



GREE, Inc.

FY2019 Third Quarter Financial Results

April 26, 2019

Financial Results Overview

- **Net Sales ¥17.6 billion, Operating Income ¥1.6 billion, EBITDA ¥1.8 billion**
 - Net sales were in line with our forecast and operating income surpassed our forecast

Business Overview

- **Overseas distribution proceeded smoothly**
 - Overseas self-distribution of first-party IP for *Another Eden* off to a strong start
 - Collaboration on *DanMachi* simultaneously held globally was smooth and successful
- **Made progress on development of titles based on first-party IP**
 - Began pre-registration for *AFTERLOST*, the latest title in the *Shoumetsu Toshi* series
- **Made progress on development of live entertainment business**
 - Expanded lineup of original programs on our REALITY VTuber viewing app

FY19 4Q Earnings Forecast

- **Net Sales ¥17.0 billion ~ ¥18.0 billion, Operating Income ¥1.0 billion ~ ¥1.5 billion**
 - Expected impact from anniversary events for mainstay titles, overseas distribution, and new titles

Notes:

DanMachi = *DanMachi - MEMORIA FREESE*

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1. Financial Results Overview

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1. Financial Results Overview (Consolidated)

FY19 3Q Financial Results Overview

Net Sales ¥17.6 billion, Operating Income ¥1.6 billion
and EBITDA ¥1.8 billion

Billions of yen

	FY19 3Q	QoQ	YoY	FY19 2Q	FY19 3Q
Net sales	17.64	-0.09	-0.23	17.73	17.87
Operating income	1.55	0.59	-1.23	0.97	2.78
Ordinary income	1.45	0.66	-1.24	0.79	2.69
Net income	1.21	1.06	-0.68	0.15	1.89
EBITDA	1.80	0.60	-1.35	1.20	3.15

Notes:

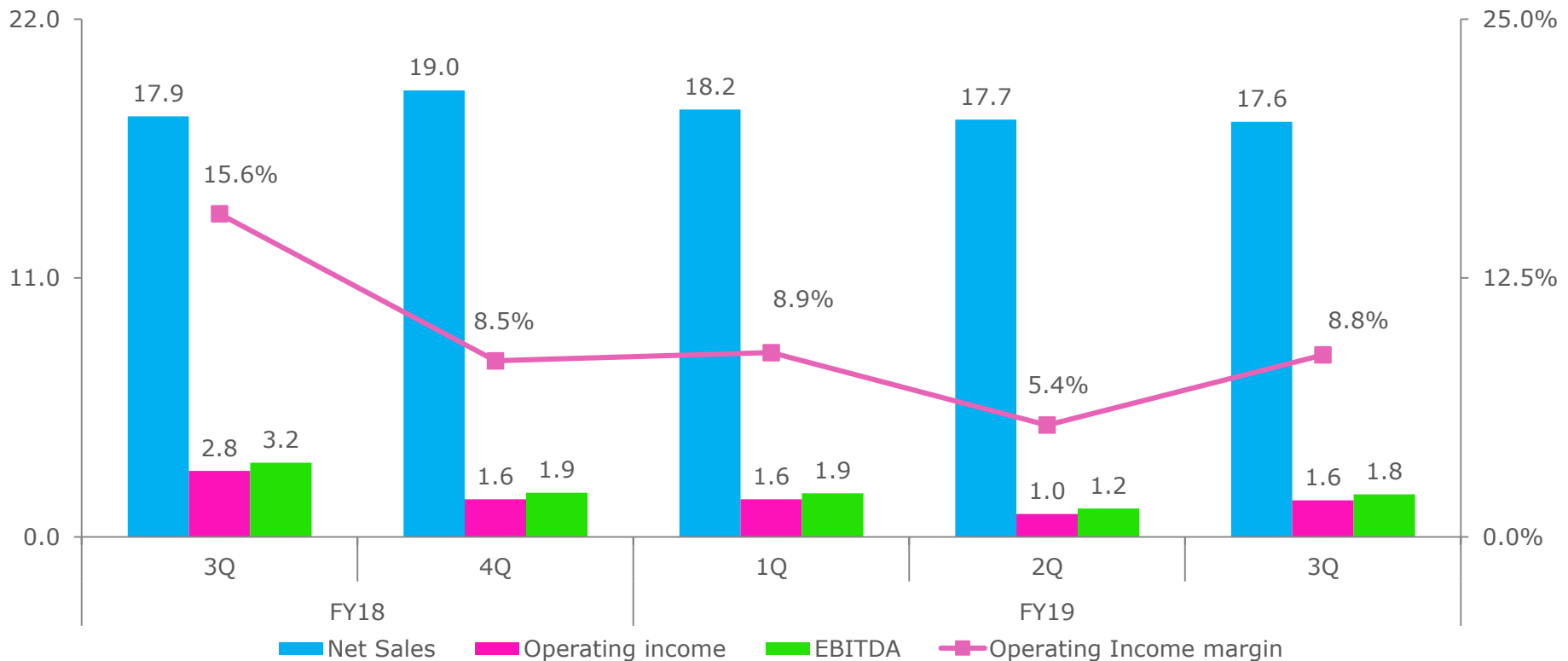
- Due to one-off events occurring in 3Q, the Company posted net sales of ¥390 million and operating income of ¥460 million in 3Q. Without impact from these factors, 3Q net sales were ¥17.25 billion and operating income was ¥1.09 billion.
- Certain variable cost transactions conducted in 2Q FY19 and earlier have been revised, resulting in the posting of ¥160 million in costs in 2Q. Without the revision, 2Q operating income is ¥1.13 billion.
- Breakdown of FY19 3Q net sales: Paid service sales ¥13.65 billion; Other sales (ad, CS, license, VR, etc.) ¥3.99 billion
- EBITDA = Operating income/loss + depreciation costs + amortization of goodwill

