



GREE, Inc.

FY2018 Fourth Quarter Financial Results

August 2, 2018

Executive Summary



FY18 Actual	Full-year	<ul style="list-style-type: none">■ Net sales ¥77.9 billion, operating income ¥9.4 billion, achieved YoY growth in both sales and income<ul style="list-style-type: none">- Strengthened operations of existing titles and successfully developed titles for overseas markets in the games business- Steadily expanded user base in advertising and media businesses- Entered live entertainment business to create a third earnings pillar
	4Q	<ul style="list-style-type: none">■ Net sales ¥19.0 billion, operating income ¥1.6 billion, achieved QoQ growth in sales<ul style="list-style-type: none">- Achieved sales growth by strengthening existing titles, developing overseas titles, and launching new titles- Invested in advertising in growth businesses
FY19 Plan		<ul style="list-style-type: none">■ Aggressively invest in strengthening our three earnings pillars<ul style="list-style-type: none">- Game business<ul style="list-style-type: none">• Begin full-scale overseas development and invest in strengthening game engine, IP, and global strategies- Advertising and media business<ul style="list-style-type: none">• Invest in developing one of the largest vertical media portfolios in Japan- Live entertainment business<ul style="list-style-type: none">• Invest in expanding the virtual YouTuber industry ecosystem

1. Financial Results Overview

2. Operational Overview

3. Appendix

1. Financial Results Overview

2. Operational Overview

3. Appendix

1. Financial Results Overview (Consolidated)

FY18 Full-Year and 4Q Financial Results Overview

FY18 net sales of ¥77.9 billion, operating income of ¥9.4 billion

Net sales and operating income rose YoY, net income showed reactive decline from impact of tax effects in FY17

Billions of yen

	FY18		FY18 4Q		FY17	FY18 3Q
		YoY		QoQ		
Net sales	77.93	12.56	18.98	1.11	65.37	17.87
EBITDA	10.81	0.73	1.88	-1.27	10.08	3.15
Operating income	9.42	1.42	1.61	-1.17	8.00	2.78
Ordinary income	10.32	0.28	1.92	-0.77	10.04	2.69
Net income (loss)	4.71	-7.41	-1.07	-2.96	12.12	1.89

Notes:

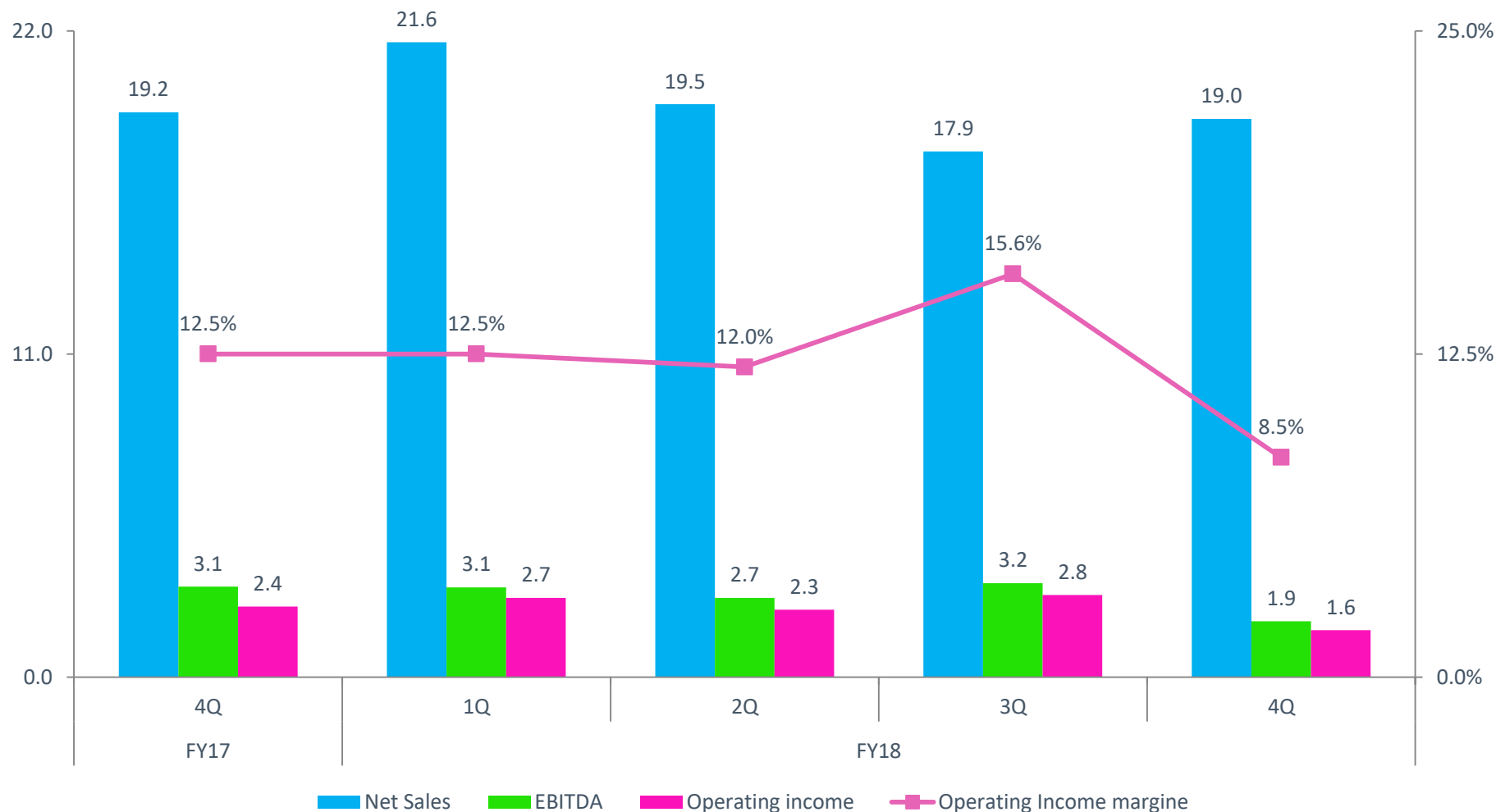
- FY17 tax effect of ¥8.0 billion related to transfer of shares of subsidiary
- Breakdown of FY18 4Q net sales: Paid service sales ¥16.45 billion; ad media sales ¥2.53 billion
- EBITDA = Operating income/loss + depreciation costs + amortization of goodwill

