



GREE, Inc.

FY2019 Fourth Quarter Financial Results

August 2, 2019

Executive Summary



| | | |
|-------------|-----------|--|
| FY19 Actual | Full-year | <ul style="list-style-type: none">■ Net sales ¥70.9 billion, operating income ¥5.5 billion, EBITDA ¥6.4 billion<ul style="list-style-type: none">- Built long-term operating system and increased profitability of each title through overseas distribution in the games business- Launched live distribution platform and got off to a smooth start in the live entertainment business- Achieved steady growth by building media portfolio in advertising and media business |
| | 4Q | <ul style="list-style-type: none">■ Net sales ¥17.4 billion, operating income ¥1.3 billion, EBITDA ¥1.5 billion<ul style="list-style-type: none">- Net sales and operating income were in line with our forecast, holding steady QoQ |
| FY20 Plan | | <ul style="list-style-type: none">■ Continued aggressive investment in our three business pillars<ul style="list-style-type: none">- Game business<ul style="list-style-type: none">▪ Pursue our “game engine, IP, and global” strategies, expand overseas distribution, and continue to invest in development- Live entertainment business<ul style="list-style-type: none">▪ Invest mainly in our REALITY, VTuber live distribution platform- Advertising and media business<ul style="list-style-type: none">▪ Continue to invest in further expansion of our vertical media portfolio |

1. Financial Results Overview

2. Operational Overview

3. Appendix

1. Financial Results Overview

2. Operational Overview

3. Appendix

1. Financial Results Overview (Consolidated)



FY19 Full-Year and 4Q Financial Results Overview

FY19 net sales of ¥70.9 billion, operating income of ¥5.5 billion
and EBITDA of ¥6.4 billion

Billions of yen

| | FY19 | | FY19 4Q | | FY18 | FY19 3Q |
|------------------|--------------|-------|--------------|-------|-------|---------|
| | | YoY | | QoQ | | |
| Net sales | 70.94 | -6.99 | 17.41 | -0.23 | 77.93 | 17.64 |
| Operating income | 5.48 | -3.95 | 1.34 | -0.21 | 9.42 | 1.55 |
| Ordinary income | 5.73 | -4.59 | 1.33 | -0.12 | 10.32 | 1.45 |
| Net income | 3.49 | -1.22 | 0.04 | -1.17 | 4.71 | 1.21 |
| EBITDA | 6.39 | -4.41 | 1.54 | -0.26 | 10.81 | 1.80 |

Notes:

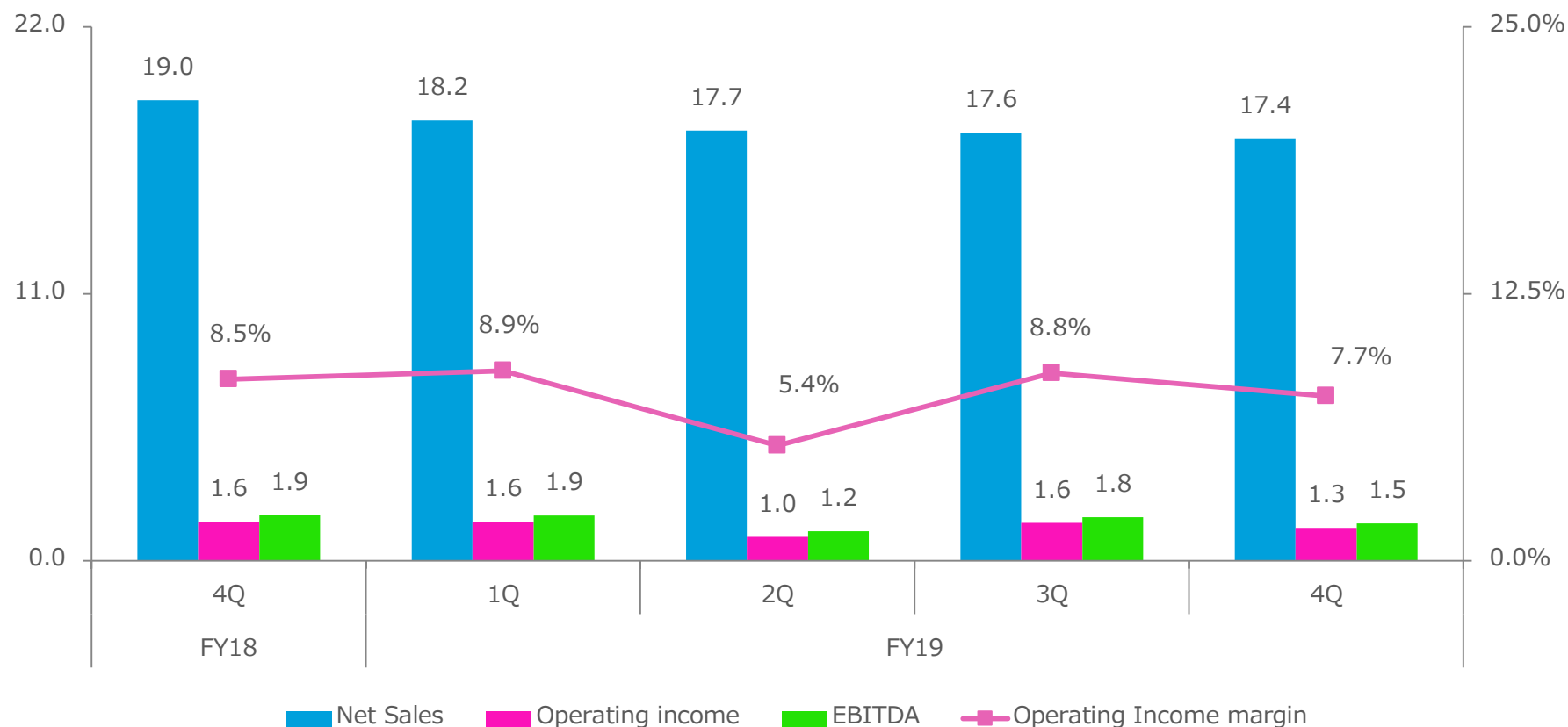
- Breakdown of FY19 4Q net sales: Paid service sales ¥13.89 billion; Other sales (ad, CS, license, VR, etc.) ¥3.52 billion
- Net income: Profit attributable to shareholders of parent
- EBITDA = Operating income/loss + depreciation costs + amortization of goodwill