1. Financial Results Overview (Consolidated)

Net Sales, Operating Income, and EBITDA

Strong earnings on contribution from overseas distribution and improved cost efficiency on operation of existing titles

Billions of yen



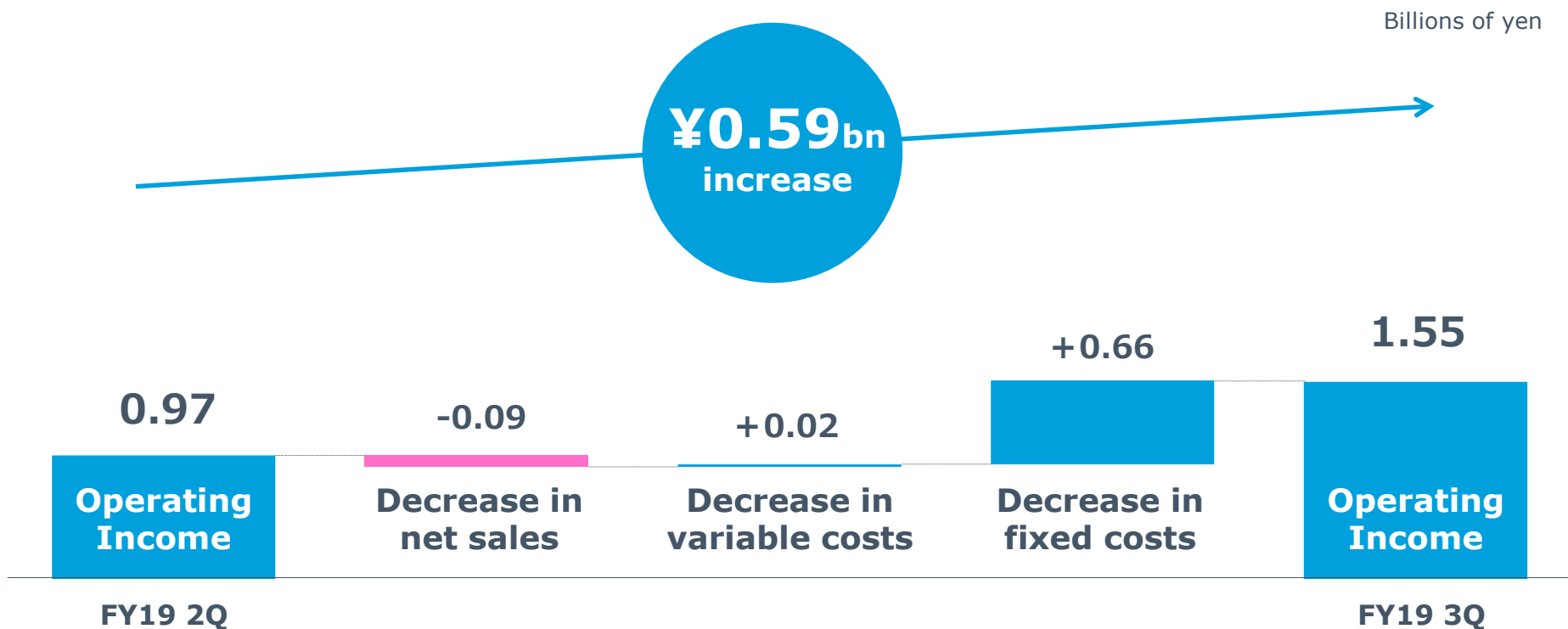
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1. Financial Results Overview (Consolidated)

Operating Income Analysis

A decline in web games was offset by growth in mobile games
Fixed costs improved considerably owing to the streamlining of operations



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1. Financial Results Overview (Consolidated)

FY19 3Q Cost Structure

Total costs down ¥700 million QoQ, to **¥16.1 billion**

Billions of yen

		FY19 3Q	QoQ	YoY	Factors in change (QoQ)	FY19 2Q	FY18 3Q
	Advertising	1.12	0.23	0.29	Increase from overseas development (FY19 2Q 5.0% → FY19 3Q 6.3%)	0.89	0.83
	Commission Fees	5.18	-0.27	-0.30	Decrease due to sales decline	5.46	5.48
	Other	0.95	0.03	0.35	-	0.92	0.60
Total variable costs		7.25	-0.02	0.34		7.27	6.91
	Labor costs	3.54	0.20	0.55	Increase in consolidated headcount, provision for bonuses	3.34	2.99
	Rental costs	0.63	-0.07	-0.02	-	0.70	0.65
	Depreciation	0.18	0.01	0.01	-	0.17	0.16
	Goodwill amortization	0.07	-0.00	-0.14	-	0.07	0.21
	Other	4.41	-0.80	0.24	Reduced outsourcing costs in the operation business	5.22	4.17
Total fixed costs		8.83	-0.66	0.65		9.50	8.18
Total costs		16.09	-0.68	0.99		16.76	15.09