1. Financial Results Overview (Consolidated)

Net Sales, EBITDA, and Operating Income

Net sales rose by ¥1.1 billion QoQ

Billions of yen

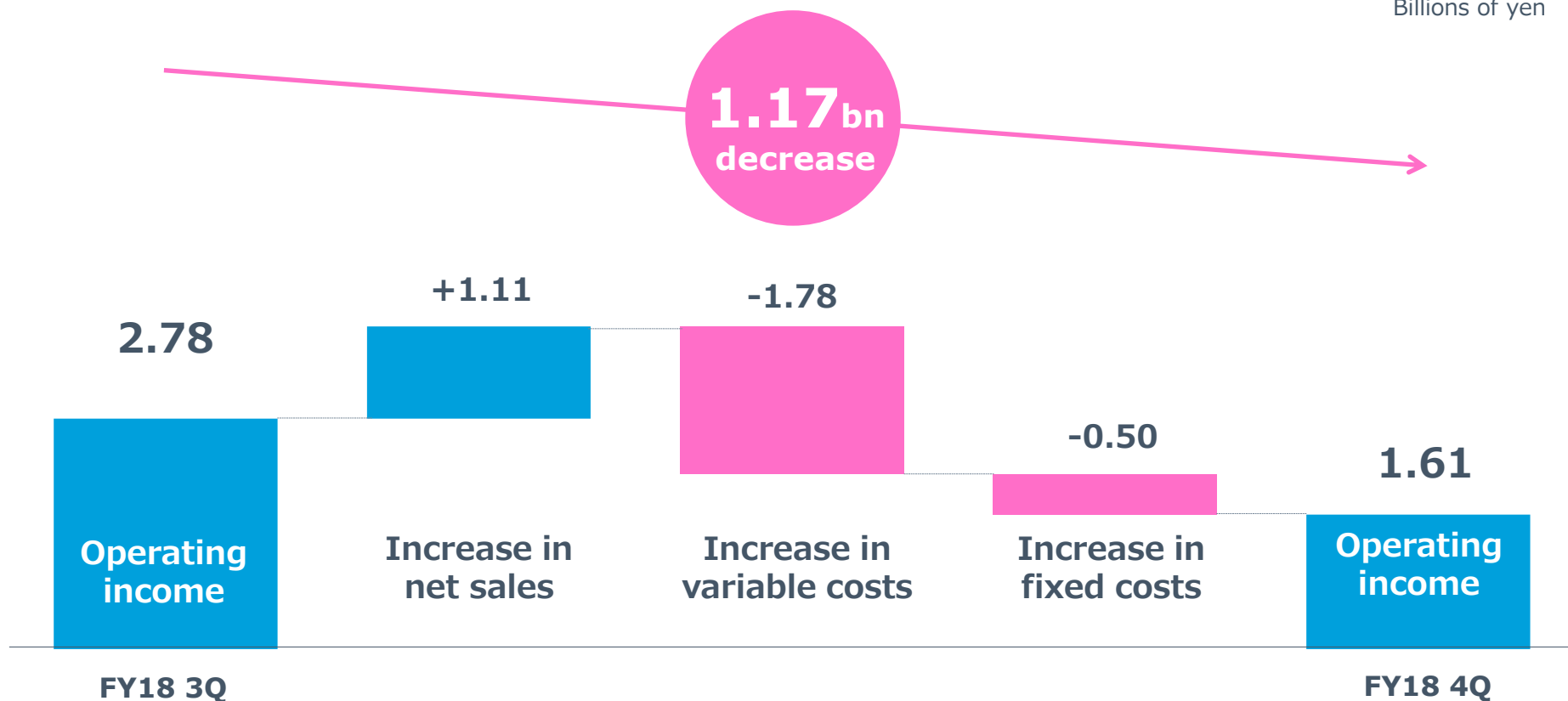


1. Financial Results Overview (Consolidated)

Operating Income Analysis

Operating income decreased by ¥1.2 billion to ¥1.6 billion, mainly due to up-front investment in advertising

Billions of yen



1. Financial Results Overview (Consolidated)

FY18 4Q Cost Structure

Total investment up ¥2.3 billion YoY to ¥17.4 billion

						Billions of yen	
		FY18 4Q	QoQ	YoY	Factors in change (QoQ)	FY18	FY17
						3Q	4Q
	Advertising	1.64	0.81	-0.12	Increase from investment in growth businesses (3Q: 4.6% → 4Q: 8.6%)	0.83	1.77
	Commission Fees, etc.	6.26	0.78	0.62	Increase due to sales growth	5.48	5.64
	Other	0.78	0.18	0.60	Increase due to sales growth	0.60	0.18
	Total variable costs	8.68	1.78	1.10		6.91	7.59
	Labor costs	3.14	0.15	-0.77	Consolidated headcount: end-3Q: 1,381 → end-4Q: 1,480	2.99	3.91
	Rental costs	0.65	0.0	-0.23	-	0.65	0.89
	Depreciation	0.13	-0.03	-0.21	-	0.16	0.34
	Goodwill amortization	0.14	-0.07	-0.20	Decrease in amortization due to impairment	0.21	0.34
	Other	4.63	0.45	0.85	Increase due to increased outsourcing	4.17	3.77
	Total fixed costs	8.69	0.50	-0.55		8.18	9.24
	Total costs	17.37	2.28	0.55		15.09	16.83

Note: Breakdown of 4Q FY2018 commission fees, etc.: commission fees: ¥4.22 billion, royalties: ¥2.03 billion

1. Financial Results Overview (Consolidated)

Fiscal Year-End Dividend

Plan to pay dividend of ¥14 per share

Consolidated dividend payout ratio: 20%, regular dividend: ¥4 per share, commemorative dividend to celebrate 10 years since listing: ¥10 per share

	FY18 Forecast	FY17 Actual
Record date	June 30, 2018	June 30, 2017
Dividend per share	Total ¥14 Regular dividend ¥4 Commemorative dividend ¥10	¥11
Total amount	¥3.299 billion	¥2.586 billion
Effective date	September 27, 2018	September 27, 2017

Notes:

- FY2017 dividend amount is subject to approval at the annual shareholders' meeting scheduled for September 26, 2018
- Total dividend amount is rounded down to the nearest one million

1. Financial Results Overview (Consolidated)

Difference between Results and Forecast

Net sales up ¥400 million, operating income down ¥600 million,
net income down ¥2.3 billion

Billions of yen

	FY18		
	Actual	Forecast	Difference
Net sales	77.9	77.5	0.4
Operating income	9.4	10.0	-0.6
Ordinary income	10.3	10.5	-0.2
Net income	4.7	7.0	-2.3

• Top line

- Strengthening of operation of existing titles had a greater-than-expected impact and contributed to sales growth
- Sales contribution from overseas development and new titles was basically in line with expectations

• Costs

- Fixed costs increased owing to strengthening of operations of existing titles and strengthening of media capabilities
- Net income impacted by posting of extraordinary losses for impairment of goodwill, etc.

1. Financial Results Overview (Consolidated)

Posting of extraordinary losses on impairment of goodwill

Earnings growing steadily, but impairment losses posted because progress is lagging behind original targets

We will continue to invest to accelerate the pace of further growth

Company posting impairment loss	3 Minutes
Main businesses	Advertising, media, commerce
Date of acquisition	February, 2017
Amount of impairment of goodwill	¥3.15 billion
Reason for positing impairment loss	Although earnings are growing steadily, progress is lagging behind our expectations at the time of acquisition and an impairment loss was therefore posted in line with loss provision standards
Future plans	We must further accelerate growth and we therefore plan to continue to invest in expanding the scale of operations

1. Financial Results Overview (Consolidated)



FY19 1Q Earnings Forecast

Net sales ¥18.5 billion, operating income ¥1.5 billion, EBITDA ¥1.7 billion

Billions of yen

	FY18 4Q	FY19 1Q	Difference
	Actual	Forecast	
Net sales	19.0	18.5	-0.5
Operating income	1.6	1.5	-0.1
Ordinary income	1.9	1.5	-0.4
Net income (loss)	-1.1	1.0	2.1
EBITDA	1.9	1.7	-0.2

- **Top line**

- Expecting growth of net sales 1-years campaigns of existing titles are finished

- **Costs**

- Continues to invest in advertising aggressively

1. Financial Results Overview

2. Operational Overview

3. Appendix

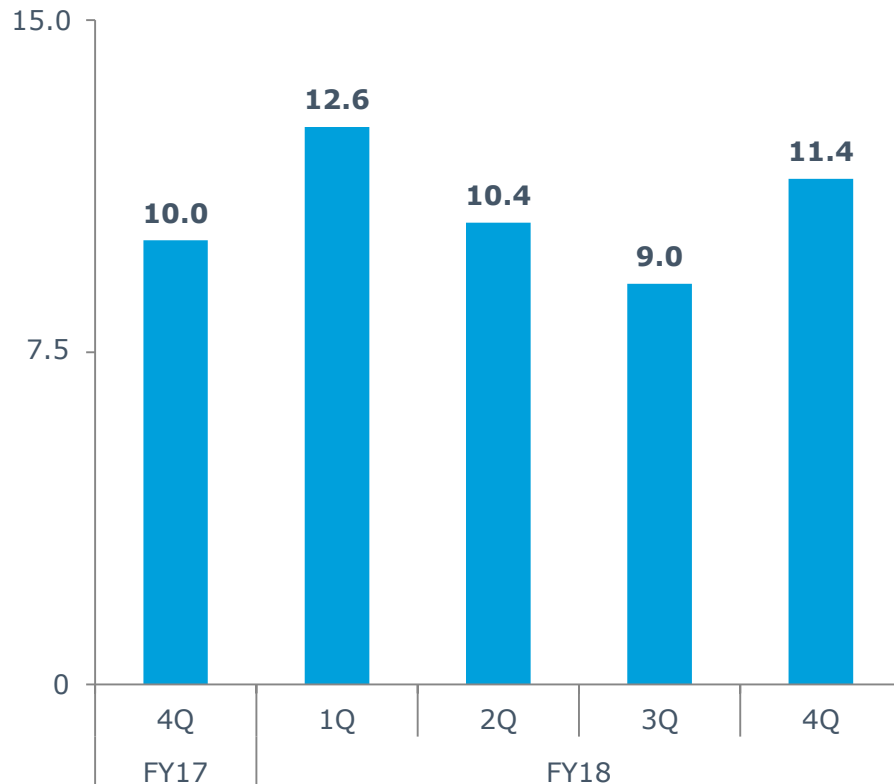
2. Operational Overview: Game/entertainment business - Mobile

Progress Made

4Q Topics

Domestic Coin Consumption (Mobile)

Billions of coins



Topics

- Strengthened operation of titles
 - Successfully strengthened operation of *Another Eden* and *SINoALICE*
- Overseas development
 - Released *Danmachi** for North-American market in March
- Contribution from new titles
 - Released *In Love with News* in March