1. Financial Results Overview (Consolidated)

Net Sales, EBITDA, and Operating Income

Strong earnings on contribution from overseas distribution and existing titles

Billions of yen



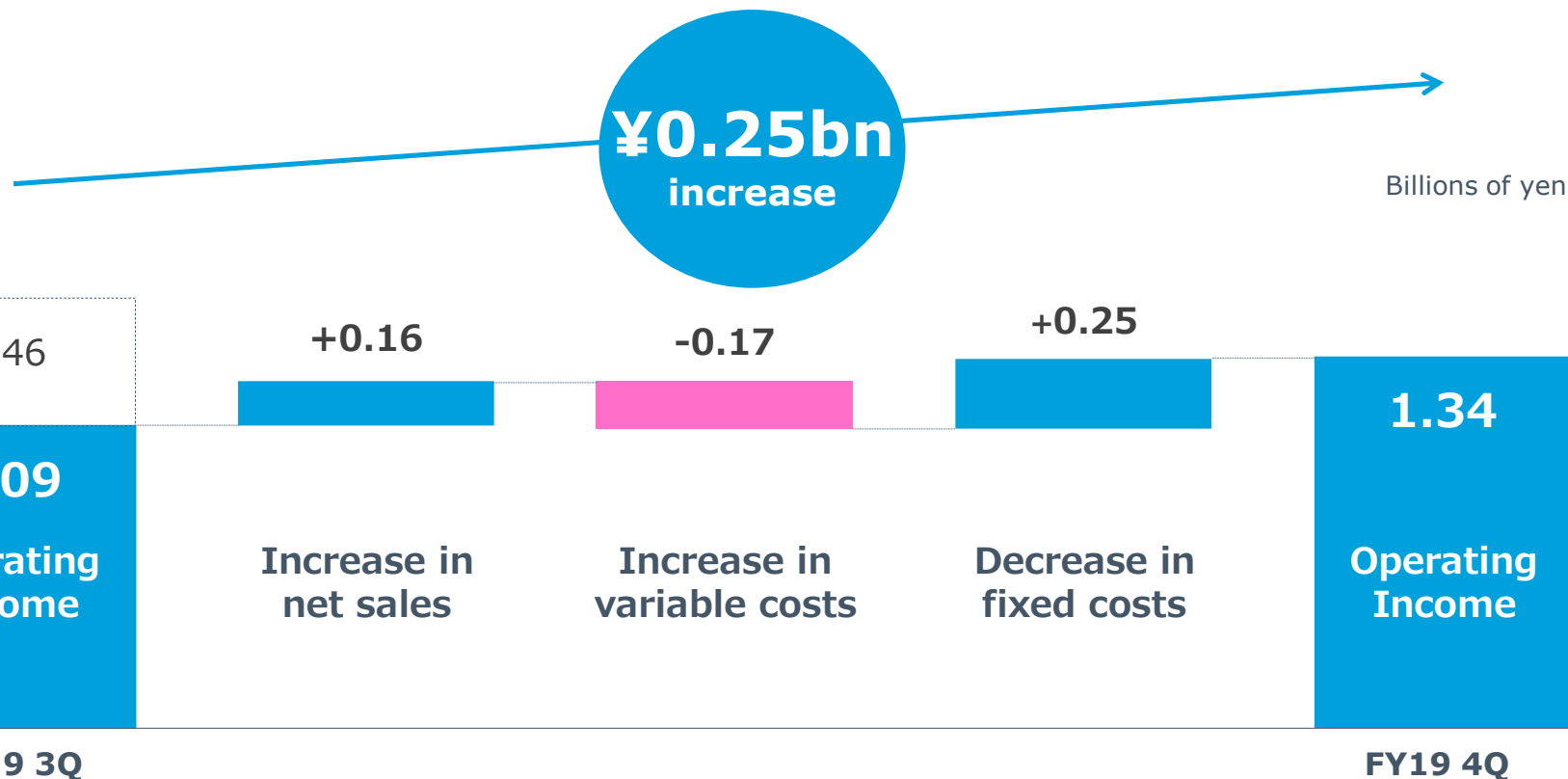
Notes:

- 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.

1. Financial Results Overview (Consolidated)

4Q Operating Income Analysis

Negative impact of ¥460 million from one-off events occurring in 3Q;
adjusted for this, operating income rose QoQ



Note:

- 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.

1. Financial Results Overview (Consolidated)

FY19 4Q Cost Structure

Total costs held steady QoQ at ¥16.1 billion

| | | | | | Factors in change (QoQ) | Billions of yen | |
|--------------------------|-----------------------------|--------------|-------|-------|---|-----------------|------------|
| | | FY19 4Q | QoQ | YoY | | FY19 3Q | FY18 4Q |
| | Advertising | 1.18 | 0.06 | -0.46 | - | 1.12 | 1.64 |
| | Commission Fees, etc. | 5.43 | 0.25 | -0.83 | Increase due to sales growth | 5.18 | 6.26 |
| | Other | 0.87 | -0.08 | 0.09 | - | 0.95 | 0.78 |
| | Total variable costs | 7.49 | 0.24 | -1.20 | | 7.25 | 8.68 |
| | Labor costs | 3.51 | -0.03 | 0.37 | Consolidated headcount: end-3Q: 1,635 → end-4Q: 1,685 | 3.54 | 3.14 |
| | Rental costs | 0.57 | -0.06 | -0.09 | - | 0.63 | 0.65 |
| | Depreciation | 0.14 | -0.04 | 0.01 | - | 0.18 | 0.13 |
| | Goodwill amortization | 0.06 | -0.02 | -0.08 | - | 0.07 | 0.14 |
| | Other | 4.31 | -0.11 | -0.31 | Decrease due to decreased outsourcing | 4.41 | 4.62 |
| Total Fixed costs | | 8.58 | -0.25 | -0.10 | | 8.83 | 8.69 |
| Total costs | | 16.07 | -0.01 | -1.30 | | 16.09 | 17.37 |

Note:

- Breakdown of 4Q FY2019 commission fees, etc.: commission fees: ¥3.55 billion, royalties: ¥1.88 billion

1. Financial Results Overview (Consolidated)

Fiscal Year-End Dividend

Plan to pay dividend of **¥10** per share
Maintaining a dividend on DOE of 2.0%,
consolidated dividend payout ratio of 20% or higher

| | FY19 Forecast | FY18 Actual |
|--------------------|---------------------------|--|
| Record date | June 30, 2019 | June 30, 2018 |
| Dividend per share | ¥10 | Total ¥14 Regular dividend ¥4 Commemorative dividend ¥10 |
| Total amount | ¥2.302 billion | ¥3.299 billion |
| Effective date | September 26, 2019 | September 27, 2018 |

Notes:

- FY2019 dividend amount is subject to approval at the annual shareholders' meeting scheduled for September 25, 2019
- Total dividend amount is rounded down to the nearest one million

1. Financial Results Overview (Consolidated)

FY20 Outlook

| | | |
|------------------------------|---------------------------------|---|
| Overall | | <ul style="list-style-type: none">- We expect firm profit based on global operations of games |
| Game/entertainment | Game | <ul style="list-style-type: none">- Global operations of existing title are stable- We expect upside from new game titles and overseas distribution (including in China) |
| | Live Entertainment, etc. | <ul style="list-style-type: none">- Maintain same level of investment as FY19, focusing on our REALITY, VTuber live distribution platform |
| Advertising and media | | <ul style="list-style-type: none">- We expect a narrowing of losses and smooth growth our media portfolio during the upfront investment phase |