Note:

- Breakdown of 3Q FY19 commission fees: commission fees: ¥3.52 billion, royalties: ¥1.67 billion

1. Financial Results Overview (Consolidated)



FY19 4Q Earnings Forecast

Plan: Net Sales ¥17.0 billion~¥18.0 billion,
Operating income ¥1.0 billion ~ ¥1.5 billion

Billions of yen

	1Q Results	2Q Results	3Q Results	4Q Forecast
Net sales	18.2	17.7	17.6	17.0~18.0
Operating income	1.6	1.0	1.6	1.0~1.5
EBITDA	1.9	1.2	1.8	1.2~1.7

- Expected impact from anniversary events for mainstay titles, overseas distribution, and release of new titles
- We will hold promotional anniversary events for titles to broaden our user base
- We will maintain our current level of investment in new titles

1. Financial Results Overview

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2. Operational Overview: Summary

Review and Summary of 3Q

			FY19 Business Plan	Review
Overall			Strengthen 3 earnings pillars	- Made progress in distributing games overseas, self-distribution of first-party IP
Game/entertainment	Game	Mobile	“Game engine, IP, and global” strategies	- Overseas self-distribution of first-party IP title <i>Another Eden</i> off to a strong start - Successful implementation of global simultaneous collaboration event for <i>DanMachi</i> - Began pre-registration for <i>AFTERLOST</i> , the latest title in the <i>Shoumetsu Toshi</i> series
		Console, etc.	Expand distribution platform	- Made progress toward multiplatform distribution of first-party IP titles
	Live Entertainment, etc.		Expand ecosystem	- Expanded lineup of original programs on our REALITY VTuber viewing app
Advertising and media			Strengthen media potential	- Made progress in strengthening media potential by expanding content

Notes:

- Business plan refers to the republished summary business plan announced in August 2018
- *DanMachi* = *DanMachi* - MEMORIA FREESE

2. Operational Overview: Game/entertainment business - Mobile

Development pipeline

Five titles in development

	FY19		FY20 and onward
	Already released	In development	
First-party IP Co-developed IP	0 (0)	1 (1)	1 (1)
Third-party IP	1 (1)	0 (0)	3 (3)

Notes:

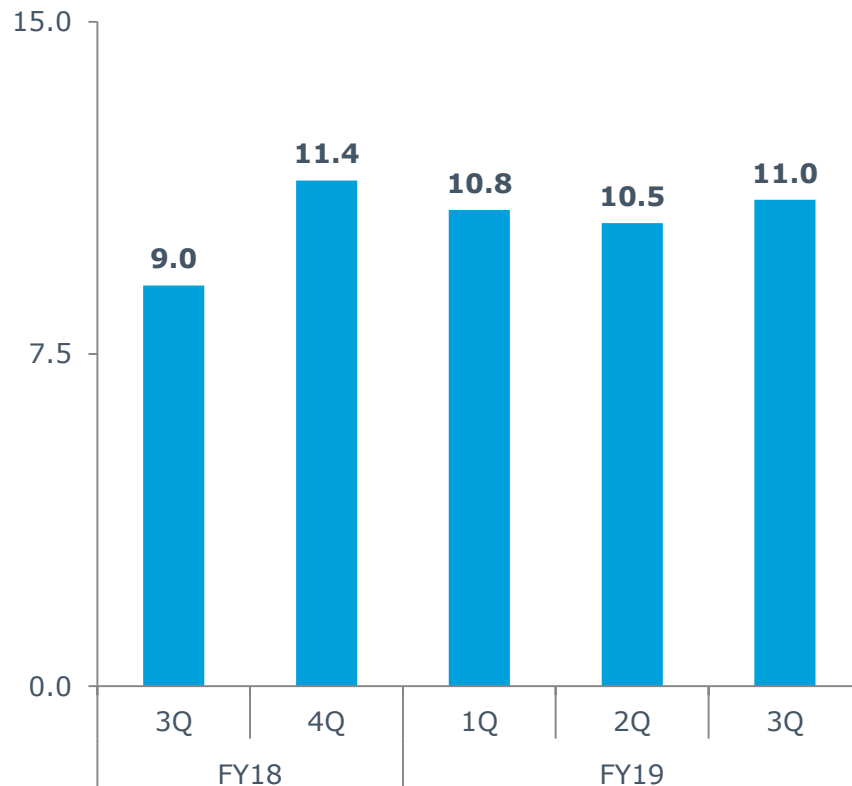
- All titles in pipeline have received approval for development; titles still under consideration are not included
- Some existing titles that are not included in the development pipeline will be distributed for overseas and multi-platform
- Figures in parentheses are numbers as of our 2Q FY19 results announcement

2. Operational Overview: Game/entertainment business - Mobile

Progress Made

Domestic coin consumption (domestically developed titles)

Billions of coins



Note:

- *DanMachi* = *DanMachi - MEMORIA FREESE*

Topics

- *Another Eden*
 - Began self-distribution in 8 countries and regions
- *DanMachi*
 - Global operations proceeding smoothly

2. Operational Overview: Game/entertainment business - Mobile

New titles

Nurturing first-party IP over long term ①

Expanded *Shoumetsu Toshi* fan base through launch of TV anime,
launch of new mobile game title in the series

