues and expenses

The details of major performance obligations in key businesses in relation to revenue from contracts between the Group and its customers, and the normal timing of satisfying such performance obligations (the normal timing to recognize revenue) are as follows.

a. Revenue received from customers for in-app purchases

The Group operates the games distributed on its GREE platform, various smartphone games distributed on third-party platforms, and its smartphone-oriented metaverse REALITY under a monetization model that is primarily based on in-app purchases. In-app purchases refer to purchases of virtual items by users (customers) that are used in games or other apps, and the Group judges that its performance obligations are satisfied by delivering services within the scope determined for each virtual item. Consequently, the Group estimates the usage period for virtual items from the in-app purchase date, and recognizes revenue in accordance with the estimated period. The consideration for the transactions is received within one year of the satisfaction of the performance obligations, and does not include a significant financing component.

b. Licensing revenue

The Group licenses game distribution and other rights. When providing a license to a customer, the Group regards the nature of its commitment as the right to access its intellectual property during the license period, and it recognizes the revenue received from customers for the licensing of game distribution and other rights over a certain period. The consideration for the transactions is received within one year of the satisfaction of the performance obligations, and does not include a significant financing component.

c. Revenue from contracted operations

The Group undertakes contracted software development. It distinguishes two types of performance obligation to customers for such work based on the terms of the contract with the customer: provide deliverables under contracts for work, or provide services under contracts of mandate. For contracts for work, where the degree of work progress can be rationally estimated, the Group recognizes revenue based on the degree of progress calculated as the ratio of incurred costs by the final day of the applicable reporting period to the total estimated expenses. If the degree of progress in the satisfaction of the performance obligations cannot be rationally estimated, but the incurred expenses are expected to be recovered, the Group recognizes revenue based on the cost recovery method. For contracts of mandate, the Group recognizes revenue based on the elapsed contract period during which services have been provided. The consideration for the transactions is received within one year of the satisfaction of the performance obligations, and does not include a significant financing component.

(5) Standard for translation of significant foreign currency-denominated assets and liabilities to Japanese yen

Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the closing date, and the difference arising from such translation is recorded as profits or losses. The assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate prevailing on the closing date, and their revenues and expenses are translated into yen at the average exchange rate during the fiscal year, with the differences arising from such translation included in the foreign currency translation adjustment account under net assets.

(6) Scope of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consist of cash in hand, deposits drawable at any time, and any short-term investments that are readily convertible, are only exposed to negligible risk of change in value, and are redeemable in three months or less from each acquisition date.

(Significant accounting estimates)

Valuation of unlisted stocks

Accounting estimates used in preparing the Company's consolidated financial statements are as follows.

1. Amounts recorded in the consolidated financial statements for the fiscal year under review

(Millions of yen)

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Operational investment securities (unlisted stocks)	1,408	1,760
Operational investment securities (investment in investment limited partnerships or other similar partnerships)	18,166	20,310
Investment securities (unlisted stocks)	2,195	2,506

2. Other information regarding accounting estimates that contributes to the understanding of users of the consolidated financial statements

For the purpose of business alliances and investment and incubation, the Group invests in a number of unlisted companies in amounts considerably higher than their value based on net assets per share, with the expectation of excess earning capacity through future growth of the investees. In valuing such unlisted stocks, the Company recognizes impairment losses when their value, reflecting their excess earning capacity at the time of investment, declines significantly.

As part of the valuation of unlisted stocks, the Company considers whether the excess earning capacity as of the time of investment has been impaired by comprehensively taking into account the level of achievement of the investee's business plan in place at the time of investment, along with growth and performance prospects. This review includes elements of estimation, and the key assumptions used are the significant components that underpin the sales and operating profit projections included in the business plan. There is a great deal of uncertainty in the assumptions used in the estimates, and if there is deviation between an investee's outlook for business progress and its actual results, that may have an impact on the consolidated financial statements for the next accounting year.

In regard to investment in investment limited partnerships or other similar partnerships, the Company uses the net amount of its equity interests based on the latest financial statements available as per the closing date stipulated by the partnership agreement.

(Accounting standards not yet applied, etc.)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview

In February 2018, the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Statement No. 28; hereinafter referred to as "ASBJ Statement No. 28, etc.") were published, completing the transfer of practical guidelines on tax effect accounting from the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan (ASBJ). However, in the course of deliberation, the following two issues, which were to be reviewed after the release of ASBJ Statement No. 28, etc., were discussed and published:

- Classification of tax expenses (taxes on other comprehensive income)
- Tax effects on the sale of shares in subsidiaries, etc. (shares of subsidiaries or affiliates) when the group taxation system is applied

(2) Scheduled date of application

The Group began applying the aforementioned accounting standards from the beginning of the fiscal year ending June 30, 2025.

(3) Effect of application of the aforementioned accounting standards

The Group is currently evaluating the impact of applying the Accounting Standard for Current Income Taxes, etc. on its consolidated financial statements.

- Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules (Practical Solution No. 46, March 22, 2024, Accounting Standards Board of Japan)
- Supplementary Document: Estimation of Current Taxes Related to the Global Minimum Tax Rules (March 22, 2024)

(1) Overview

In October 2021, in the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) led by the Organization for Economic Cooperation and Development (OECD) and the G20, participating countries agreed on a global minimum tax.

In response, the treatment of the Income Inclusion Rule (IIR)—one of the internationally agreed global minimum tax rules—was established in the Act Partially Amending the Income Tax Act, etc. (Act No. 3 of 2023), which was enacted on March 28, 2023 in Japan and is to be applied from the relevant fiscal year beginning April 1, 2024 or later.

Global minimum taxation is a new tax system that aims to impose a minimum corporate tax rate of 15% on the country-by-country profits of multinational corporate groups and other entities that meet certain criteria and in which the entity that generates the net income (profit) from which the tax is levied is different from the entity that is obligated to pay the tax.

Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules provides guidance on the accounting and disclosure treatment for corporate taxes and local corporate taxes under the Global Minimum Tax Rules.

(2) Scheduled date of application

The Group began applying the aforementioned accounting standards from the beginning of the fiscal year ending June 30, 2025.

(3) Effect of application of the aforementioned accounting standards

The Group is currently evaluating the impact of applying Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules on its consolidated financial statements.

(Changes in presentation)

(Consolidated statement of cash flows)

“Decrease (increase) in prepaid expenses,” which was included in “other, net” under “cash flows from operating activities” in the fiscal year ended June 30, 2023 has been stated as an independent line item from the fiscal year ended June 30, 2024 due its increased significance. The consolidated financial statements for the fiscal year ended June 30, 2023 have been retroactively adjusted to reflect this change in presentation method.

As a result, the ¥(957) million for “other, net” under “cash flows from operating activities” in the consolidated statement of cash flows for the fiscal year ended June 30, 2023 has been restated as ¥(129) million for “decrease (increase) in prepaid expenses” and ¥(828) million for “other, net.”

(Consolidated balance sheet)

*1 Among notes and accounts receivable–trade, and contract assets, receivable and contract asset amounts generated from contracts with customers are as follows.

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Notes receivable–trade	¥1 million	¥— million
Accounts receivable–trade	¥7,693 million	¥7,260 million
Contract assets	¥— million	¥150 million

*2 Investments in non-consolidated subsidiaries and associates are as follows.

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Operational investment securities (investments in investment partnerships)	¥5,819 million	¥6,470 million
Investment securities (stocks, others)	¥298 million	¥346 million

*3 Accumulated depreciation of property, plant and equipment

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Accumulated depreciation of property, plant and equipment	¥960 million	¥1,011 million

4. To facilitate the efficient procurement of working capital, the Company has concluded overdraft agreements with three banks.

Unexecuted borrowings based on these agreements at the end of the respective accounting periods are as follows.

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Maximum overdraft limit	¥17,000 million	¥17,000 million
Outstanding borrowings	¥— million	¥— million
Difference	¥17,000 million	¥17,000 million

(Consolidated statement of income)

*1 Revenue from contracts with customers

The Group does not disaggregate revenue from contracts with customers and other revenue. Revenue amounts from contracts with customers are provided in Notes to consolidated financial statements (Revenue recognition) 1. Breakdown of revenue from contracts with customers.

*2 Major expense items and amounts included under selling, general and administrative expenses are as follows.

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Salaries and allowances	¥2,906 million	¥3,280 million
Commission expenses	¥14,232 million	¥11,184 million
Advertising expenses	¥6,963 million	¥4,483 million

*3 Total research and development expenses included under general and administrative expenses are as follows.

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
	¥767 million	¥827 million

(Consolidated statement of comprehensive income)

*1 Reclassification adjustments and tax effects relating to other comprehensive income

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Valuation difference on available-for-sale securities:		
Amount arising during period	¥(5,451) million	¥(1,682) million
Reclassification adjustments	¥(131) million	¥— million
Before tax effect adjustment	¥(5,582) million	¥(1,682) million
Tax effect amount	¥1,969 million	¥543 million
Valuation difference on available-for-sale securities	¥(3,613) million	¥(1,138) million
Foreign currency translation adjustment:		
Amount arising during period	¥66 million	¥150 million
Reclassification adjustments	¥— million	¥— million
Before tax effect adjustment	¥66 million	¥150 million
Tax effect amount	¥— million	¥— million
Foreign currency translation adjustment	¥66 million	¥150 million
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during period	¥(20) million	¥912 million
Total other comprehensive income	¥(3,567) million	¥(75) million

(Consolidated statement of changes in equity)
Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

1. Type and number of issued shares and treasury shares

Type	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock (shares)	179,749,700	—	—	179,749,700
Total	179,749,700	—	—	179,749,700
Treasury shares				
Common stock (shares) (Note)	6,518,365	3,000,400	424,496	9,094,269
Total	6,518,365	3,000,400	424,496	9,094,269

(Note) The number of treasury shares (common stock) includes the Company's stock held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account (5,967,838 shares as of July 1, 2022 and 8,675,042 shares as of June 30, 2023).

(Overview of reasons for changes)

(Notes) 1. The increase reflects the following.