Notes: Classified as domestic/overseas based on area of development

2. Operational Overview:

Game/entertainment business - Mobile

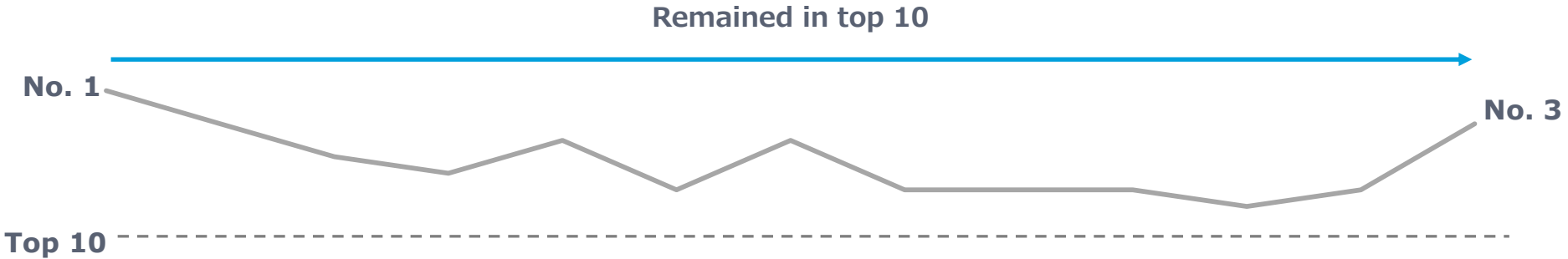
4Q Topics

Strengthened operation of *SINoALICE*

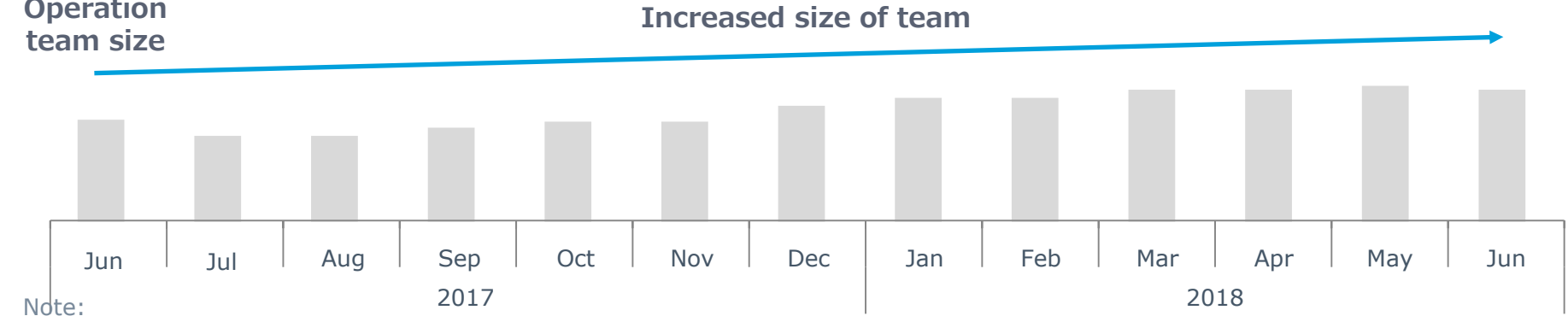
Continuously added new content by increasing size of operations team, kept *SINoALICE* in top 10



Sales ranking



Operation team size



Note:

- Rankings indicate highest sales ranking reached as of June 30 in either the App Store or Google Play (each month)
- The game features a GvG (guild-versus-guild) system wherein players form guilds that battle against each other

2. Operational Overview: Game/entertainment business - Mobile

4Q Topics

Progress Made

By strengthening operations, we created system capable of continuously hosting large-scale events

Another Eden: The Cat Who Goes Beyond Time

Held 1year anniversary events



- Second part of version 1.5 of main story released in April 2018
- Held in-game and real world events including with Colabo-café

*Abbreviation of full title: *Is It Wrong to Try to Pick Up Girls in a Dungeon: Memoria Freese*

DanMachi Memoria Freese*

Released new content with the original author



- Added new story drafted by original creator Fujino Ōmori
- Developed original content for the app

2. Operational Overview: Game/entertainment business - Mobile Progress Made

4Q Topics

By strengthening operations, we created system capable of continuously hosting large-scale events

SINoALICE

Conducted multiple 1st anniversary campaigns



- Held spirit event, launched new series jobs
- Launched new in-app purchase items, magic crystal presents

Senki Zesshou SYMPHOGEAR XD Unlimited

1-year anniversary Unlimited Festival



- Awarded log-in bonuses, launched Song Stone missions
- Held events related to storylines

2. Operational Overview: Review and Summary of FY18

FY18 Review

Summary

		Business Plan	FY18 Review
Overall		Aggressive push forward with investment in growth businesses	<ul style="list-style-type: none"> - Achieved growth in sales and revenue for first time in six years on contribution from mobile games - Established third earnings pillar as area for medium-to-long-term investment
Game/entertainment	Mobile	"Game engine, IP, and global" strategies	<ul style="list-style-type: none"> - Realized mobile game growth story envisioned at beginning of year <ul style="list-style-type: none"> • Successfully strengthened operations for existing titles, took first step in overseas development - Released 5 new titles, which were well-received by users
	Console, etc.	Expansion of distribution platform	<ul style="list-style-type: none"> - Extended "Game engine, IP, and global" strategies to console games
	Platform/game operation	Stable operation and earnings growth	<ul style="list-style-type: none"> - Sustained stable operation of platforms as earnings base, achieved growth in game operation business
	Live entertainment, etc.	Entered new business domain	<ul style="list-style-type: none"> - Began making investments through VTuber Fund, which plans to invest ¥10 billion
	Advertising and media	"App, Video, and Investment" strategies	<ul style="list-style-type: none"> - Achieved growth in media user base - Achieved growth in page views on LIMIA, MINE, aumo, and ARINE

Notes: Business plan includes additions to the business plan announced in August 2017

2. Operational Overview: FY18 overall results

FY18 results

Growth in sales and income

Strengthened operation of titles released in FY17, developed versions for overseas markets, earnings contribution from new titles launched in FY18

FY15~16

Shift to native games

Focus on
development

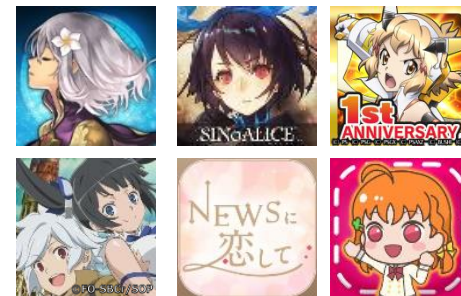
FY17

Release blitz

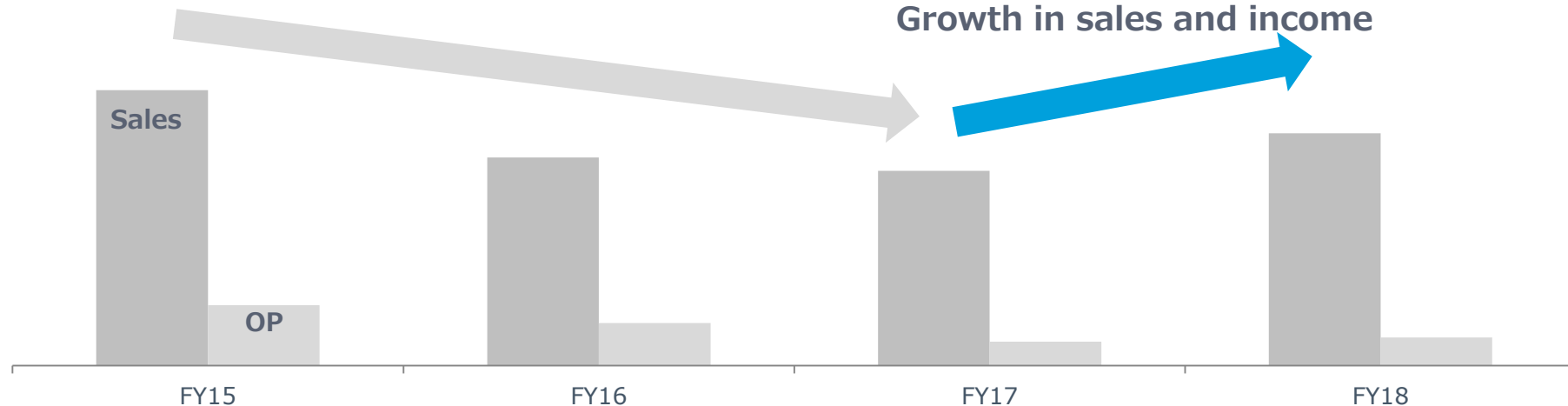
Released 8 new
titles

FY18

Strengthening ops
overseas
development



Growth in sales and income



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2. Operational Overview: FY18 results Game/entertainment business

FY18 results

Growth in mobile games

Realized mobile game growth story envisioned at beginning of year

Initial strong performance

Temporary decline

Strengthening of operations

Overseas development

The graphic below is meant to provide a rough image of expected sales trends and is not drawn to scale.