***Shoumetsu Toshi* TV anime**

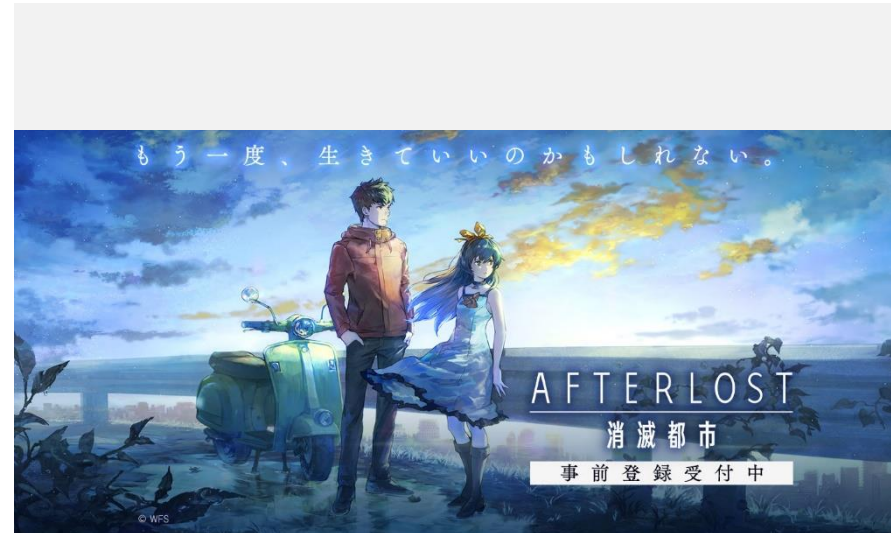
Launched April 7



- Began broadcasting on TV and online

AFTERLOST - Shoumetsu Toshi

Began pre-registration for new mobile title



- Planned release in 5 countries and regions

2. Operational Overview:

Game/entertainment business - Mobile

Nurturing first-party IP over long term ②

Energized users by releasing updates and additional content with anime tie-ins

Another Eden

Continued to release updates



- Energized existing users by launching new content related to popular characters

Shoumetsu Toshi 0

Added content tied to TV anime series



- Released content aimed at core fan base

2. Operational Overview: Game/entertainment business - Mobile

Expanding fan communities ①

Expanding fan base through strong IP collaborations

SINoALICE

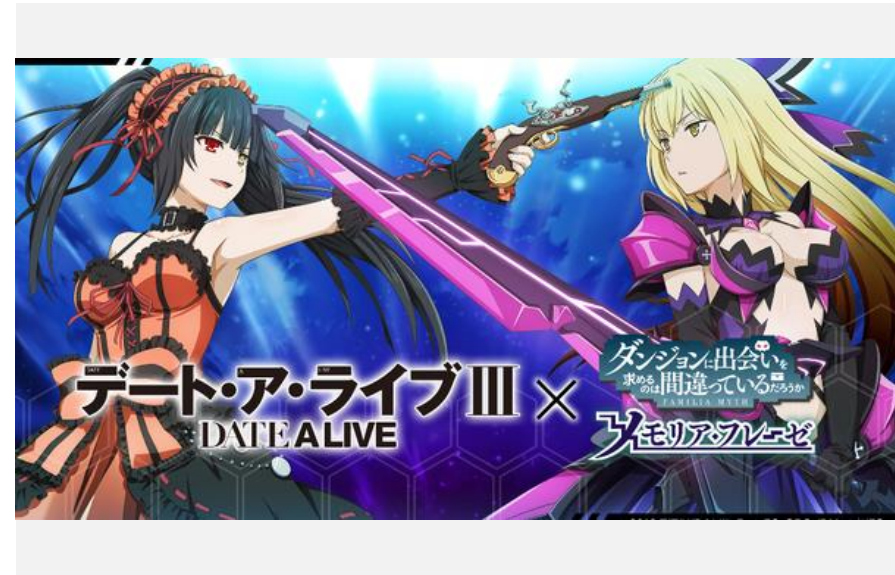
Hosted collaboration event



- Collaborated with *NieR RepliCant* to further develop the world of Yoko Taro

DanMachi

Hosted collaboration event



- Attracted new fans through collaboration with *Date A Live III*

Note:

- *DanMachi* = *DanMachi* - MEMORIA FREESE

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2. Operational Overview: Game/entertainment business - Mobile

Expanding fan communities ②

Expanding fan base through collaboration with strong IP and anniversary events

Senki Zesshou SYMPHOGEAR XD UNLIMITED

Hosted collaboration event



- Expanding fan base through collaboration with *BanG Dream!*

In Love with NEWS

Held 1-year anniversary campaign



- Aired TV commercial using tie-up song, in-game/out-game campaign including gacha celebrating the app's anniversary