Increase from the acquisition of the Company's shares by BIP Trust Account 3,000,400 shares

2. The decrease reflects the following.

Decrease from the sale of the Company's shares by ESOP Trust Account 267,849 shares

Decrease from the sale of the Company's shares by BIP Trust Account 25,347 shares

Decrease from the exercise of stock options 131,300 shares

2. Share acquisition rights and treasury share acquisition rights

Classification	Description	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights (shares)				Balance at end of period (millions of yen)
			Beginning of period	Increase during period	Decrease during period	End of period	
Filing company (parent company)	Share acquisition rights as stock options	—	—	—	—	—	454
Total		—	—	—	—	—	454

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
August 22, 2022 Board of Directors	Common stock	1,905	11.0	June 30, 2022	September 5, 2022

(Note) The total amount of dividends does not include ¥65 million paid to the Company's stock held by Stock Grant ESOP Trust Account.

(2) Dividends whose record date falls in the fiscal year ended June 30, 2023 and whose effective date falls in the next fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
August 3, 2023 Board of Directors	Common stock	Retained earnings	1,877	11.0	June 30, 2023	August 24, 2023

(Note) The total amount of dividends does not include ¥95 million paid to the Company's stock held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account.

Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

1. Type and number of issued shares and treasury shares

Type	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock (shares)	179,749,700	—	—	
Total	179,749,700	—	—	
Treasury shares				
Common stock (shares) (Note)	9,094,269	—	379,495	8,714,774
Total	9,094,269	—	379,495	8,714,774

(Note) The number of treasury shares (common stock) includes the Company's stock held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account (8,675,042 shares as of July 1, 2023 and 8,295,547 shares as of June 30, 2024).

(Overview of reasons for changes)

(Note) The decrease reflects the following.

Decrease from the sale of the Company's shares by ESOP Trust Account	311,928 shares
Decrease from the sale of the Company's shares by BIP Trust Account	67,567 shares

2. Share acquisition rights and treasury share acquisition rights

Classification	Description	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights (shares)				Balance at end of period (millions of yen)
			Beginning of period	Increase during period	Decrease during period	End of period	
Filing company (parent company)	Share acquisition rights as stock options	—	—	—	—	—	487
Total		—	—	—	—	—	487

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
August 3, 2023 Board of Directors	Common stock	1,877	11.0	June 30, 2023	August 24, 2023

(Note) The total amount of dividends does not include ¥95 million paid to the Company's stock held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account.

(2) Dividends whose record date falls in the fiscal year ended June 30, 2024 and whose effective date falls in the next fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
August 1, 2024 Board of Directors	Common stock	Retained earnings	2,822	16.5	June 30, 2024	August 22, 2024

(Note) The total amount of dividends does not include ¥136 million paid to the Company's stock held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account.

(Consolidated statement of cash flows)

*1 Reconciliation of year-end balance of cash and cash equivalents and items in the consolidated balance sheet

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Cash and deposits account	¥50,293 million	¥49,788 million
Money held in trust	¥24,000 million	¥27,500 million
Cash and cash equivalents	¥74,293 million	¥77,288 million

(Lease transactions)

Operating leases

(Lessee)

Future lease payables related to non-cancelable operating leases

(Millions of yen)

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Due within one year	1,071	1,073
Due after one year	2,321	1,785
Total	3,393	2,859

(Financial instruments)

1. Conditions of financial instruments

(1) Policy for handling financial instruments

The Group procures necessary funds mainly from its own funds and corporate bonds, and seeks to ensure proper fund management by effectively utilizing its Cash Management Services (CMS). It invests in unlisted stocks and investment limited partnerships or other similar partnerships in its Investment business, and manages temporary surplus funds in the form of safe financial assets. The Group's investments in investment limited partnerships or other similar partnerships are mainly conducted through GREE Capital Management, Inc.

(2) Type and risk of financial instruments

Notes and accounts receivable—trade and accounts receivable—other (trade receivables) are exposed to credit risk from customers.

Money held in trust mainly consists of jointly operated designated money trusts, which are exposed to credit risk from issuers. Operational investment securities and investment securities mainly consist of held-to-maturity securities, stocks associated with business alliances, unlisted stocks held for the purpose of investment and incubation, and investments in investment partnerships, all of which are exposed to credit risk and the risk of market price fluctuations.

The majority of accounts payable—other (trade payables) and income taxes payable are paid within one year.

Corporate bonds comprise only fixed-rate unsecured bonds.

(3) Risk management system for financial instruments

In accordance with internal regulations, the Group conducts regular monitoring by account managers of the status of trade receivables from key customers, manages settlement dates and balances for each customer, and works to identify and mitigate doubtful accounts receivables resulting from deterioration in financial conditions as early as possible.

Money held in trust mainly consists of low-risk financial instruments held for the purpose of short-term investment, so their exposure to credit risk is low. Held-to-maturity securities solely consist of bonds with high credit ratings, so their exposure to credit risk is similarly low. Stocks associated with business alliances and investment in investment partnerships are exposed to the risk of market price fluctuations, but the Company periodically examines market values and the financial position of issuers (trade partners) and continually reviews the status of its holdings.

2. Fair value of financial instruments

The amounts recorded on the consolidated balance sheet, fair values, and the differences between them are as follows.

Year ended June 30, 2023 (as of June 30, 2023)

	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Investment securities			
Held-to-maturity securities	5,650	5,628	(21)
Available-for-sale securities	2,396	2,396	—
Assets total	8,046	8,024	(21)
(1) Bonds payable	15,700	15,680	(19)
Liabilities total	15,700	15,680	(19)

(*1) Notes for “cash and deposits,” “notes and accounts receivable–trade,” “accounts receivable–other,” “money held in trust,” “accounts payable–other,” and “income taxes payable” are omitted as they are settled in the short term and their fair value therefore approximates book value.

(*2) Shares without a determinable market value are not included in the table above. The amounts recorded on the consolidated balance sheet for these financial instruments are as follows.

(Millions of yen)

Classification	Year ended June 30, 2023 (As of June 30, 2023)
Operational investment securities (unlisted stocks)	1,408
Operational investment securities (investment in investment limited partnerships or other similar partnerships)	18,166
Investment securities (unlisted stocks)	2,195

Year ended June 30, 2024 (as of June 30, 2024)

	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Operational investment securities			
Available-for-sale securities	34	34	—
(2) Investment securities			
Held-to-maturity securities	5,500	5,419	(80)
Available-for-sale securities	1,224	1,224	—
Assets total	6,759	6,678	(80)
(1) Bonds payable	16,700	16,553	(146)
Liabilities total	16,700	16,553	(146)

(*1) Notes for “cash and deposits,” “notes and accounts receivable–trade,” “accounts receivable–other,” “money held in trust,” “accounts payable–other,” and “income taxes payable” are omitted as they are settled in the short term and their fair value therefore approximates book value.

(*2) Shares without a determinable market value are not included in the table above. The amounts recorded on the consolidated balance sheet for these financial instruments are as follows.

(Millions of yen)

Classification	Year ended June 30, 2024 (As of June 30, 2024)
Operational investment securities (unlisted stocks)	1,760
Operational investment securities (investment in investment limited partnerships or other similar partnerships)	20,310
Investment securities (unlisted stocks)	2,506

(Note) 1. Redemption schedule for monetary receivables and securities with maturity dates after the closing date

Year ended June 30, 2023 (as of June 30, 2023)

	One year or less (millions of yen)	More than one year and up to five years (millions of yen)	More than five years and up to 10 years (millions of yen)	More than 10 years (millions of yen)
Deposits	50,293	—	—	—
Notes receivable—trade	1	—	—	—
Accounts receivable—trade	7,693	—	—	—
Accounts receivable—other	2,298	—	—	—
Investment securities				
Held-to-maturity securities				
Bonds	150	5,500	—	—
Total	60,436	5,500	—	—

Year ended June 30, 2024 (as of June 30, 2024)

	One year or less (millions of yen)	More than one year and up to five years (millions of yen)	More than five years and up to 10 years (millions of yen)	More than 10 years (millions of yen)
Deposits	49,788	—	—	—
Accounts receivable—trade	7,260	—	—	—
Accounts receivable—other	2,316	—	—	—
Investment securities				
Held-to-maturity securities				
Bonds	—	5,500	—	—
Total	59,364	5,500	—	—

(Note) 2. Redemption schedule for bonds payable and other interest-bearing debt after the closing date

Year ended June 30, 2023 (as of June 30, 2023)

	One year or less (millions of yen)	More than one year and up to two years (millions of yen)	More than two years and up to three years (millions of yen)	More than three years and up to four years (millions of yen)	More than four years and up to five years (millions of yen)	More than five years (millions of yen)
Bonds payable	5,000	—	9,000	—	1,700	—

Year ended June 30, 2024 (as of June 30, 2024)

	One year or less (millions of yen)	More than one year and up to two years (millions of yen)	More than two years and up to three years (millions of yen)	More than three years and up to four years (millions of yen)	More than four years and up to five years (millions of yen)	More than five years (millions of yen)
Bonds payable	—	9,000	6,000	1,700	—	—

3. Matters related to the breakdown of fair value of financial instruments by level

The fair value of financial instruments is categorized into the following three levels based on the observability and significance of the inputs used for the fair value calculation.

Level 1: Fair values calculated using, among the observable inputs for the calculation of fair value, the quoted prices in active markets for the assets or liabilities subject to fair value calculation.

Level 2: Fair values calculated using, among the observable inputs for the calculation of fair value, the inputs for fair value calculation other than Level 1 inputs.

Level 3: Fair values calculated using the unobservable inputs for the calculation of fair values.

If multiple inputs are used that have a significant impact on the fair value calculation, the fair value is categorized under the level with the lowest priority in the fair value calculation among the levels to which each such input belongs.

(1) Financial instruments recorded at fair value on the consolidated balance sheet

Year ended June 30, 2023 (as of June 30, 2023)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	2,396	—	—	2,396
Assets total	2,396	—	—	2,396

Year ended June 30, 2024 (as of June 30, 2024)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Available-for-sale securities				
Stocks	34	—	—	34
Investment securities				
Available-for-sale securities				
Stocks	1,224	—	—	1,224
Assets total	1,259	—	—	1,259

(2) Financial instruments and financial liabilities not recorded at fair value on the consolidated balance sheet
Year ended June 30, 2023 (as of June 30, 2023)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Bonds	—	5,628	—	5,628
Assets total	—	5,628	—	5,628
Bonds payable	—	15,680	—	15,680
Liabilities total	—	15,680	—	15,680

Year ended June 30, 2024 (as of June 30, 2024)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Bonds	—	5,419	—	5,419
Assets total	—	5,419	—	5,419
Bonds payable	—	16,553	—	16,553
Liabilities total	—	16,553	—	16,553

(Note) Valuation method used for the fair value calculation and information on inputs used to measure fair value

Operational investment securities and investment securities

Listed shares are valued using quoted prices. Because listed shares are traded in active markets, their fair value is classified as Level 1 fair value. Bonds held by the Company are deemed not to have quoted prices in active markets due to their low trading frequency. They are therefore valued based on the present value estimated by discounting the total principal and interest by a discount rate reflecting the remaining term and credit risk, and classified as Level 2 fair value.