2. Operational Overview: FY18 results Game/entertainment business



FY18 results

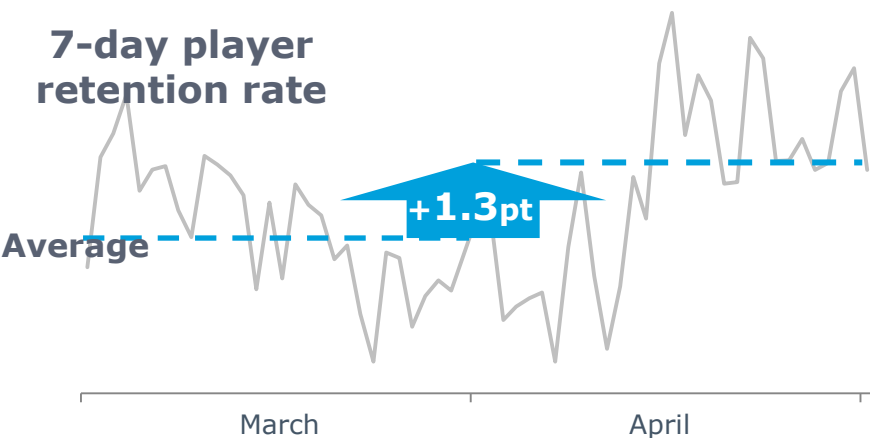
Strengthened operations

Strengthened Ops, user base broadened on launch of higher volume/quality content

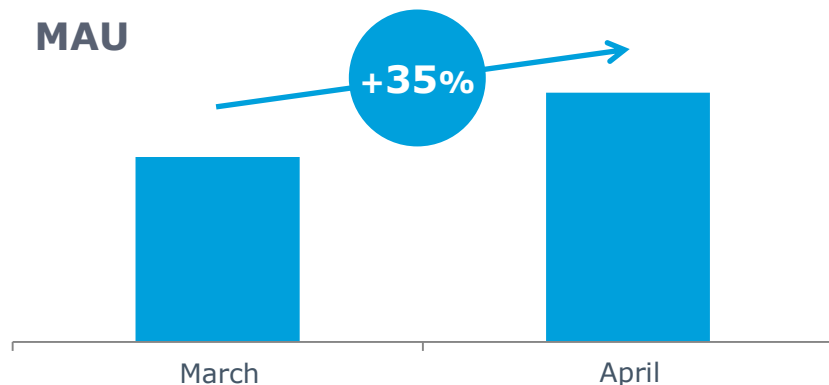
Another Eden: The Cat Who Goes Beyond Time

Before and after anniversary event

7-day player retention rate



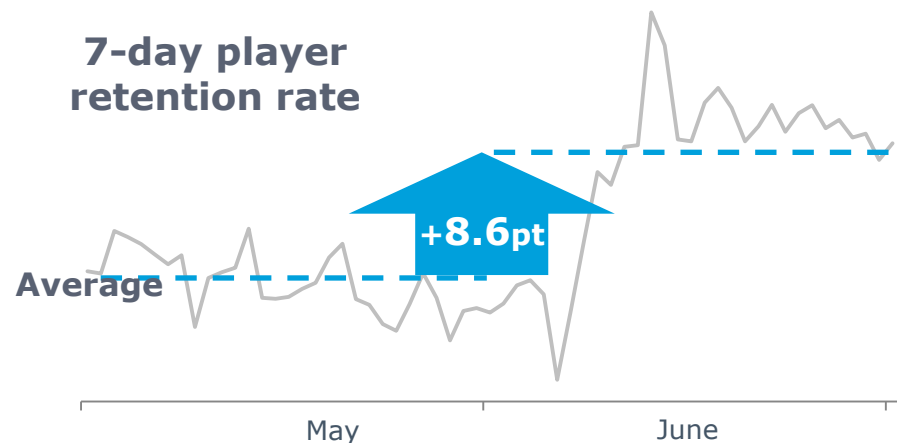
MAU



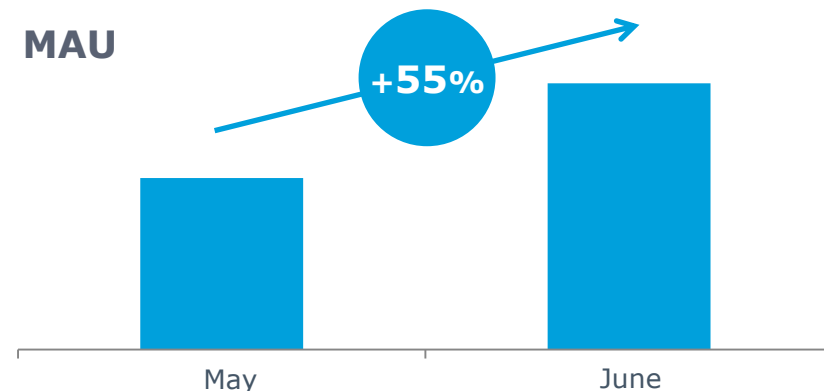
SINoALICE

Before and after anniversary event

7-day player retention rate



MAU



2. Operational Overview: FY18 results Game/entertainment business

FY18 results

Development for Overseast

Worked with business partners to release first overseas title in North America

DanMachi*

Sales growth



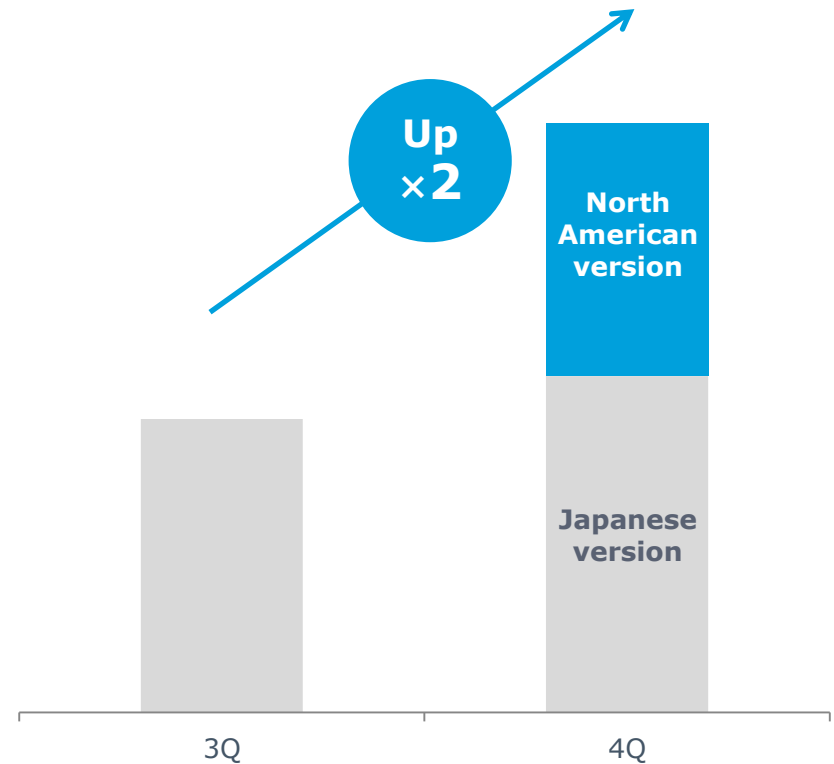
Business Partners



crunchyroll



住友商事



*Abbreviation of full title: *Is It Wrong to Try to Pick Up Girls in a Dungeon: Memoria Freese*

2. Operational Overview: FY18 results Game/entertainment business



FY18 results

New titles

Well-received by users

In Love with News



User reviews

Google Play App Store

4.5 4.6

Ranking

17th

Puchiguru Love Live!