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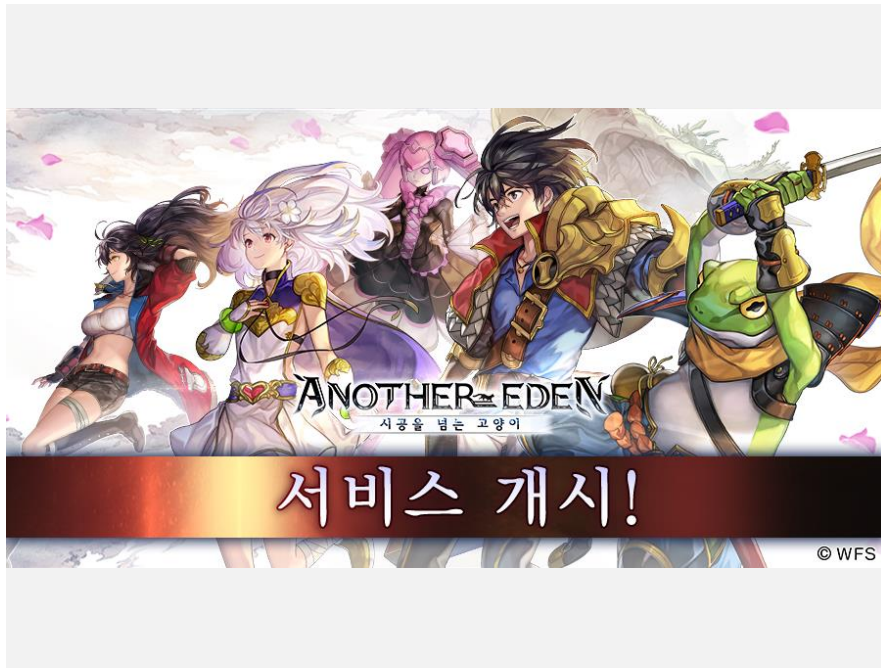
2. Operational Overview: Game/entertainment business - Mobile