Bonds payable

The fair value for the bonds issued by the Company is valued based on the present value estimated by discounting the total principal and interest by the discount rate reflecting the remaining term and credit risk, and classified as Level 2 fair value.

(Marketable securities)

1. Held-to-maturity securities

Year ended June 30, 2023 (as of June 30, 2023)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Fair value above amount recorded on consolidated balance sheet	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Fair value below amount recorded on consolidated balance sheet	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	5,650	5,628	(21)
	(3) Other	—	—	—
	Subtotal	5,650	5,628	(21)
Total		5,650	5,628	(21)

Year ended June 30, 2024 (as of June 30, 2024)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Fair value above amount recorded on consolidated balance sheet	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Fair value below amount recorded on consolidated balance sheet	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	5,500	5,419	(80)
	(3) Other	—	—	—
	Subtotal	5,500	5,419	(80)
Total		5,500	5,419	(80)

2. Available-for-sale securities

Year ended June 30, 2023 (as of June 30, 2023)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Items for which the amount recorded on consolidated balance sheet exceeds the acquisition cost	(1) Securities falling under operational investment securities			
	1) Stocks	—	—	—
	2) Other	—	—	—
	(2) Securities falling under investment securities			
	1) Stocks	2,396	928	1,468
	2) Other	—	—	—
	Subtotal	2,396	928	1,468
Items for which the amount recorded on consolidated balance sheet does not exceed the acquisition cost	(1) Securities falling under operational investment securities			
	1) Stocks	—	—	—
	2) Other	—	—	—
	(2) Securities falling under investment securities			
	1) Stocks	—	—	—
	2) Other	—	—	—
	Subtotal	—	—	—
Total		2,396	928	1,468

Year ended June 30, 2024 (as of June 30, 2024)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Items for which the amount recorded on consolidated balance sheet exceeds the acquisition cost	(1) Securities falling under operational investment securities			
	1) Stocks	—	—	—
	2) Other	—	—	—
	(2) Securities falling under investment securities			
	1) Stocks	1,224	932	291
	2) Other	—	—	—
	Subtotal	1,224	932	291
Items for which the amount recorded on consolidated balance sheet does not exceed the acquisition cost	(1) Securities falling under operational investment securities			
	1) Stocks	34	34	—
	2) Other	—	—	—
	(2) Securities falling under investment securities			
	1) Stocks	—	—	—
	2) Other	—	—	—
	Subtotal	34	34	—
Total		1,259	967	291

3. Available-for-sale securities sold

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

Type	Proceeds from sales (millions of yen)	Gains on sales (millions of yen)	Losses on sales (millions of yen)
(1) Securities falling under operational investment securities			
1) Stocks	—	—	—
2) Bonds			
a. Government and municipal bonds	—	—	—
b. Corporate bonds	—	—	—
c. Other	—	—	—
3) Other	—	—	—
(2) Securities falling under investment securities			
1) Stocks	309	293	—
2) Bonds			
a. Government and municipal bonds	—	—	—
b. Corporate bonds	—	—	—
c. Other	—	—	—
3) Other	—	—	—
Total	309	293	—

Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

Type	Proceeds from sales (millions of yen)	Gains on sales (millions of yen)	Losses on sales (millions of yen)
(1) Securities falling under operational investment securities			
1) Stocks	—	—	—
2) Bonds			
a. Government and municipal bonds	—	—	—
b. Corporate bonds	—	—	—
c. Other	—	—	—
3) Other	—	—	—
(2) Securities falling under investment securities			
1) Stocks	134	72	—
2) Bonds			
a. Government and municipal bonds	—	—	—
b. Corporate bonds	—	—	—
c. Other	—	—	—
3) Other	—	—	—
Total	134	72	—

4. Securities for which impairment losses were recognized

In the fiscal year ended June 30, 2023, the Group recognized an impairment loss of ¥790 million for marketable securities (¥790 million for stocks included in available-for-sale securities [¥153 million for operational investment securities and ¥636 million for investment securities]).

In the fiscal year ended June 30, 2024, the Group recognized an impairment loss of ¥231 million (¥231 million for stocks included in available-for-sale securities [¥231 million for operational investment securities]).

For securities with a market value, when the market value at the end of the period falls by 50% or more of the acquisition cost, the full amount is impaired, and when the market value falls 30% or more but less than 50%, an impairment loss is recorded for the amount deemed necessary in consideration of the significance of the amount, the possibility of market value recovery, and other factors. For unlisted stocks, when the value of the stock falls significantly due to deterioration in the financial status of the issuing company, an impairment loss is recorded for the amount deemed necessary.

(Derivatives transactions)

There are no applicable matters to report.

(Retirement benefits)

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

1. Description of retirement benefit plan

The Company has adopted a defined contribution pension plan.

2. Defined contribution plan

The required amount of contribution to the defined contribution plan of the Company was ¥157 million.

Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

1. Description of retirement benefit plan

The Company has adopted a defined contribution pension plan.

2. Defined contribution plan

The required amount of contribution to the defined contribution plan of the Company was ¥175 million.

(Stock options)

1. Amount and account of expenses for stock options

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Selling, general and administrative expenses	¥86 million	¥32 million

2. Description and scale of stock options and related changes

(1) Description of stock options

	Series 7 share acquisition rights
Category and number of grantees	Seven Company directors
Number of stock options granted by stock type	Common stock, 253,000 shares
Grant date	October 15, 2015
Conditions for vesting	An individual holding the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
Requisite service period	From October 15, 2015 to the vesting date
Exercise period	From October 15, 2015 to October 14, 2025

	Series 8 share acquisition rights
Category and number of grantees	Six Company directors
Number of stock options granted by stock type	Common stock, 166,700 shares
Grant date	October 14, 2016
Conditions for vesting	An individual holding the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
Requisite service period	From October 14, 2016 to the vesting date
Exercise period	From October 14, 2016 to October 13, 2026

	Series 9 share acquisition rights
Category and number of grantees	Six Company directors
Number of stock options granted by stock type	Common stock, 367,700 shares
Grant date	October 13, 2017
Conditions for vesting	An individual holding the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
Requisite service period	From October 13, 2017 to the vesting date
Exercise period	From October 13, 2017 to October 12, 2027

	Series 10 share acquisition rights
Category and number of grantees	Six Company directors
Number of stock options granted by stock type	Common stock, 294,400 shares
Grant date	October 12, 2018
Conditions for vesting	An individual holding the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
Requisite service period	From October 12, 2018 to the vesting date
Exercise period	From October 12, 2018 to October 11, 2028

	Series 11 share acquisition rights
Category and number of grantees	Six Company directors
Number of stock options granted by stock type	Common stock, 195,000 shares
Grant date	October 11, 2019
Conditions for vesting	An individual holding the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
Requisite service period	From October 11, 2019 to the vesting date
Exercise period	From October 11, 2019 to October 10, 2029

	Series 12 share acquisition rights
Category and number of grantees	Six Company directors
Number of stock options granted by stock type	Common stock, 180,000 shares
Grant date	October 14, 2020
Conditions for vesting	An individual holding the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
Requisite service period	From October 14, 2020 to the vesting date
Exercise period	From October 14, 2020 to October 13, 2030

	Series 13 share acquisition rights
Category and number of grantees	Five Company directors
Number of stock options granted by stock type	Common stock, 1,197,000 shares
Grant date	October 14, 2021
Conditions for vesting	An individual holding the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
Requisite service period	From October 14, 2021 to the vesting date
Exercise period	From October 14, 2021 to October 13, 2031

	Series 14 share acquisition rights
Category and number of grantees	Six Company directors
Number of stock options granted by stock type	Common stock, 91,200 shares
Grant date	October 14, 2021
Conditions for vesting	An individual holding the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
Requisite service period	From October 14, 2021 to the vesting date
Exercise period	From October 14, 2021 to October 13, 2031

	Series 15 share acquisition rights
Category and number of grantees	One Company director
Number of stock options granted by stock type	Common stock, 124,300 shares
Grant date	October 14, 2022
Conditions for vesting	An individual holding the share acquisition rights must at the time of exercise be an executive or employee of the Company, or have an ongoing contractual relationship or partnership (commissioned or contracted) with the Company. Other conditions for exercise of the rights are determined by the share acquisition rights allotment agreement concluded between the Company and the individual allotted the share acquisition rights based on a resolution of the Board of Directors regarding the issuance of share acquisition rights.
Requisite service period	From October 14, 2022 to the vesting date
Exercise period	From October 14, 2022 to October 13, 2032

(2) Scale of stock options and related changes

Changes in the scale of stock options that existed in the fiscal year ended June 30, 2024 are as follows. The number of stock options is converted to the number of shares.

1) Number of stock options

	Series 7 share acquisition rights	Series 8 share acquisition rights	Series 9 share acquisition rights	Series 10 share acquisition rights	Series 11 share acquisition rights	Series 12 share acquisition rights	Series 13 share acquisition rights	Series 14 share acquisition rights	Series 15 share acquisition rights
Non-vested (shares)									
As of June 30, 2023	—	—	—	—	—	45,000	1,197,000	45,600	93,300
Granted	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	45,000	—	22,800	31,100
Unvested	—	—	—	—	—	—	1,197,000	22,800	62,200
Vested (shares)									
As of June 30, 2023	113,500	73,100	106,900	105,200	99,500	81,000	—	27,100	31,000
Vested	—	—	—	—	—	45,000	—	22,800	31,100
Exercised	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—
Unexercised	113,500	73,100	106,900	105,200	99,500	126,000	—	49,900	62,100

2) Price information

	Series 7 share acquisition rights	Series 8 share acquisition rights	Series 9 share acquisition rights	Series 10 share acquisition rights	Series 11 share acquisition rights	Series 12 share acquisition rights	Series 13 share acquisition rights	Series 14 share acquisition rights	Series 15 share acquisition rights
Exercise price (yen)	1	1	1	1	1	1	1	1	1
Average share price at time of exercise (yen)	—	—	—	—	—	—	—	—	—
Fair value per share at grant date (yen)	57,200	53,300	76,600	48,200	45,800	50,000	82,700	81,000	77,700

3. Method of estimating the number of stock options vested

Basically, only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future. For stock compensation-type stock options subject to market-capitalization-based exercisability conditions, the number of forfeitures of non-vested stock options has been estimated while considering vesting conditions and other factors.