User reviews

Google Play App Store

4.2 4.5

Ranking

31st

Notes:
Rankings indicate highest sales ranking reached as of July 31 in either the App Store or Google Play
User reviews as of July 31

2. Operational Overview: FY18 results Game/entertainment business

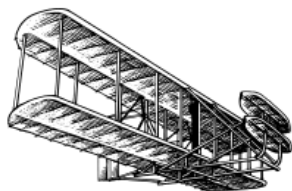
FY18 results

Entered new businesses

Entered live entertainment business

Established subsidiary

Wright Flyer Live Entertainment
established in April

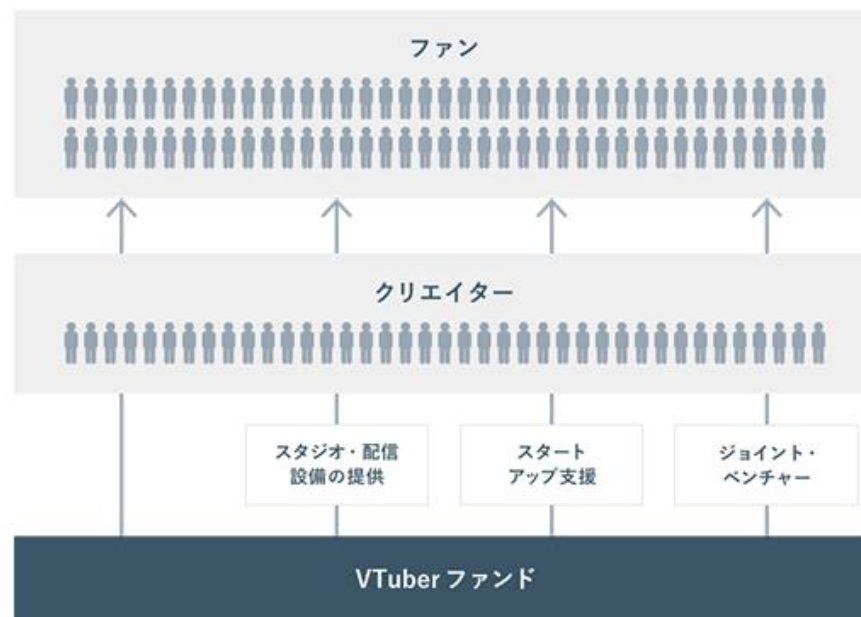


WRIGHT FLYER
LIVE ENTERTAINMENT

- Business specializing in Virtual YouTubers
- Plans to develop businesses not just in Japan, but around the world
- Omnipresence, Inc. is an avatar live distribution platform provider
- Newstage, Inc. is a provider of live distribution services for smartphones

Planned investment of roughly ¥10 billion

Vtuber Fund Project launched



- Announced investments in Omnipresence and Newstage
- We will continue to form alliances, establish JVs, and strongly support market growth

2. Operational Overview: FY18 results

Advertising and media business



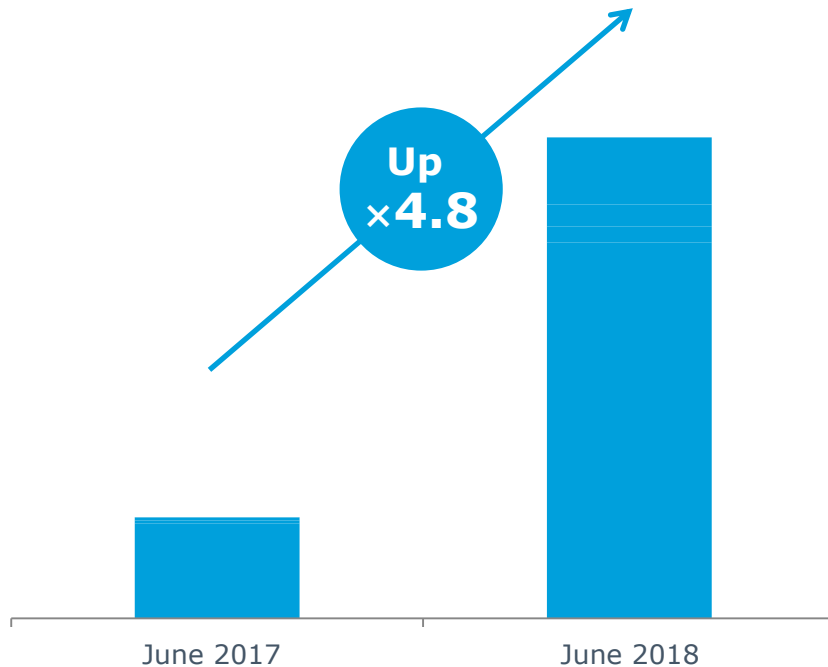
FY18 results

Expanded user base

Increased page views for vertical media, strengthened media potential

Growth in media page views

Up 4.8x



- Steady growth in page views at LIMIA, MINE, aumo, and ARINE

LIMIA named app of the year

Awarded highest honor at 2017 App Ape Awards



**APP OF
THE YEAR
2017**

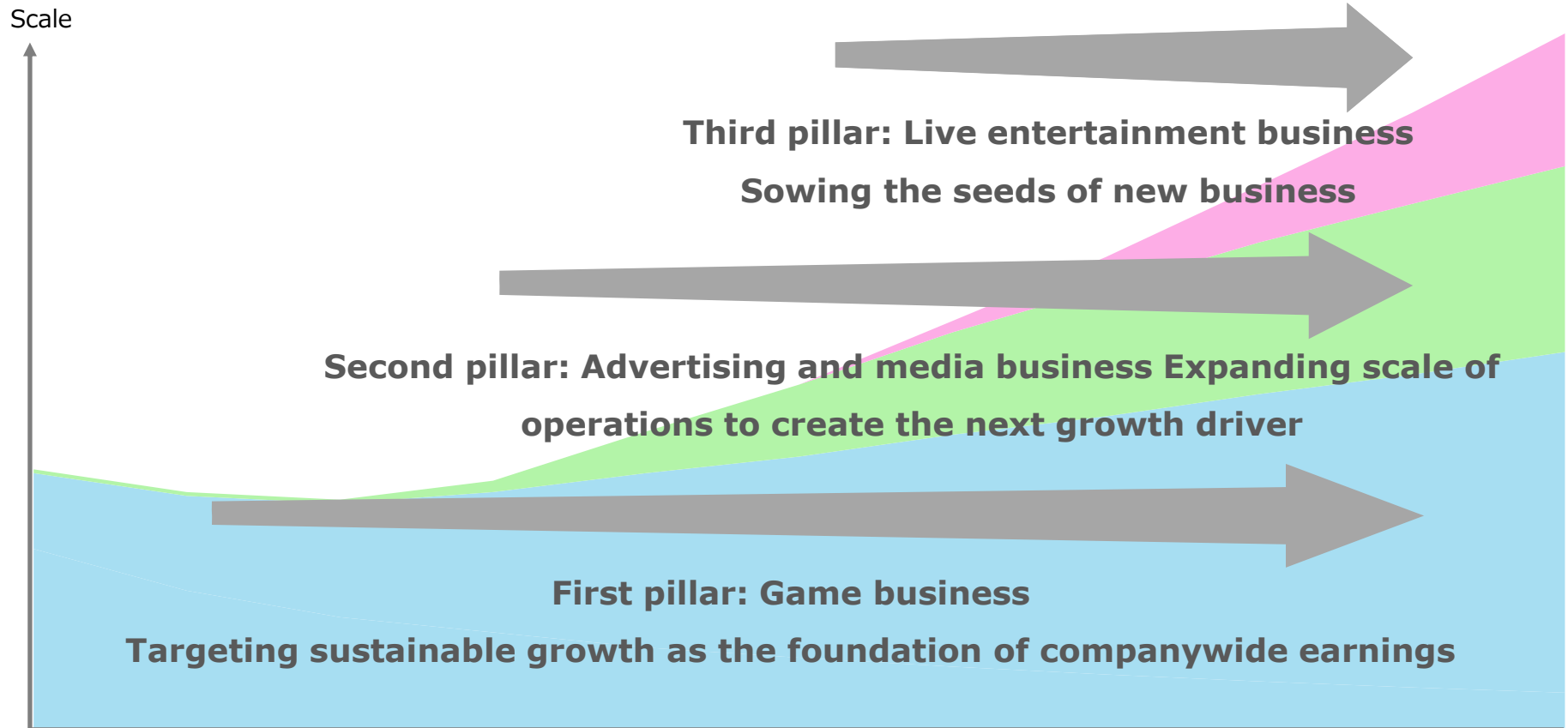


2. Operational Overview: Medium-Term Plan

Medium-Term Plan

Targeting Medium-Term Growth

Targeting sustainable growth from three earnings pillars



2. Operational Overview: FY19 Business Strategy



FY19 Strategy

Summary

Business Plan			Summary
Overall			Strengthen 3 earnings pillars - Conduct aggressive investment aimed at strengthening three earnings pillars
Game/entertainment	Game	Mobile	"Game engine, IP, and global" strategies - Invest in improving existing engines and developing new engines - Invest in long-term fostering of IP and growth of fan community - Increase earnings through full-scale overseas development and investment in improving our distribution capabilities
		Console, etc.	Expansion of distribution platform - Invest in multiplatform use of titles using first-party IP
		Live entertainment, etc.	Expand ecosystem - Invest in expansion of Virtual YouTuber ecosystem
	Advertising and media		Strengthen media potential - Invest in building the largest vertical media portfolio in Japan