Full-scale overseas distribution ①

Overseas distribution of *Another Eden* contributed to sales

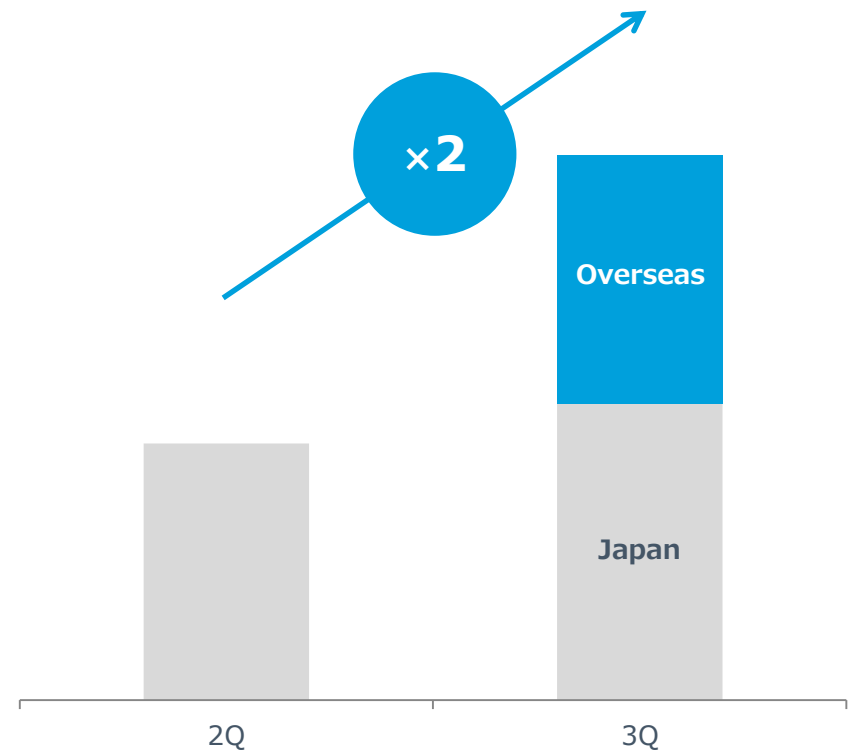
Another Eden

Launched on January 29th



- Began self-distribution in 8 countries and regions

Sales rising

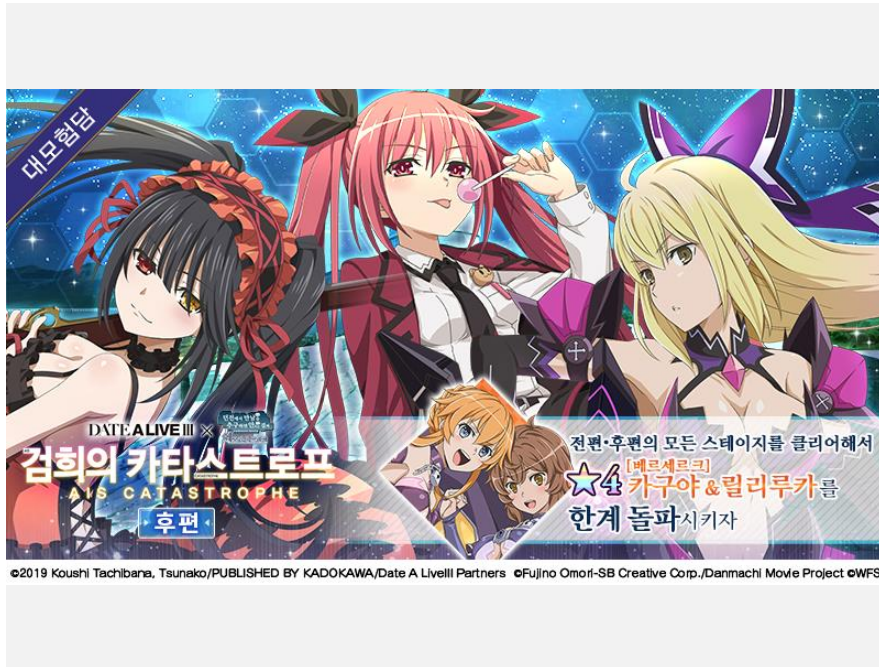


2. Operational Overview: Game/entertainment business - Mobile Full-scale overseas distribution ②

Fans around the world energized by global simultaneous collaboration

DanMachi

Held collaboration event with strong IP

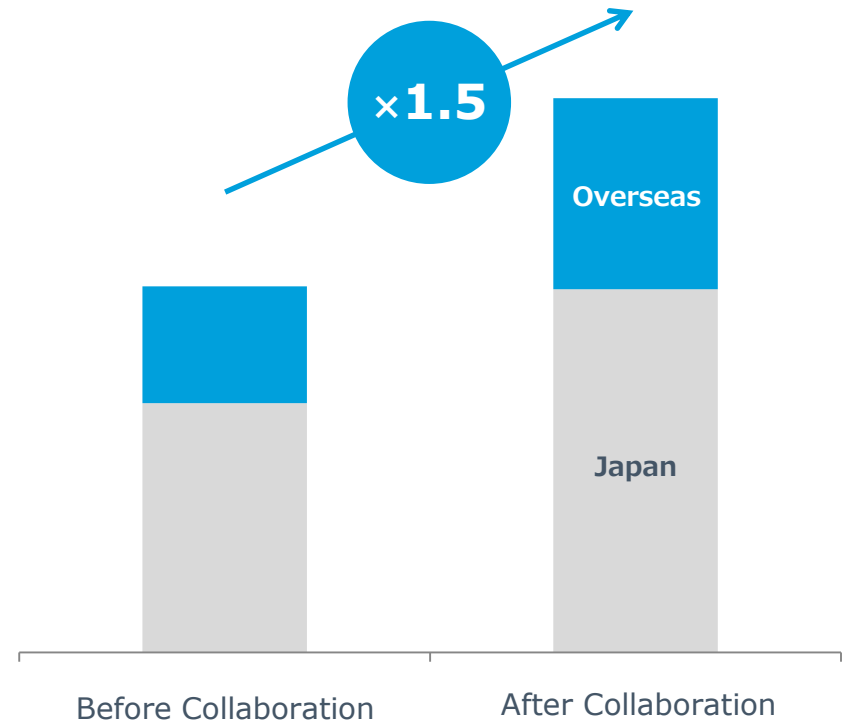


- Provided collaboration event simultaneously on March 27th

Note:

- *DanMachi* = *DanMachi - MEMORIA FREESE*
- DAU before collaboration: average for March 22-26, DAU after collaboration: average for March 28-April 1

DAU rising







2. Operational Overview: Game/entertainment business - Mobile

Overseas distribution plans

Release of *AFTERLOST - Shoumetsu Toshi* scheduled for FY2019

Distribution region

	Japan	North America	Europe	Hong Kong, Taiwan, etc.	China	Partnership agreement status
	Released	Released Distribution by partners	Preparing Self Distribution	Released Self Distribution	Preparing Distribution by partners	Agreement signed
	Released	Preparing Distribution by partners Planned release June 2019	Preparing Distribution by partners	Released Distribution by partners Planned release June 2019	Preparing Distribution by partners	Agreement signed
	Released	Released 1/29 Self Distribution	Preparing Self Distribution	Released 1/29 Self Distribution	Preparing Distribution by partners	Agreement signed
	Preparing Planned release by end of FY2019	Preparing Self Distribution	Preparing Self Distribution	Preparing Self Distribution Planned release by end of FY2019	Preparing Distribution by partners	Under consideration
Title released in FY17	Released	Preparing	Preparing	Preparing	Preparing	Under consideration

2. Operational Overview: Game/entertainment business - Live, etc.

Expansion of REALITY content lineup

We continue to add to our lineup of original programs exclusive to REALITY



Festival 2

Held REALITY FESTIVAL 2 starting on April 8



Regularly scheduled music program

Buion!! launched on March 1st



2. Operational Overview: Advertising and media business

Strengthened media potential

Expanded content portfolio and energized user communities
through tie-ups and campaigns

LIMIA

Participated in Shimachu store
remodeling project



- Acted as producer for a section of the store and featured similar content on LIMIA