(Tax-effect accounting)

1. Principal components of deferred tax assets and deferred tax liabilities

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Deferred tax assets		
Contract liabilities	¥874 million	¥784 million
Accrued enterprise taxes	¥100 million	¥104 million
Excess depreciation	¥637 million	¥462 million
Provision for bonuses	¥164 million	¥220 million
Investment securities	¥751 million	¥881 million
Shares of subsidiaries and associates	¥301 million	¥243 million
Tax loss carryforwards (Note) 2	¥1,517 million	¥1,790 million
Foreign tax credit carryforwards	¥574 million	¥24 million
Other	¥759 million	¥748 million
Deferred tax assets subtotal	¥5,680 million	¥5,260 million
Less valuation allowance for tax loss carryforwards (Note) 2	¥(945) million	¥(1,277) million
Less valuation allowance for total deductible temporary differences	¥(1,967) million	¥(1,276) million
Valuation allowance subtotal (Note) 1	¥(2,913) million	¥(2,554) million
Deferred tax assets total	¥2,767 million	¥2,706 million
Deferred tax liabilities		
Enterprise taxes receivable	¥(108) million	¥(40) million
Valuation difference on available-for-sale securities	¥(810) million	¥(744) million
Other	¥(243) million	¥(228) million
Deferred tax liabilities total	¥(1,162) million	¥(1,014) million
Net deferred tax assets (deferred tax liabilities)	¥1,604 million	¥1,692 million

(Note) 1. The valuation allowance decreased by ¥359 million, mainly due to the expiration of excess foreign tax credits at the end of the carryforward period.

(Note) 2. Tax loss carryforwards and related deferred tax assets by carryforward period

Year ended June 30, 2023 (as of June 30, 2023)

	One year or less (millions of yen)	More than one year and up to two years (millions of yen)	More than two years and up to three years (millions of yen)	More than three years and up to four years (millions of yen)	More than four years and up to five years (millions of yen)	More than five years (millions of yen)	Total (millions of yen)
Tax loss carryforwards (*1)	—	47	254	148	—	1,067	1,517
Valuation allowance	—	—	(145)	(143)	—	(656)	(945)
Deferred tax assets	—	47	108	5	—	410	(*2) 571

(*1) Tax loss carryforward figures are the amounts multiplied by the effective statutory tax rate.

(*2) No valuation allowance was recognized for the portion of tax loss carryforwards determined to be recoverable on the basis of projected future taxable income.

Year ended June 30, 2024 (as of June 30, 2024)

	One year or less (millions of yen)	More than one year and up to two years (millions of yen)	More than two years and up to three years (millions of yen)	More than three years and up to four years (millions of yen)	More than four years and up to five years (millions of yen)	More than five years (millions of yen)	Total (millions of yen)
Tax loss carryforwards (*3)	18	237	144	—	134	1,254	1,790
Valuation allowance	—	(205)	(143)	—	(89)	(839)	(1,277)
Deferred tax assets	18	32	0	—	45	415	(*4) 512

(*3) Tax loss carryforward figures are the amounts multiplied by the effective statutory tax rate.

(*4) No valuation allowance was recognized for the portion of tax loss carryforwards determined to be recoverable on the basis of projected future taxable income.

2. Reconciliation between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Effective statutory tax rate (Adjustments)	34.6%	Notes are omitted since the difference between the statutory tax rate and the effective income tax rate after the application of tax-effect accounting is less than 5% of the statutory tax rate.
	0.0%	
Permanent differences		
Change in valuation allowance	-4.6%	
Income taxes for prior periods	0.2%	
Tax rate difference with consolidated subsidiaries	-1.9%	
Other	-1.5%	
Effective income tax rate after application of tax-effect accounting	26.9%	

(Revenue recognition)

(1) Breakdown of revenue from contracts with customers

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(Millions of yen)

	Reportable segments						Other	Total
	Game and Anime	Metaverse	DX	Commerce	Investment	Total		
Revenue from paid services	49,178	5,622	—	—	—	54,800	—	54,800
Revenue from outsourcing contracts	2,405	846	2,635	555	—	6,442	—	6,442
Licensing revenue	1,288	—	—	—	—	1,288	—	1,288
Investment revenue	—	—	—	—	1,418	1,418	—	1,418
Other	780	192	2,437	703	—	4,112	92	4,205
Revenue from contracts with customers	53,652	6,661	5,072	1,258	1,418	68,063	92	68,155
Other revenue (Note 1)	—	—	—	—	7,284	7,284	—	7,284
Sales to external customers	53,652	6,661	5,072	1,258	8,702	75,347	92	75,440

(Notes) 1. Other revenue mainly reflects revenue from investments in investment limited partnerships or other similar partnerships based on the Accounting Standard for Financial Instruments (ASBJ Statement No. 10).

2. The information disclosed is based on the revised reportable segment classifications described in Notes to consolidated financial statements (Segment information), Segment information, 1. Overview of reportable segments, (Notes regarding changes to reportable segments).

Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Millions of yen)

	Reportable segments						Other	Total
	Game and Anime	Metaverse	DX	Commerce	Investment	Total		
Revenue from paid services	40,270	6,460	—	—	—	46,730	1	46,731
Revenue from outsourcing contracts	2,227	219	2,877	545	—	5,870	—	5,870
Licensing revenue	1,507	—	—	—	—	1,507	—	1,507
Investment revenue	—	—	—	—	494	494	—	494
Other	827	540	2,427	680	—	4,476	85	4,561
Revenue from contracts with customers	44,833	7,221	5,304	1,225	494	59,079	86	59,166
Other revenue (Note 1)	—	—	—	—	2,143	2,143	—	2,143
Sales to external customers	44,833	7,221	5,304	1,225	2,638	61,222	86	61,309

(Notes) 1. Other revenue mainly reflects revenue from investments in investment limited partnerships or other similar partnerships based on the Accounting Standard for Financial Instruments (ASBJ Statement No. 10).

2. The information disclosed is based on the revised reportable segment classifications described in Notes to consolidated financial statements (Segment information), Segment information, 1. Overview of reportable segments, (Notes regarding changes to reportable segments).

(2) Basic information to understand revenue from contracts with customers

The information is provided in “Recognition standards for significant revenues and expenses” under “Significant matters that serve as the basis for preparation of the consolidated financial statements.”

(3) Information on the satisfaction of performance obligations based on contracts with customers, correlation with cash flows from such contracts, revenue amounts from contracts with existing customers at the end of the fiscal year under review expected to be recognized in subsequent fiscal years, and the timing of such recognition

1) Balance of contract assets and contract liabilities

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(Millions of yen)	
	Amount
Receivables from contracts with customers (balance at beginning of period)	7,623
Receivables from contracts with customers (balance at end of period)	7,694
Contract assets (balance at beginning of period)	130
Contract assets (balance at end of period)	—
Contract liabilities (balance at beginning of period)	4,657
Contract liabilities (balance at end of period)	5,919

Contract assets are rights to unclaimed consideration in connection with the recognition of revenue based on progress under contracts for work.

Contract liabilities comprise advances received from customers for in-app purchases and advances received from customers for licensing revenue in connection with remaining performance obligations and game distribution licenses.

Of the revenue amount recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the period was ¥1,074 million.

Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Millions of yen)	
	Amount
Receivables from contracts with customers (balance at beginning of period)	7,694
Receivables from contracts with customers (balance at end of period)	7,260
Contract assets (balance at beginning of period)	—
Contract assets (balance at end of period)	150
Contract liabilities (balance at beginning of period)	5,919
Contract liabilities (balance at end of period)	5,037

Contract assets are rights to unclaimed consideration in connection with the recognition of revenue based on progress under contracts for work.

Contract liabilities comprise advances received from customers for in-app purchases and advances received from customers for licensing revenue in connection with remaining performance obligations and game distribution licenses.

Of the revenue amount recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the period was ¥2,699 million.

2) Transaction prices allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations and the periods in which revenue is expected to be recognized are shown in the table below. The Group has applied the practical expedient method to the notes regarding transaction prices allocated to remaining performance obligations. It has not provided notes regarding revenue for contracts initially expected to have a term of one year or less, or notes regarding sales or royalties based on usage volume for licensing revenue connected to intellectual property.

The remaining performance obligations mainly relate to licensing revenue in the Game and Anime business. Revenue for remaining performance obligations that span more than two years will be recognized over the contract period during which future licensing revenue is received.

(Millions of yen)		
	Year ended June 30, 2023	Year ended June 30, 2024
One year or less	948	663
More than one year and up to two years	190	324
More than two years	1,043	979

(Segment information)

Segment information

1. Overview of reportable segments

The Company's reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to determine the allocation of management resources and assess business performance.

The Group is engaged in the Game and Anime, Metaverse, DX, Commerce, and Investment businesses.

In the Game and Anime business, in addition to its GREE platform, the Group operates and develops various smartphone games, and distributes numerous popular titles in Japan and globally through its Group members WFS, Pokelabo, and GREE Entertainment. It also participates in anime production committees, develops original content, develops domestic and overseas businesses with a focus on game content, and disseminates its products globally. In this way, the Group creates, develops, and produces IP that will be loved over the long term by fans in Japan and abroad.

In the Metaverse business, the Group develops and operates the smartphone-oriented metaverse REALITY and operates a VTuber agency that manages and produces a wide range of talents.

In the DX business, having developed Internet businesses over many years, the Group strives to support the digital transformation (DX) of corporate clients mainly in the marketing field.

In the Commerce business, in addition to its media business centered around the travel information site aumo, the Group is mainly developing a SaaS business and a digital gift business.

In the Investment business, through fund investment and startup investment, the Group primarily invests in the Internet and IT fields in Japan and overseas, contributing to innovation through IT and creating new value.