2. Operational Overview: FY19 Business Strategy Game/entertainment business



FY19 Strategy

Development pipeline

5 titles approved for development/currently under development;
overseas titles also to be released consecutively in FY19; starting in FY20, we will
release an average of 4-5 titles each year

	FY19	FY20 and onward
First-party IP Co-developed IP	1 (1)	1 (1)
Third-party IP	1 (1)	2 (2)

Notes:

- All titles in pipeline have received approval for development; titles still under consideration are not included
- Some existing titles that are not included in the development pipeline will be distributed for overseas and multi-platform
- Figures in parentheses are numbers as of our 3Q FY2018 results announcement

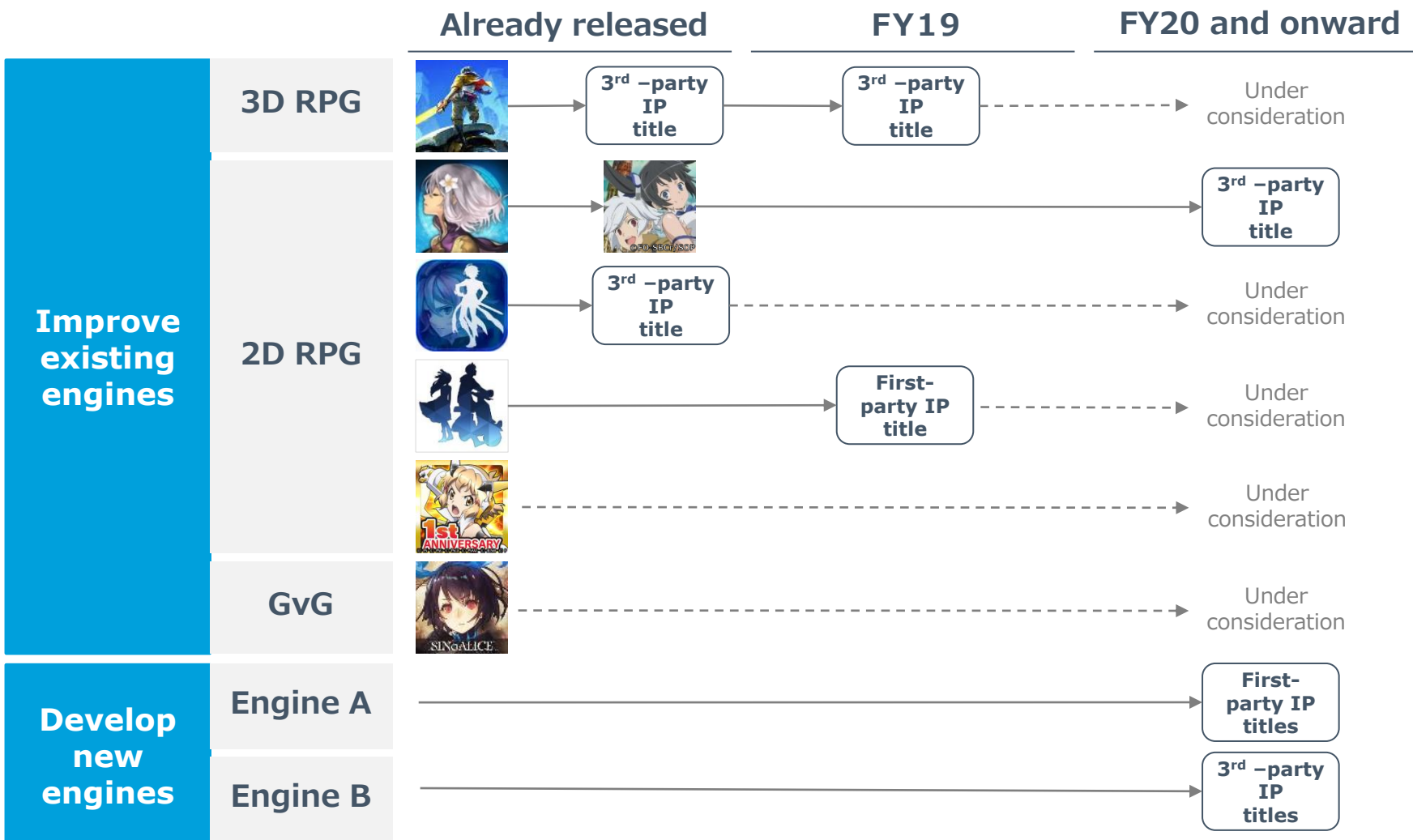
2. Operational Overview: FY19 Business Strategy

Game/entertainment business

FY19 Strategy

Improvement/development of game engines

Invest for game engines and broaden our sustainable competitive advantage



2. Operational Overview: FY19 Business Strategy Game/entertainment business



FY19 Strategy **Nurturing first-party IP over long term**

Create more fan contact points with multichannel distribution, thereby increasing value of first-party IP



TV anime production



Release of all-new 3D title



Real-world debut of SPR5

- TV anime production, release of all-new 3D title *New Everything in its Right Place Project*, and development of idol group SPR5

2. Operational Overview: FY19 Business Strategy Game/entertainment business



FY19 Strategy

Expansion of fan community

Launched first major promotion for *SINoALICE*, expanding fan communities for first-party IP

First TV advertisement

Aired nationwide starting July 20

Events tied in to TV ad

In-game summer event tied in with TV ad



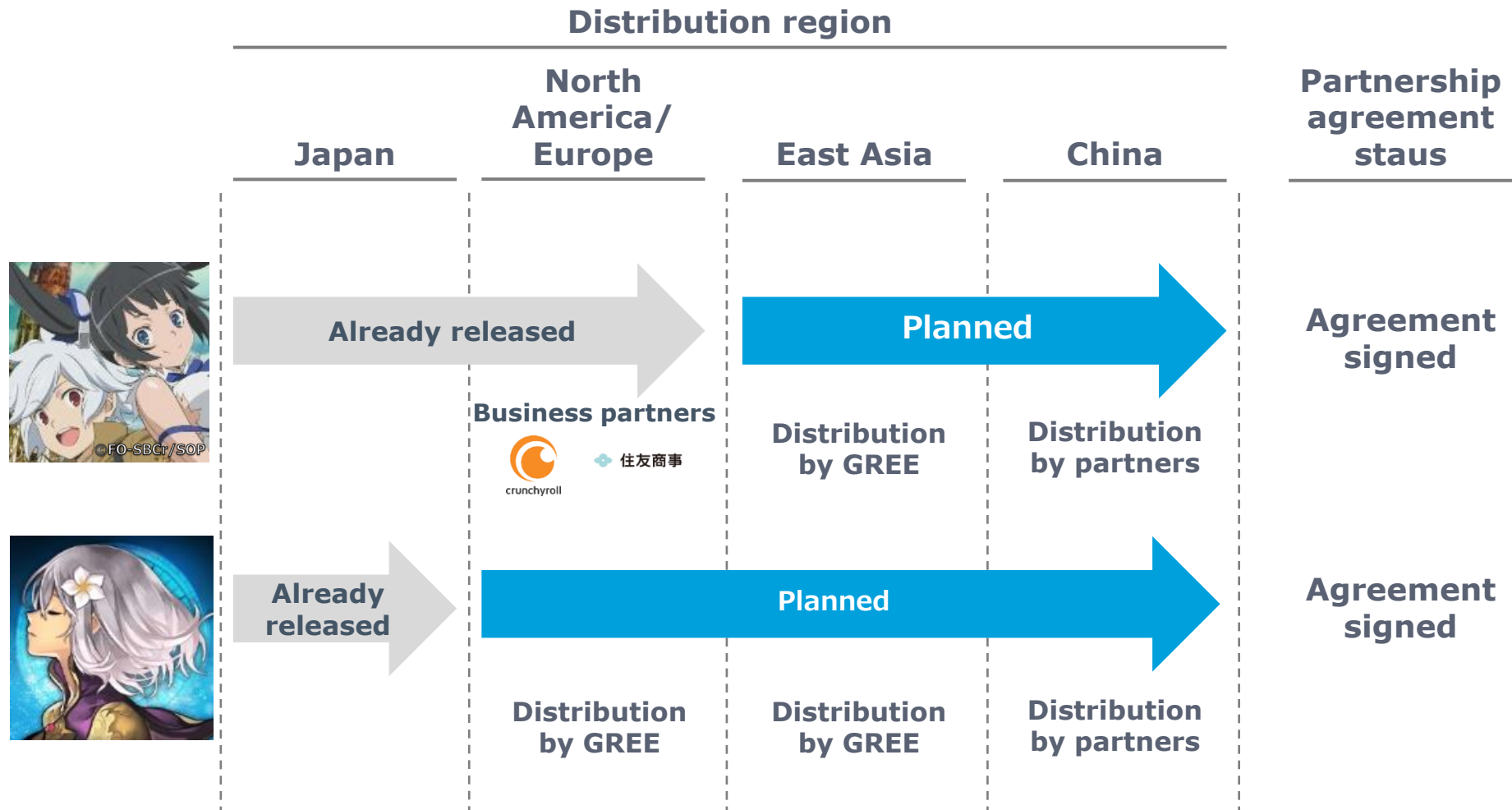
- We will maintain growth through TV ads and in-game campaigns and by continuously providing fans with high-quality content.