ARINE

Held picture posting campaign



- Energized user to user communication through picture posting

1. Financial Results Overview

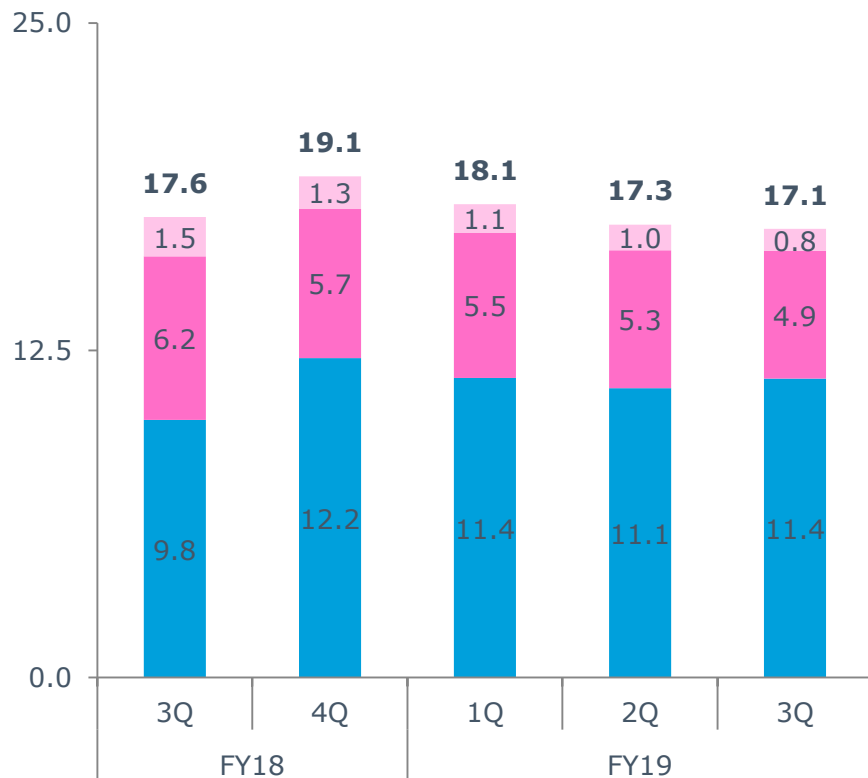
2. Operational Overview

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Coin Consumption (1)

Overall coin consumption (1)

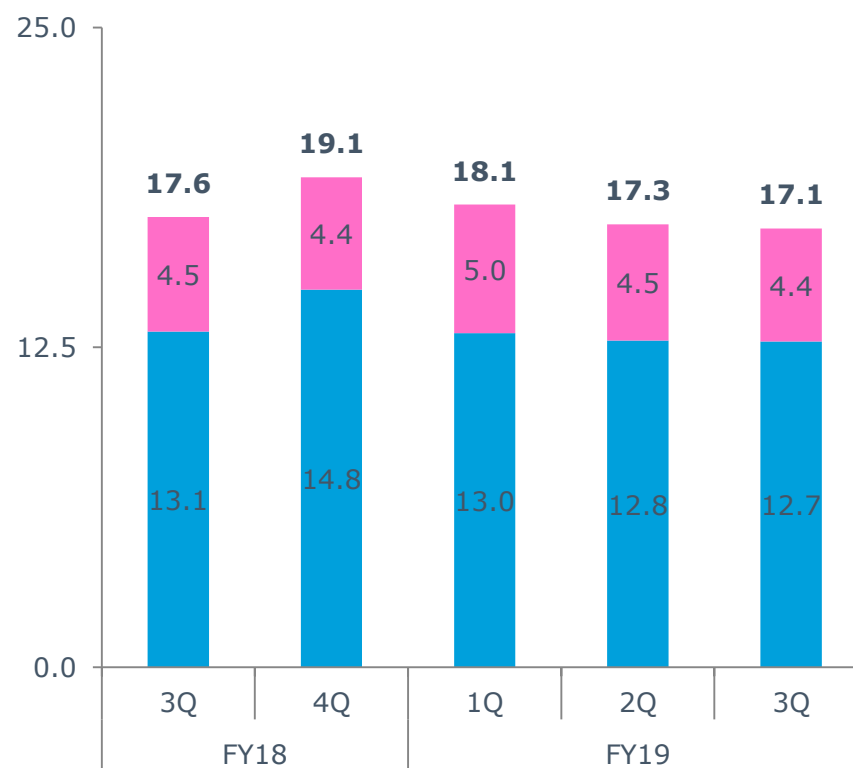
Billions of coins



■ Mobile games ■ Web games (smartphones)
■ Web games (feature phones)

Overall coin consumption (2)

Billions of coins



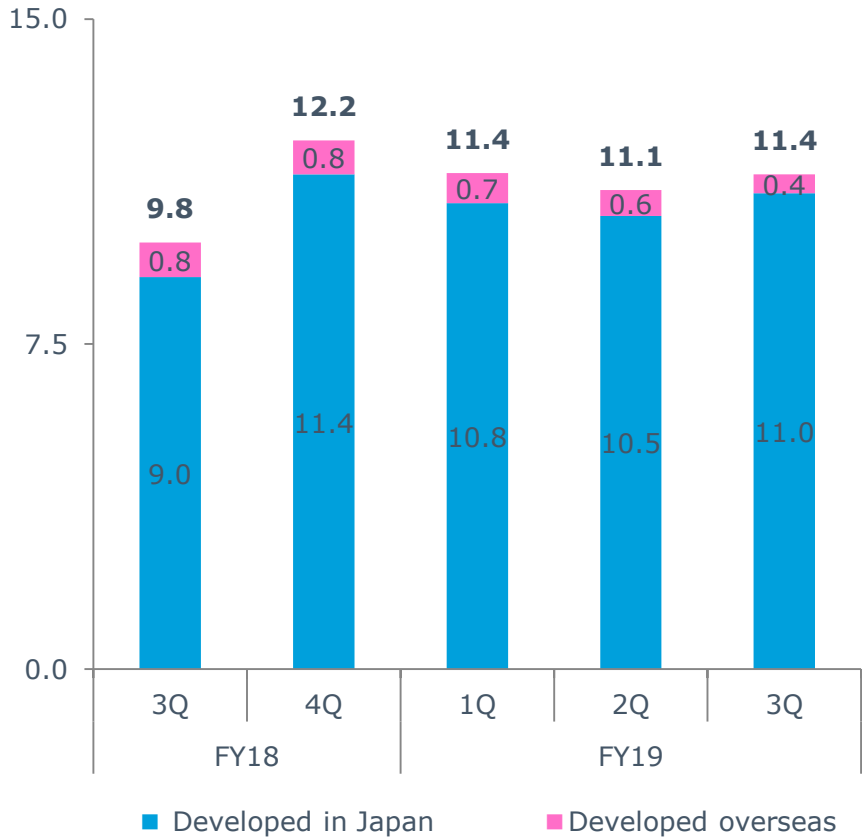
■ First-party/Co-developed ■ Third-party