(Notes regarding changes to reportable segments)

The Group previously classified its reportable segments into the Internet and Entertainment business and the Investment and Incubation business. However, it restructured its organization with the aim of promoting an understanding of its Group businesses and strengthening the autonomous management structure of each business. As a result, effective from the fiscal year ended June 30, 2024, the operations previously included in the Internet and Entertainment business were reorganized into the following independent businesses: Game and Anime, Metaverse, DX, Commerce, and other. At the same time, the Investment and Incubation business was renamed the Investment business to more accurately reflect its business content. Please note that segment information for the previous fiscal year has been prepared based on the revised reportable segment classifications.

2. Calculation methods for net sales, profit (loss), and other items for each reportable segment

The accounting methods used for reportable segments are the same as those discussed under "Significant matters that serve as the basis for preparation of the consolidated financial statements." Segment profit corresponds to operating profit.

3. Information about net sales, profit (loss), and other items for each reportable segment

I. Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(Millions of yen)

	Reportable segments						Other (Note 2)	Total	Adjustments (Note 3)	Amounts recorded on consolidated financial statements
	Game and Anime	Metaverse	DX	Commerce	Investment	Total				
Sales										
Sales to external customers	53,652	6,661	5,072	1,258	8,702	75,347	92	75,440	—	75,440
Intersegment sales and transfers	6	6	371	12	—	397	61	458	(458)	—
Total	53,659	6,667	5,443	1,270	8,702	75,744	154	75,899	(458)	75,440
Segment profit (loss) (Note 1)	7,643	(337)	1,031	(5)	5,875	14,207	(369)	13,837	(1,339)	12,498
Other items										
Depreciation	3	49	14	—	1	68	—	68	263	332

- (Notes) 1. The total of segment profit (or loss) is equal to operating profit as recorded in the consolidated statement of income.
2. The “Other” category includes businesses that are not included in the reportable segments, such as newly developed businesses.
3. The ¥1,339 million adjustment to segment profit (or loss) reflects corporate expenses, mainly general and administrative expenses not attributable to the reportable segments.
4. Segment assets are not disclosed because the Group does not allocate assets to reportable segments.

II. Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Millions of yen)

	Reportable segments						Other (Note 2)	Total	Adjustments (Note 3)	Amounts recorded on consolidated financial statements
	Game and Anime	Metaverse	DX	Commerce	Investment	Total				
Sales										
Sales to external customers	44,833	7,221	5,304	1,225	2,638	61,222	86	61,309	—	61,309
Intersegment sales and transfers	4	24	359	20	—	408	66	475	(475)	—
Total	44,837	7,245	5,664	1,245	2,638	61,631	153	61,785	(475)	61,309
Segment profit (loss) (Note 1)	6,925	206	938	1	(88)	7,983	(90)	7,892	(1,910)	5,981
Other items										
Depreciation	11	69	11	—	12	105	—	105	238	343

- (Notes) 1. The total of segment profit (or loss) is equal to operating profit as recorded in the consolidated statement of income.
2. The “Other” category includes businesses that are not included in the reportable segments, such as newly developed businesses.
3. The ¥1,910 million adjustment to segment profit (or loss) reflects corporate expenses, mainly general and administrative expenses not attributable to the reportable segments.
4. Segment assets are not disclosed because the Group does not allocate assets to reportable segments.

Related information

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

1. Information by product and service

(Millions of yen)

	Revenue from paid services	Other	Total
Sales to external customers	54,800	20,639	75,440

2. Information by region

(1) Sales

(Millions of yen)

Japan	Other	Total
65,717	9,723	75,440

(Note) Sales are categorized by country or region based on the customer's location.

(2) Property, plant and equipment

This information has been omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of property, plant and equipment recorded on the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

Customer name	Sales
Apple Inc.	24,974
Google Inc.	19,310

Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

1. Information by product and service

(Millions of yen)

	Revenue from paid services	Other	Total
Sales to external customers	46,731	14,577	61,309

2. Information by region

(1) Sales

(Millions of yen)

Japan	Other	Total
52,126	9,183	61,309

(Note) Sales are categorized by country or region based on the customer's location.

(2) Property, plant and equipment

This information has been omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of property, plant and equipment recorded on the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

Customer name	Sales
Apple Inc.	18,613
Google Inc.	15,583

Impairment losses on non-current assets by reportable segment

Impairment losses on non-current assets have been omitted as they are not significant.

Amortization of goodwill and unamortized balance by reportable segment

There are no applicable matters to report.

Related parties

1. Transactions with related parties

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(1) Officers and major individual shareholders

There are no applicable matters to report.

(2) Non-consolidated subsidiaries and affiliates

Category	Company name	Location	Share capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction value (millions of yen)	Account	Balance at end of period (millions of yen)
Affiliate	AT-II Investment Limited Partnership	Minato-ku, Tokyo	6,776	Investment business	Indirect holdings 33.3	Investment in investment partnership	Distributions from investment partnership (Note)	2,889	Investment securities	2,062

(Note) The Company has invested in AT-II Investment Limited Partnership based on an investment limited partnership agreement.

Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(1) Parent company and major shareholders (limited to companies, etc.)

Category	Company name	Location	Share capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction value (millions of yen)	Account	Balance at end of period (millions of yen)
Parent company	Sequoia, Inc. (Note 1)	Minato-ku, Tokyo	3	Real estate investment and securities investment	Directly owned 53.6	Employee secondment	Receipt of secondment fees (Note 2)	18	Accounts receivable—other	1

(Notes) 1. Chairman, President and CEO Yoshikazu Tanaka directly holds 100% of the voting rights.

2. In accordance with a secondment agreement, the Company receives fees for secondment equivalent to the personnel expenses of the seconded employees.

(2) Officers and major individual shareholders

There are no applicable matters to report.

(3) Non-consolidated subsidiaries and affiliates

There are no applicable matters to report.

2. Summary financial information on significant affiliates

In the fiscal year ended June 30, 2024, there were no significant affiliates. AT-II Investment Limited Partnership, which was a significant affiliate in the previous fiscal year, has been excluded in the fiscal year under review due to its reduced importance.

(Millions of yen)

	AT-II Investment Limited Partnership	
	Year ended June 30, 2023	Year ended June 30, 2024
Total assets	11,723	—
Total net assets	11,723	—
Gain on investments	11,742	—
Profit before income taxes	11,240	—
Profit	11,240	—

(Per-share information)

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Net assets per share	¥539.35	¥555.13
Basic earnings per share	¥54.07	¥27.10
Diluted earnings per share	¥53.47	¥26.79

The basis of calculation for basic earnings per share and diluted earnings per share is as follows.

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	9,278	4,630
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent applicable to common shares (millions of yen)	9,278	4,630
Average number of shares of common stock during period (thousands of shares)	171,601	170,862
Diluted earnings per share		
Adjustment on profit attributable to owners of parent (millions of yen)	—	—
Increase in common stock (thousands of shares)	1,925	1,956
(Of which, share acquisition rights)	(1,925)	(1,956)
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—	—

(Note) The calculation of average number of shares of common stock during the period excludes the number of the Company's stock held by Stock Grant ESOP Trust Account and Executive Remuneration BIP Trust Account.

(Significant subsequent events)

(Change in segmentation)

The Group previously classified its reportable segments into Game and Anime, Metaverse, DX, Commerce, Investment, and other. However, following organizational changes to integrate the Commerce business headquarters into the DX business headquarters as of July 1, 2024, the Commerce business has been combined with the DX business, effective from the fiscal year ending June 30, 2025.

Based on the revised segment classification, the sales, profit, and other financial information for each reportable segment for the fiscal year ended June 30, 2024 were as follows.

Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Millions of yen)

	Reportable segments					Other (Note 2)	Total	Adjustments (Note 3)	Amounts recorded on consolidated statement of income
	Game and Anime	Metaverse	DX	Investment	Total				
Sales									
Sales to external customers	44,833	7,221	6,530	2,638	61,222	86	61,309	—	61,309
Intersegment sales and transfers	4	24	306	—	334	66	401	(401)	—
Total	44,837	7,245	6,836	2,638	61,557	153	61,711	(401)	61,309
Segment profit (loss) (Note 1)	6,925	206	940	(88)	7,983	(90)	7,892	(1,910)	5,981
Other items									
Depreciation	11	69	11	12	105	—	105	238	343

(Notes) 1. The total of segment profit (or loss) is equal to operating profit as recorded in the consolidated statement of income.

2. The “Other” category includes businesses that are not included in the reportable segments, such as newly developed businesses.

3. The -¥1,910 million adjustment to segment profit (or loss) reflects corporate expenses, mainly general and administrative expenses not attributable to the reportable segments.

(Transition to a holding company structure through corporate demerger)

At the Board of Directors meeting held on August 22, 2024, the Company (GREE, Inc.) resolved to transfer, effective January 1, 2025 (scheduled), the GREE Platform service it operates, part of its joint development division, and part of the assets, liabilities, contractual status, and other rights and obligations related thereto to a new entity also named GREE, Inc., which was established as a preparatory company for the corporate demerger, by way of an absorption-type demerger. To this end, the Company entered into an absorption-type demerger agreement on September 20, 2024.

1. Aim of transition to a holding company structure

With the stated mission of “Making the world a better place through the power of the Internet,” the Group aims to continue providing new value to the world by exploring the possibilities of the Internet. In the rapidly evolving Internet industry, changes in the business environment are expected to progress on a larger scale and at a faster pace than ever before. Against this backdrop, the Group decided to transition to a holding company structure with the aim of achieving sustainable growth and increasing corporate value.

The Board of Directors has also resolved to change the Company’s trade name to GREE Holdings, Inc. as of the effective date of the absorption-type demerger (scheduled for January 1, 2025) and to amend its Articles of Incorporation to change its business purposes in accordance with anticipated business activities following the transition to a holding company structure.

The amendments to the Articles of Incorporation will be implemented on the condition that the proposed amendments are approved at the 20th Annual General Meeting of Shareholders to be held on September 27, 2024, and the absorption-type demerger takes effect.

2. Summary of transition to a holding company structure

(1) Schedule for absorption-type demerger

Board of Directors meeting (at the Company) regarding implementation of absorption-type demerger and approval of absorption-type demerger agreement	August 22, 2024
Date of absorption-type demerger agreement	September 20, 2024
Effective date of absorption-type demerger	January 1, 2025 (planned)

(Note) Since this absorption-type demerger falls under the category of a simplified demerger as stipulated in Article 784, Paragraph 2 of the Companies Act in the case of the Company, which is the demerging company, and a simplified demerger as stipulated in Article 796, Paragraph 1 of the Companies Act in the case of GREE, Inc., which is the newly established successor company, the demerger will be conducted without obtaining approval at General Meetings of Shareholders of the respective companies.