2. Operational Overview: FY19 Business Strategy Game/entertainment business

FY19 Strategy

Full-scale overseas development

Continuous releases planned starting in 2018, profit margins on titles expected to rise



2. Operational Overview: FY19 Business Strategy Game/entertainment business



FY19 Strategy

Multiplatform development

Development of first-party IP for platforms and services with growth potential
4 titles in development, including unannounced titles

Google Play, App Store



Began distribution in 2011

Daydream (VR)



Began distribution in December 2017

**Facebook
Instant Game**



Began distribution in April 2018



LINE QUICK GAME



In development

Nintendo Switch™



In development

Note: Nintendo Switch is a trademark of Nintendo Co., Ltd.

2. Operational Overview: FY19 Business Strategy Game/entertainment business

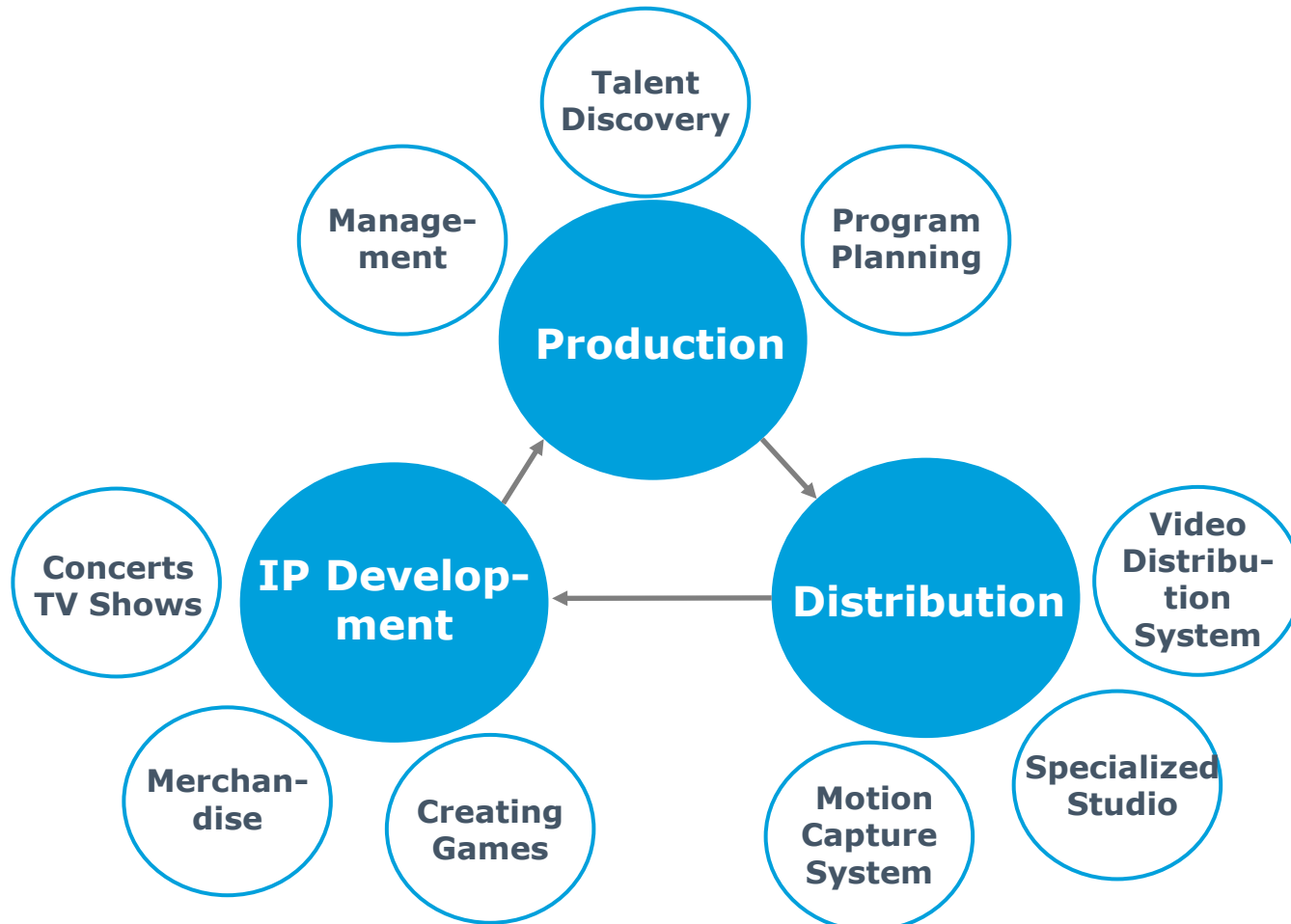


FY19 Strategy

Live entertainment business

Accelerate business growth by leveraging accumulated knowhow in games and VR businesses and large-scale investment capabilities