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

Coin Consumption (2)

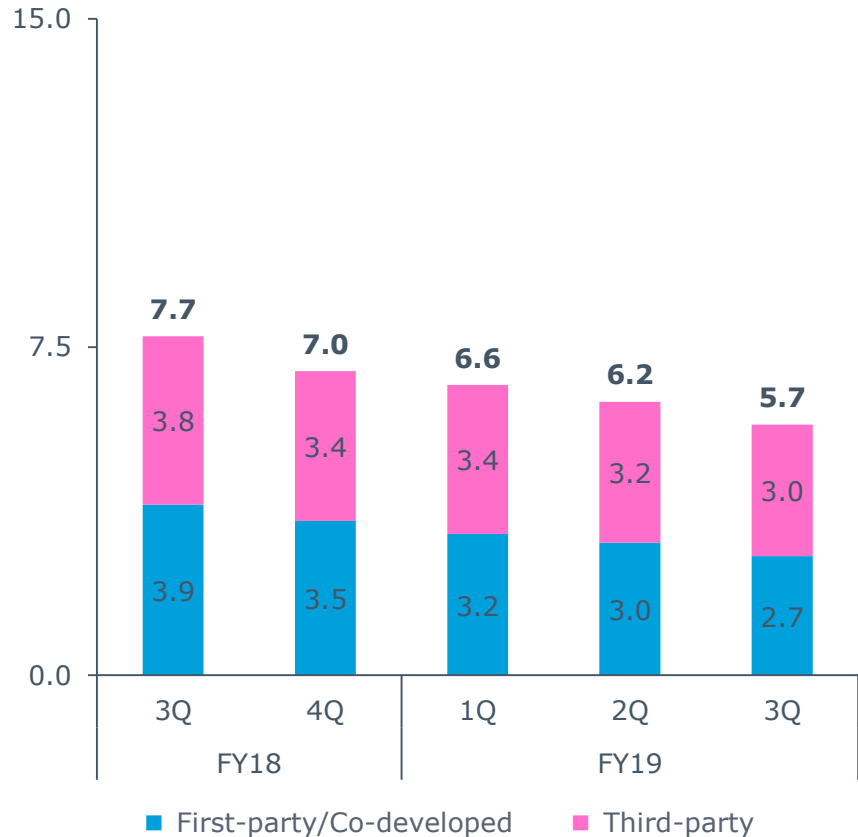
Mobile games

Billions of coins



Web games

Billions of coins



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

3. Appendix

FY19 3Q Cost Structure

Millions of yen

		FY19 3Q	QoQ	YoY	FY19 2Q	FY18 3Q
	Rental charges	636	-68	Δ50	704	686
	Labor costs	2,395	185	421	2,210	1,974
	Others	4,796	-730	450	5,526	4,346
	Cost of sales	7,827	-613	820	8,440	7,007
	Advertising	1,119	230	293	890	827
	Commission fees	3,517	46	-307	3,472	3,824
	Labor costs	1,147	14	133	1,133	1,014
	Others	2,475	-354	56	2,829	2,419
	SG&A	8,259	-64	174	8,323	8,085
	Total costs	16,086	-677	995	16,763	15,091

3. Appendix

FY19 3Q Balance Sheet

Billions of yen

	FY19 3Q	QoQ	YoY	FY19 2Q	FY18 3Q
Current assets	96.27	-0.01	0.95	96.28	95.32
Fixed assets	30.28	1.12	-0.44	29.17	30.72
Total assets	126.55	1.11	0.51	125.45	126.04
Current liabilities	12.13	-0.11	0.42	12.24	11.71
Fixed liabilities	0.96	0.06	0.32	0.90	0.64
Total liabilities	13.09	-0.05	0.74	13.14	12.36
Total net assets	113.46	1.15	-0.23	112.31	113.69
Cash and cash equivalents –	86.34	-0.65	0.54	86.99	85.80
Interest-bearing debt	0.09	0.00	0.09	0.09	-
Net cash	86.25	-0.65	0.44	86.90	85.80
Goodwill	0.53	-0.07	-2.76	0.60	3.29

Note:

- The figures of the total amount of current assets and fixed assets of FY18 3Q have been adapted to current accounting standards in accordance with partial change from FY19 1Q

3. Appendix

Breakdown of Group Headcount

Number of employees

	Group companies	Headcount at end-3Q
Game/Entertainment Business	funplex, Pokelabo, WFS, Wright Flyer Live Entertainment, etc.	1,050
Advertising and Media Business	Glossom, Limia, 3 Minutes, aumo, GREE Lifestyle, etc.	410
Other businesses	Includes GREE Business Operations	233
Total	-	1,693

Note:

- Includes non-consolidated group companies; as of March 31, 2019



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