(2) Method of absorption-type demerger

In this absorption-type demerger, the Company is the demerging company, and the newly established GREE, Inc. is the successor company.

(3) Details of allocations related to the absorption-type demerger

Since this absorption-type demerger is between the Company and its wholly owned subsidiary, there will be no allocation of shares, cash, or other consideration resulting from the demerger.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights in connection with the absorption-type demerger

There are no applicable matters to report.

(5) Change in share capital due to the absorption-type demerger

There is no planned increase or decrease in share capital resulting from the absorption-type demerger.

(6) Rights and obligations to be transferred to the successor company

Through this absorption-type demerger, on the effective date, the newly established GREE, Inc. is expected to receive the GREE Platform service currently operated by the Company, part of its joint development division, and part of the assets, liabilities, contractual status, and other rights and obligations related thereto, to the extent specified in the absorption-type demerger agreement. The Company also plans to jointly assume the obligations being transferred to the newly established GREE, Inc.

(7) Prospects for fulfillment of obligations

The assets of the Company and the newly established GREE, Inc. following the absorption-type demerger are expected to sufficiently exceed their liabilities, and since no events are currently anticipated that would impede the fulfillment of obligations after the demerger, it is surmised that both the Company and GREE, Inc. will be able to fulfill their obligations after the demerger.

3. Overview of accounting treatment to be implemented

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

5) Consolidated supplementary financial schedule

Schedule of corporate bonds

Company	Name of bond	Issue date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Interest rate (%)	Security	Redemption date
GREE, Inc.	1st Unsecured Corporate Bond with Limited Inter-bond Pari Passu Clause	November 19, 2020	5,000	—	0.51	None	November 17, 2023
GREE, Inc.	2nd Unsecured Corporate Bond with Limited Inter-bond Pari Passu Clause	November 19, 2020	3,000	3,000	0.85	None	November 19, 2025
GREE, Inc.	3rd Unsecured Corporate Bond with Limited Inter-bond Pari Passu Clause	July 14, 2022	6,000	6,000	0.90	None	July 14, 2025
GREE, Inc.	4th Unsecured Corporate Bond with Limited Inter-bond Pari Passu Clause	July 14, 2022	1,700	1,700	1.20	None	July 14, 2027
GREE, Inc.	5th Unsecured Corporate Bond with Limited Inter-bond Pari Passu Clause	November 22, 2023	—	6,000	1.30	None	November 20, 2026
Total	—	—	15,700	16,700	—	—	—

(Note) Scheduled redemption amounts for five years after the closing date are as follows.

One year or less (millions of yen)	More than one year and up to two years (millions of yen)	More than two years and up to three years (millions of yen)	More than three years and up to four years (millions of yen)	More than four years and up to five years (millions of yen)
—	9,000	6,000	1,700	—

Schedule of borrowings

Classification	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	—	—	—	—
Current portion of long-term borrowings	—	—	—	—
Current portion of lease obligations	28	12	—	—
Long-term borrowings (excluding current portion)	—	—	—	—
Lease obligations (excluding current portion)	7	—	—	—
Other interest-bearing debt	—	—	—	—
Total	35	12	—	—

(Note) The average interest rate for lease obligations is not shown, as leases recorded on the consolidated balance sheet are amounts prior to the deduction of the interest expense equivalent, which is included in total leasing fees.

Schedule of asset retirement obligations

The information has been omitted because the asset retirement obligation amount at the beginning and end of the fiscal year ended June 30, 2024 are below 1% of the total liabilities and net assets at the beginning and end of the same fiscal year.

(2) Other

Quarterly information for the fiscal year ended June 30, 2024

(Cumulative period)	Three months ended September 30, 2023	Six months ended December 31, 2023	Nine months ended March 31, 2024	Year ended June 30, 2024
Net sales (millions of yen)	15,787	30,027	47,199	61,309
Profit before income taxes (millions of yen)	1,590	2,080	5,384	7,174
Profit attributable to owners of parent (millions of yen)	1,183	720	3,201	4,630
Earnings per share (yen)	6.93	4.22	18.74	27.10

(Quarterly period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings (loss) per share (yen)	6.93	(2.71)	14.51	8.36

2. Non-consolidated financial statements

(1) Non-consolidated financial statements

1) Non-consolidated balance sheet

(Millions of yen)

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	46,544	46,810
Accounts receivable–trade	*1 1,232	*1 973
Accounts receivable–other	*1 2,019	*1 1,561
Money held in trust	24,000	27,500
Other	*1 787	*1 739
Allowance for doubtful accounts	(0)	(23)
Total current assets	74,582	77,561
Non-current assets		
Property, plant and equipment		
Buildings	1,822	1,703
Structures	11	11
Tools, furniture and fixtures	428	310
Total property, plant and equipment	2,262	2,024
Intangible assets		
Software	1	0
Total intangible assets	1	0
Investments and other assets		
Investment securities	8,520	7,173
Shares of subsidiaries and associates	1,910	1,865
Long-term loans receivable from subsidiaries and associates	9,980	13,354
Deferred tax assets	665	1,037
Other	1,348	1,178
Allowance for doubtful accounts	(6,755)	(7,081)
Total investments and other assets	15,668	17,528
Total non-current assets	17,932	19,553
Total assets	92,514	97,114

(Millions of yen)

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Liabilities		
Current liabilities		
Current portion of bonds payable	5,000	—
Accounts payable—other	*1 2,666	*1 2,072
Income taxes payable	—	506
Contract liabilities	1,606	1,692
Deposits received	*1 9,199	*1 10,377
Provision for bonuses	281	390
Other	521	447
Total current liabilities	19,275	15,486
Non-current liabilities		
Bonds payable	10,700	16,700
Asset retirement obligations	785	790
Provision for loss on business of subsidiaries and associates	—	13
Other	52	42
Total non-current liabilities	11,537	17,545
Total liabilities	30,813	33,032
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus		
Legal capital surplus	2,365	2,365
Total capital surpluses	2,365	2,365
Retained earnings		
Other retained earnings		
Retained earnings brought forward	63,657	66,560
Total retained earnings	63,657	66,560
Treasury shares	(5,836)	(5,608)
Total shareholders' equity	60,286	63,417
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	960	177
Total valuation and translation adjustments	960	177
Share acquisition rights	454	487
Total net assets	61,701	64,082
Total liabilities and net assets	92,514	97,114

2) Non-consolidated statement of income

(Millions of yen)

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Net sales	*2 11,949	*2 9,617
Cost of sales	*2 4,149	*2 3,320
Gross profit	7,800	6,297
Selling, general and administrative expenses	*1,*2 5,143	*1,*2 5,161
Operating profit	2,657	1,135
Non-operating income		
Interest income	*2 162	*2 121
Dividend income	*2 2,660	*2 4,790
Foreign exchange gains	—	289
Other	8	11
Total non-operating income	2,831	5,212
Non-operating expenses		
Interest expenses	*2 131	*2 166
Foreign exchange losses	28	—
Provision of allowance for doubtful accounts	—	293
Provision for loss on business of subsidiaries and associates	—	13
Commission expenses	51	31
Other	58	—
Total non-operating expenses	270	504
Ordinary profit	5,218	5,843
Extraordinary income		
Gain on sale of investment securities	270	18
Other	*2 25	—
Total extraordinary income	295	18
Extraordinary losses		
Impairment losses	50	—
Loss on valuation of investment securities	620	40
Loss on retirement of non-current assets	5	9
Other	13	—
Total extraordinary losses	691	50
Profit before income taxes	4,822	5,811
Income taxes—current	1,220	990
Income taxes—deferred	643	41
Total income taxes	1,864	1,031
Profit	2,958	4,779

Schedule of cost of sales

Category	Note	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)		Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)	
		Amount (millions of yen)	% of total (%)	Amount (millions of yen)	% of total (%)
I Labor cost		1,624	39.2	1,434	43.2
II Other costs	*1	1,628	39.2	1,885	56.8
III Cost of sales for operational investment		896	21.6	—	—
Cost of sales		4,149	100.0	3,320	100.0

*1. The major components are as follows.

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)		Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)	
Major components of other costs are as follows.		Major components of other costs are as follows.	
Rent expenses	¥641 million	Rent expenses	¥723 million
Outsourcing expenses	¥751 million	Outsourcing expenses	¥776 million
Depreciation	¥155 million	Depreciation	¥137 million

3) Non-consolidated statement of changes in equity
Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at beginning of period	100	2,365	—	2,365	78,600	78,600	(3,690)	77,375
Changes during period								
Dividends of surplus					(1,905)	(1,905)		(1,905)
Profit					2,958	2,958		2,958
Purchase of treasury shares							(2,414)	(2,414)
Disposal of treasury shares			(2)	(2)			269	267
Transfer of loss on disposal of treasury shares			2	2	(2)	(2)		—
Decrease by corporate division					(15,993)	(15,993)		(15,993)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	(14,943)	(14,943)	(2,145)	(17,088)
Balance at end of period	100	2,365	—	2,365	63,657	63,657	(5,836)	60,286

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	5,290	5,290	490	83,155
Changes during period				
Dividends of surplus				(1,905)
Profit				2,958
Purchase of treasury shares				(2,414)
Disposal of treasury shares				267
Transfer of loss on disposal of treasury shares				—
Decrease by corporate division				(15,993)
Net changes in items other than shareholders' equity	(4,329)	(4,329)	(35)	(4,365)
Total changes during period	(4,329)	(4,329)	(35)	(21,454)
Balance at end of period	960	960	454	61,701

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of period	100	2,365	2,365	63,657	63,657	(5,836)	60,286
Changes during period							
Dividends of surplus				(1,877)	(1,877)		(1,877)
Profit				4,779	4,779		4,779
Disposal of treasury shares						228	228
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	2,902	2,902	228	3,131
Balance at end of period	100	2,365	2,365	66,560	66,560	(5,608)	63,417

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	960	960	454	61,701
Changes during period				
Dividends of surplus				(1,877)
Profit				4,779
Disposal of treasury shares				228
Net changes in items other than shareholders' equity	(782)	(782)	32	(750)
Total changes during period	(782)	(782)	32	2,381
Balance at end of period	177	177	487	64,082

Notes to non-consolidated financial statements

(Important accounting policies)

1. Valuation standard and method for securities

(1) Held-to-maturity securities

Stated at amortized cost using the straight-line method.