We will announce plans/forecast on August 7



2. Operational Overview: FY19 Business Strategy Advertising and media business



FY19 Strategy

Construction of vertical media portfolio

Continued investment aimed at increasing media capabilities

Building the one of the largest vertical media portfolios in Japan

**Housing &
lifestyles**



Fashion



**Outing &
travel**



Beauty



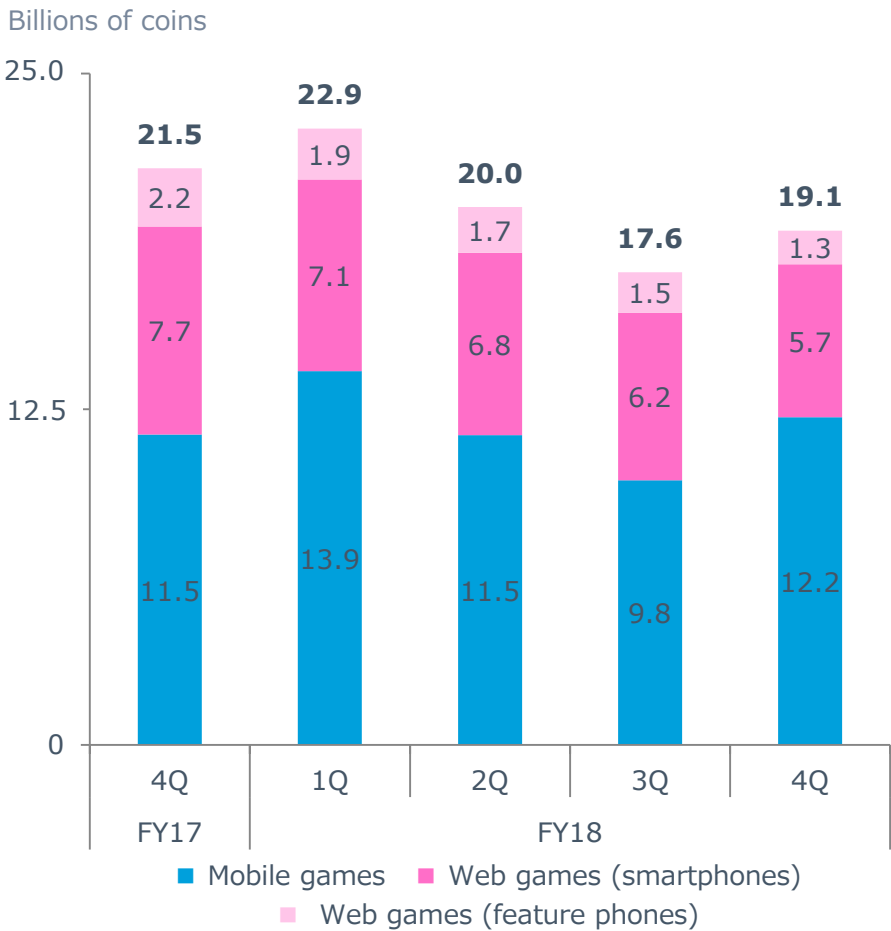
1. Financial Results Overview

2. Operational Overview

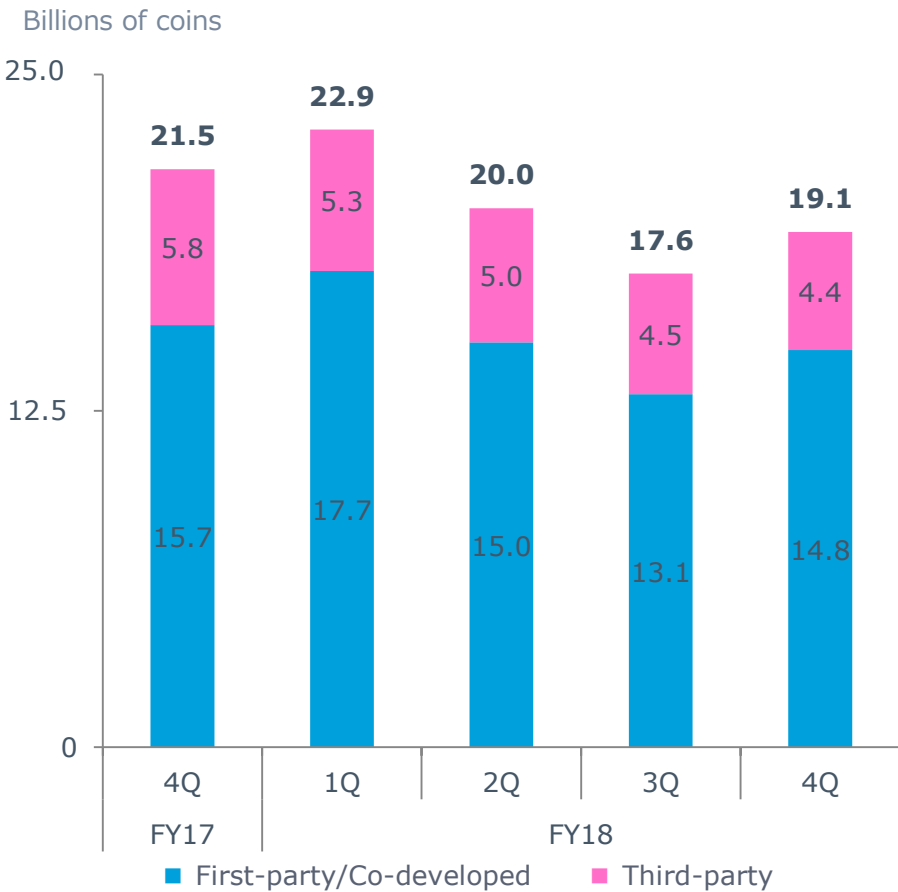
3. Appendix

Coin Consumption (1)

Overall coin consumption (1)



Overall coin consumption (2)



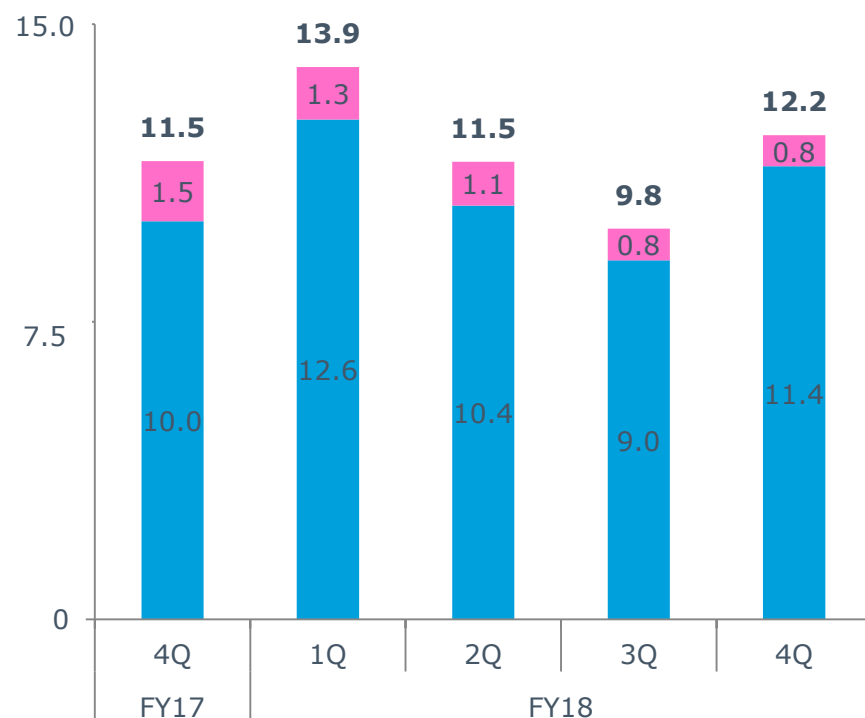
Note: Titles in which GREE is credited are categorized as "First-party/Co-developed"

3. Appendix

Coin Consumption (2)

Mobile games

Billions of coins

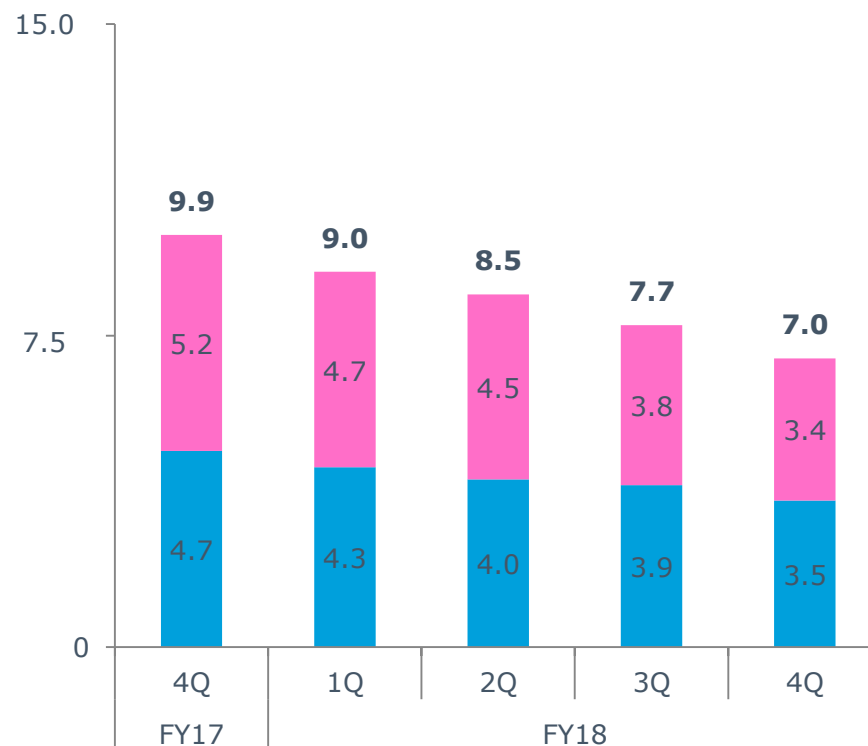


■ Developed in Japan

■ Developed overseas

Web games

Billions of coins



■ First-party/Co-developed

■ Third-party

Note: Titles in which GREE is credited are categorized as "First-party/Co-developed"

3. Appendix

4Q FY18 Cost Structure

Millions of yen

		FY18 4Q			FY18 3Q	FY17 4Q
			QoQ	YoY		
	Rental charges	693	7	-196	686	889
	Labor costs	2,099	125	-184	1,974	2,283
	Others	5,156	809	1,767	4,346	3,389
	Cost of sales	7,948	941	1,387	7,007	6,560
	Advertising	1,641	815	-124	827	1,765
	Commission fees	4,223	398	-143	3,824	4,365
	Labor costs	1,043	29	-585	1,014	1,628
	Others	2,517	98	-10	2,419	2,507
	SG&A	9,424	1,340	-842	8,085	10,266
	Total costs	17,372	2,281	545	15,091	16,827

3. Appendix

4Q FY18 Balance Sheet

Billions of yen

	FY18 4Q	QoQ	YoY	FY18 3Q	FY17 4Q
Current assets	100.33	1.85	3.88	98.48	96.46
Fixed assets	25.03	-2.53	-1.47	27.56	26.50
Total assets	125.36	-0.68	2.41	126.04	122.95
Current liabilities	11.60	0.11	-0.89	11.71	12.49
Fixed liabilities	0.72	0.08	0.14	0.64	0.58
Total liabilities	12.32	0.03	-0.75	12.36	13.07
Total net assets	113.04	-0.65	3.15	113.69	109.88
Cash and cash equivalents –	87.20	1.40	4.81	85.80	82.38
Interest-bearing debt	-	-	-	-	-
Net cash	87.20	1.40	4.81	85.80	82.38
Goodwill	0.33	-2.96	-3.59	3.29	3.92

3. Appendix

Breakdown of Group Headcount

		Number of employees
	Group companies	Headcount at end-4Q
Game/Entertainment Business	Pokelabo, Wright Flyer Studios, funplex, etc.	942
Advertising and Media Business	Glossom, Limia, 3 Minutes, aumo, etc.	358
Other businesses	Includes GREE Business Operations	231
Total	-	1,531

Note: Includes non-consolidated group companies; as of June 30, 2018



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