(2) Shares of subsidiaries and associates

Stated at cost using the moving average method.

(3) Available-for-sale securities

a. Securities other than shares without a determinable market value

Stated at fair market value (with any unrealized gains or losses reported directly as a component of net assets and the cost of securities sold calculated by the moving average method).

b. Shares without a determinable market value

Stated at cost using the moving average method.

2. Depreciation method for non-current assets

(1) Property, plant and equipment

The declining balance method is mainly applied.

However, for facilities attached to buildings acquired on or after April 1, 2016, the straight-line method is applied, according to standards matching the method prescribed by the Corporation Tax Act.

(2) Intangible assets

Software for internal use

The straight-line method is applied based on the useful life at the Company (2–5 years).

3. Accounting standards for provisions

(1) Allowance for doubtful accounts

To prepare for losses from uncollectable receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

(2) Provision for bonuses

To provide for the payment of bonuses to employees, of the estimated total amount of bonus payment, the Company records the portion to be borne by the fiscal year under review.

(3) Provision for loss on business of subsidiaries and associates

To prepare for losses on the business of subsidiaries and associates, the estimated amount of such losses is recorded, primarily based on the financial position of the subsidiaries and associates.

4. Recognition standards for revenues and expenses

The details of major performance obligations in key businesses in relation to revenue from contracts between the Company and its customers, and the normal timing of satisfying such performance obligations (the normal timing to recognize revenue) are as follows.

(1) Revenue received from customers for in-app purchases

The Company operates the games distributed on its GREE platform and various smartphone games distributed on third-party platforms under a monetization model that is primarily based on in-app purchases. In-app purchases refer to purchases of virtual items by users (customers) that are used in games, and the Company judges that its performance obligations are satisfied by delivering services within the scope determined for each virtual item. Consequently, the Company estimates the usage period for virtual items from the in-app purchase date, and recognizes revenue in accordance with the estimated period. The consideration for the transactions is received within one year of the satisfaction of the performance obligations, and does not include a significant financing component.

(2) Revenue from management advisory fees from subsidiaries

For revenue generated by the Company from management advisory fees, the performance obligations are satisfied over a certain period in accordance with the provision of contracted services based on the details of the contracts concluded with subsidiaries, and revenue is therefore recognized in accordance with the provision of the contracted services over the contract period. The consideration for the transactions is received within one year of the fulfillment of the performance obligations, and does not include a significant financing component.

5. Standard for translation of foreign currency-denominated assets and liabilities to Japanese yen

Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the closing date, and the difference arising from such translation is recorded as profits or losses.

(Significant accounting estimates)

Valuation of unlisted stocks

Accounting estimates used in preparing the Company's non-consolidated financial statements are as follows.

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Investment securities (unlisted stocks)	473	473

(2) Other information regarding accounting estimates that contributes to the understanding of users of the non-consolidated financial statements

Notes are omitted as the content is the same as in Notes to consolidated financial statements (Significant accounting estimates).

(Non-consolidated balance sheet)

*1 Monetary claims and liabilities to subsidiaries and associates (excluding items displayed separately)

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Short-term monetary claims	¥1,915 million	¥1,418 million
Short-term monetary liabilities	¥9,340 million	¥10,497 million

2. To facilitate the efficient procurement of working capital, the Company has concluded overdraft agreements with three banks.

Unexecuted borrowings based on these agreements at the end of the respective accounting periods are as follows.

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Maximum overdraft limit	¥17,000 million	¥17,000 million
Outstanding borrowings	¥— million	¥— million
Difference	¥17,000 million	¥17,000 million

(Non-consolidated statement of income)

*1 Selling, general and administrative expenses comprised approximately 40% selling expenses and 60% general and administrative expenses in the fiscal year ended June 30, 2023, and 39% and 61%, respectively, in the fiscal year ended June 30, 2024.

Major expense items and amounts included under selling, general and administrative expenses are as follows.

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Provision for bonuses	¥98 million	¥120 million
Depreciation	¥116 million	¥108 million
Commission expenses	¥1,319 million	¥1,099 million
Supplies expenses	¥789 million	¥873 million
Outsourcing expenses	¥322 million	¥571 million

*2 Transactions with subsidiaries and associates

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Operating transactions		
Sales	¥1,311 million	¥1,345 million
Operating expenses	¥532 million	¥870 million
Non-operating transactions	¥2,667 million	¥4,795 million

During the fiscal year ended June 30, 2024, the Company transferred some of its shares in GREE Capital Management, Inc. to that company, resulting in a ¥17,887 million gain on sale of shares in subsidiaries and associates. This gain was offset in the statement of income by a ¥17,887 million loss on forgiveness of loans receivable from the same company, coinciding with the sale of shares.

(Marketable securities)

Fair values for shares of subsidiaries and associates (in the fiscal year ended June 30, 2024, the amounts recorded on the balance sheet were ¥1,528 million for shares of subsidiaries and ¥336 million for shares of associates; in the fiscal year ended June 30, 2023, the amounts recorded on the balance sheet were ¥1,621 million for shares of subsidiaries and ¥288 million for shares of associates) have been omitted because they correspond to shares without a determinable market value.

(Tax-effect accounting)

1. Principal components of deferred tax assets and deferred tax liabilities

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Deferred tax assets		
Allowance for doubtful accounts	¥2,236 million	¥2,346 million
Contract liabilities	¥499 million	¥480 million
Accrued enterprise taxes	¥— million	¥56 million
Excess depreciation	¥271 million	¥199 million
Share-based remuneration expenses	¥51 million	¥68 million
Investment securities	¥187 million	¥187 million
Shares of subsidiaries and associates	¥1,030 million	¥9,515 million
Loss carryforwards	¥128 million	¥— million
Foreign tax credit carryforwards	¥467 million	¥— million
Other	¥704 million	¥727 million
Deferred tax assets subtotal	¥5,578 million	¥13,582 million
Less valuation allowance for total deductible temporary differences	¥(4,079) million	¥(12,221) million
Valuation allowance subtotal	¥(4,079) million	¥(12,221) million
Deferred tax assets total	¥1,498 million	¥1,360 million
Deferred tax liabilities		
Enterprise taxes receivable	¥(81) million	¥— million
Valuation difference on available-for-sale securities	¥(507) million	¥(93) million
Other	¥(243) million	¥(228) million
Deferred tax liabilities total	¥(833) million	¥(322) million
Net deferred tax assets (liabilities)	¥665 million	¥1,037 million

2. Reconciliation between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

	Year ended June 30, 2023 (As of June 30, 2023)	Year ended June 30, 2024 (As of June 30, 2024)
Effective statutory tax rate	34.6%	34.6%
(Adjustments)		
Permanent differences	8.4%	-20.3%
Change in valuation allowance	-9.6%	-5.6%
Income taxes for prior periods	0.6%	2.7%
Impact of organizational restructuring	18.4%	—%
Impact of liquidation of consolidated subsidiary	-14.3%	—%
Other	0.6%	6.4%
Effective income tax rate after application of tax-effect accounting	38.7%	17.8%

(Revenue recognition)

Basic information to understand revenue from contracts with customers

Notes are omitted as the content is the same as provided in V. Financial Information, 2. Non-consolidated financial statements (Important accounting policies), 4. Recognition standards for revenues and expenses.

(Significant subsequent events)

(Transition to a holding company structure through corporate demerger)

Notes are omitted as the content is the same as provided in V. Financial Information, 1. Consolidated financial statements, (1) Consolidated financial statements, Notes to consolidated financial statements (Significant subsequent events).

4) Non-consolidated supplementary financial schedule

Schedule of property, plant and equipment and intangible assets

(Millions of yen)

Classification	Type of asset	Balance at beginning of period	Increase during period	Decrease during period	Depreciation during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	1,822	0	0	119	1,703	309
	Structures	11	—	—	0	11	1
	Tools, furniture and fixtures	428	17	8	125	310	622
	Total	2,262	17	8	245	2,024	932
Intangible assets	Software	1	—	0	0	0	—
	Total	1	—	0	0	0	—

(Note) The increase during the fiscal year under review mainly comprised the following.

Tools, furniture and fixtures Servers, network devices, etc.: ¥15 million

Schedule of provisions

(Millions of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Allowance for doubtful accounts	6,756	1,309	960	7,104
Provision for bonuses	281	390	281	390
Provision for loss on business of subsidiaries and associates	—	13	—	13

(2) Detail of major assets and liabilities

This information has been omitted because the Company prepares consolidated financial statements.

(3) Other

There are no applicable matters to report.

VI. Stock-Related Administration for the Company

Fiscal year	From July 1 to June 30
Annual General Meeting of Shareholders	September
Record date	June 30
Record dates for dividends of surplus	December 31 June 30
Number of shares constituting one unit	100 shares
Purchase of shares less than one unit	
Handling office	(Special account) Stock Transfer Agent Department, Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	(Special account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Forwarding office	—
Purchasing fee	None
Method of public notice	Public notice of the Company is given by electronic means. However, in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be made by publication in <i>The Nihon Keizai Shimbun</i> . URL for public notice: http://corp.gree.net/jp/ja/
Special benefit for shareholders	None

(Note) Shareholders of the Company are not entitled to exercise their rights pertaining to shares of less than one unit held by them, except for the following rights.

- (1) Rights listed in Article 189, Paragraph 2 of the Companies Act
- (2) Right of claim stipulated in Article 166, Paragraph 1 of the Companies Act
- (3) Right to be allotted the shares and/or share acquisition rights offered according to the number of shares held

VII. Reference Information on the Company

1. Information on parent company, etc. of the Company

The parent company, etc. of the Company as stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act is Sequoia, Inc.

2. Other reference information

The Company filed the following documents between the start of the fiscal year under review and the filing of the Japanese version of this Annual Securities Report.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

For the 19th fiscal term (July 1, 2022 to June 30, 2023)

Submitted to Director-General, Kanto Local Finance Bureau on September 28, 2023

(2) Shelf Registration Statement (Straight Corporate Bonds) and documents attached thereto

Submitted to Director-General, Kanto Local Finance Bureau on June 25, 2024

(3) Amendments to Shelf Registration Statement

Submitted to Director-General, Kanto Local Finance Bureau on August 22, 2024

Submitted to Director-General, Kanto Local Finance Bureau on September 24, 2024

(4) Internal Control Report and documents attached thereto

Submitted to Director-General, Kanto Local Finance Bureau on September 28, 2023

(5) Quarterly Securities Reports and Confirmation Letter thereof

For the first quarter of the 20th fiscal term (July 1, 2023 to September 30, 2023)

Submitted to Director-General, Kanto Local Finance Bureau on November 2, 2023

For the second quarter of the 20th fiscal term (October 1, 2023 to December 31, 2023)

Submitted to Director-General, Kanto Local Finance Bureau on February 7, 2024

For the third quarter of the 20th fiscal term (January 1, 2024 to March 31, 2024)

Submitted to Director-General, Kanto Local Finance Bureau on May 8, 2024

(6) Extraordinary Report

Submitted to Director-General, Kanto Local Finance Bureau on August 22, 2024

Extraordinary report according to Article 19, Paragraph 2, Item 7 (absorption-type company split) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs

(7) Amendments to Extraordinary Report

Submitted to Director-General, Kanto Local Finance Bureau on September 24, 2024

This was an amended report regarding the extraordinary report (absorption-type company split) submitted on August 22, 2024.

Part II. Information on Guarantors for the Company

There are no applicable matters to report.

Independent Auditor's Report and Internal Control Audit Report

September 30, 2024

To the Board of Directors of GREE, Inc.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Designated Limited Liability Partner
and Engagement Partner
Certified Public Accountant Hirofumi Harashina

Designated Limited Liability Partner
and Engagement Partner
Certified Public Accountant Shingo Arai

Audit of Consolidated Financial Statements

Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of GREE, Inc., which are included in "Financial Information" for the fiscal year from July 1, 2023 to June 30, 2024 and comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, significant matters that serve as the basis for preparation of the consolidated financial statements, other notes, and consolidated supplementary financial schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of GREE, Inc. and its consolidated subsidiaries as of June 30, 2024 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our auditing of financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Considerations

Key audit considerations are those matters the auditor, as a professional expert, considers to be particularly important in auditing the consolidated financial statements for the fiscal year under review. These key audit considerations are matters addressed during the course of the audit of the consolidated financial statements as a whole and in forming our audit opinion, and it is not our intention to express individual opinions on these matters.

Valuation of unlisted stocks in which the Company invested with the expectation of excess earning capacity	
Key audit consideration and reasons for decision	Audit response
<p>The GREE Group, as stated in Notes to consolidated financial statements (Significant accounting estimates), recorded ¥4,267 million in unlisted stocks in its consolidated balance sheet as of June 30, 2024.</p> <p>For the purpose of business alliances and investment and incubation, the Group invests in a number of unlisted companies in amounts considerably higher than their value based on net assets per share, with the expectation of excess earning capacity through future growth of the investees. If the business of the investee does not progress as planned, and the excess earning capacity at the time of investment is impaired, leading to a significant decline in the value of the investment, the Company recognizes an impairment loss. If such an impairment loss is sizeable, the impact on the consolidated financial statements can be significant.</p> <p>In valuing unlisted stocks, the GREE Group considers whether the excess earning capacity as of the time of investment has been impaired by comprehensively taking into account the level of achievement of the investee's business plan in place at the time of investment, along with performance prospects. The key assumptions used in estimating the investee's future performance are the significant components that underpin the sales and operating profit projections included in the business plan, but these key assumptions are subject to uncertainty and rely on management's judgment.</p> <p>In light of this, we have concluded that the valuation of the unlisted stock in which the Group has invested with the expectation of excess earning capacity is of particular importance for our audit of the consolidated financial statements for the fiscal year under review, and constitutes a key audit consideration because the amount of impairment loss, if such arose, could be significant, the businesses of investee companies are diverse, and management's judgment would have a substantial impact.</p>	<p>In considering the valuation of the unlisted stocks in question, we mainly performed the following audit procedures.</p> <ul style="list-style-type: none">• To evaluate the maintenance and operation of internal controls related to the valuation of unlisted stocks, including determination as to whether there has been a significant decline in their value, we examined related evidence and made inquiries to individuals responsible for implementing the internal controls.• We performed the following audit procedures to examine management's judgment regarding whether there has been a significant decline in the value of the unlisted stock.<ul style="list-style-type: none">- For stocks where the investment amount exceeds a certain amount, we compared the investee's business plan in place at the time of the investment with actual results after investment to determine the level of achievement of the business plan.- For stocks where the investment amount is financially significant and the operating results of the investee have deteriorated compared to the business plan, we examined the valuation and review materials prepared by the Company and made inquiries to the relevant departments regarding the earnings outlook shown in the business plan, and made a comparison with the business plan used for the recent fundraising, with the aim of evaluating management's judgment as to whether or not the excess earning capacity at the time of the investment was impaired based on the achievement of the business plan the investee had in place at the time of the investment. In addition, we evaluated the significant components that underpin the sales and operating profit projections (the key assumptions) by analyzing trends identified in past earnings results, by using publicly available and other information obtained by the accounting auditor, and by crosschecking materials supporting the valuation and review materials prepared by the Company.

Other information

The other information consists of the information included in the Annual Securities Report, other than the consolidated financial statements, the non-consolidated financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the directors' execution of duties relating to the design and operations of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we conclude that there is a material misstatement of this other information based on the work we have performed, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for designing and implementing such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to its status as a going concern. The Audit & Supervisory Committee is responsible for overseeing the directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient, appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with Japan's relevant ethical requirements regarding independence, and communicate with them on all relationships and other matters that may reasonably be thought to bear on our independence, as well as, where applicable, on any measures taken to remove impediments to such independence and on safeguards applied to reduce those impediments to an acceptable level.

Of the matters discussed with the Audit & Supervisory Committee, we identify key considerations in auditing the consolidated financial statements for the fiscal year under review, and include them in the report. However, if the publication of such matters is prohibited by law, or if we determine that such matters should not be reported because the disadvantages, however limited they may be, of reporting them in the audit report could reasonably be expected to outweigh the public benefit, we do not include such matters in the report.

Audit of Internal Control over Financial Reporting

Opinion

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the "Management's Report on Internal Control over Financial Reporting" of GREE, Inc. as of June 30, 2024 (the "Management's Report").

In our opinion, the Management's Report referred to above, which represents that the internal control over financial reporting of GREE, Inc. is effective as of June 30, 2024, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of internal control over financial reporting in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical responsibilities that are relevant to our auditing of financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Management's Report

Management is responsible for designing and implementing internal control over financial reporting and for the preparation and fair presentation of the Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial reporting misstatements.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the Management's Report is free from material misstatements and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgement and considerations regarding material effects on the reliability of financial reporting.
- Consider the overall presentation of the Management's Report with regard to the scope, procedures, and result of the assessment of internal control over financial reporting, including descriptions by management.
- Obtain sufficient, appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in the Management's Report. We are responsible for the direction, supervision, and performance of the audit of the Management's Report. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit of internal control over financial reporting, the results of the audit of internal control over financial reporting, any significant deficiencies that must be disclosed in internal control that we identify, the results of corrective measures for such significant deficiencies, and other matters required by auditing standards for internal control.

We also provide the Audit & Supervisory Committee with a statement that we have complied with Japan's relevant ethical requirements regarding independence, and communicate with them on all relationships and other matters that may reasonably be thought to bear on our independence, as well as, where applicable, on any measures taken to remove impediments to such independence and on safeguards applied to reduce those impediments to an acceptable level.

Fee-Related Information

The fees for audit and attestation services and non-audit services charged by us and our network firms to the Company and its subsidiaries are disclosed in IV. Information on the Company, 4. Corporate governance, (3) Status of audits.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company, which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Notes) 1. The original copy of the Independent Auditors' Report above is kept separately by the Company (the reporting company of the Annual Securities Report).

2. XBRL data is not included in the scope of the audit.

Independent Auditor's Report

September 30, 2024

To the Board of Directors of GREE, Inc.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Designated Limited Liability Partner
and Engagement Partner
Certified Public Accountant Hirofumi Harashina

Designated Limited Liability Partner
and Engagement Partner
Certified Public Accountant Shingo Arai

Audit of Financial Statements

Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of GREE, Inc., which are included in "Financial Information" for the 20th fiscal term from July 1, 2023 to June 30, 2024 and comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, important accounting policies, other notes, and non-consolidated supplementary financial schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of GREE, Inc. as of June 30, 2024 and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our auditing of financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Considerations

Key audit considerations are those matters the auditor, as a professional expert, considers to be particularly important in auditing the non-consolidated financial statements for the fiscal year under review. These key audit considerations are matters addressed during the course of the audit of the non-consolidated financial statements as a whole and in forming our audit opinion, and it is not our intention to express individual opinions on these matters.

Valuation of Unlisted Stocks in Which the Company Invested with the Expectation of Excess Earning Capacity

The Company, as stated in Notes to non-consolidated financial statements (Significant accounting estimates), recorded ¥473 million in unlisted stocks in its balance sheet as of June 30, 2024. Both the reasons that we determined this matter to be a key audit consideration and the audit response are the same as for the key audit considerations (Valuation of unlisted stocks in which the Company invested with the expectation of excess earning capacity) described in the Auditor's Report for the consolidated financial statements, so we have omitted the reasons and response here.

Other information

The other information consists of the information included in the Annual Securities Report, other than the consolidated financial statements, the non-consolidated financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the directors' execution of duties relating to the design and operations of the reporting process for the other information.

Our opinion on the non-consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we conclude that there is a material misstatement of this other information based on the work we have performed, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Committee for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan and for designing and implementing such internal controls as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to its status as a going concern.

The Audit & Supervisory Committee is responsible for overseeing the directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with Japan's relevant ethical requirements regarding independence, and communicate with them on all relationships and other matters that may reasonably be thought to bear on our independence, as well as, where applicable, on any measures taken to remove impediments to such independence and on safeguards applied to reduce those impediments to an acceptable level.

Of the matters discussed with the Audit & Supervisory Committee, we identify key considerations in auditing the non-consolidated financial statements for the fiscal year under review, and include them in the report. However, if the publication of such matters is prohibited by law, or if we determine that such matters should not be reported because the disadvantages, however limited they may be, of reporting them in the audit report could reasonably be expected to outweigh the public benefit, we do not include such matters in the report.

Fee-Related Information

Fee-related information is presented in the Independent Auditor's Report for the consolidated financial statements.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company, which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Notes) 1. The original copy of the Independent Auditors' Report above is kept separately by the Company (the reporting company of the Annual Securities Report).

2. XBRL data is not included in the scope of the audit.