1. Financial Results Overview

2. Operational Overview

3. Appendix

2. Operational Overview: FY19 results

FY19 Results

Review and Summary

| | | | FY19 Business Plan | Review |
|--------------------|--------------------------|---------------|--|---|
| Overall | | | Strengthen 3 earnings pillars | - Aggressively invested in three businesses |
| Game/entertainment | Game | Apps | “Game engine, IP, and global” strategies | - Enhanced operations and built a long-term operations system for existing titles - Strengthened profitability of each title through overseas distribution <ul style="list-style-type: none">• Distributed multiple strong titles in key regions• Increased earnings per title by accumulating expertise on distribution and operations |
| | | Console, etc. | Expand distribution platform | - Released titles for Nintendo Switch™ and messenger platforms |
| | Live Entertainment, etc. | | Expand ecosystem | - Launched REALITY, VTuber distribution platform |
| | Advertising and media | | | Strengthen media potential |

Notes:

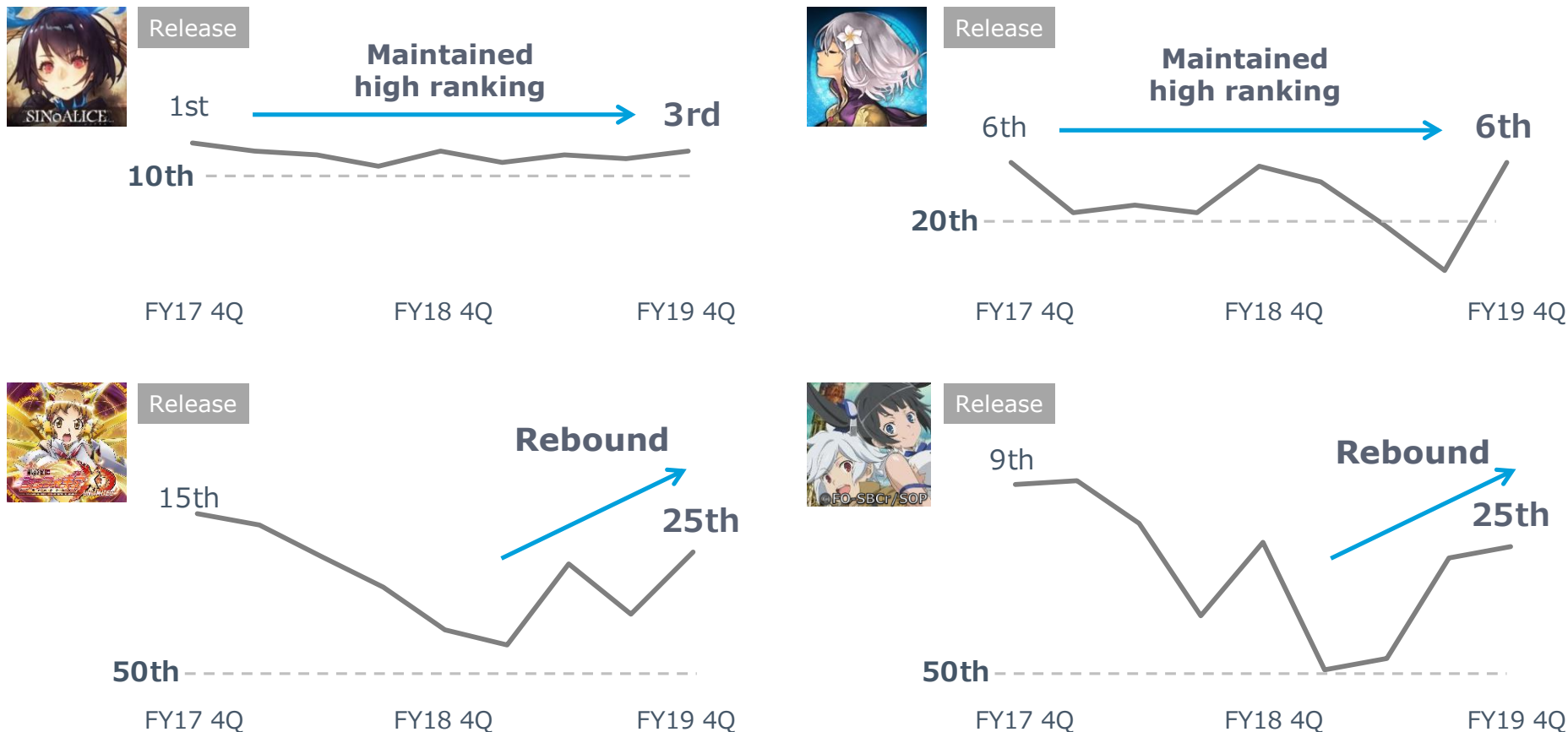
- Business plan refers to the republished summary business plan announced in August 2018
- Nintendo Switch is a registered trademark of Nintendo Co. Ltd.

2. Operational Overview: FY19 results Game/entertainment business - Game

FY19 Results

Creation of Long-term Operations System

Titles maintain high rankings/rebound two years after release owing to operations undertaken with a long-term perspective



Note:

• Rankings indicate highest sales ranking reached as reported by App Annie in either the App Store or Google Play (each quarter)

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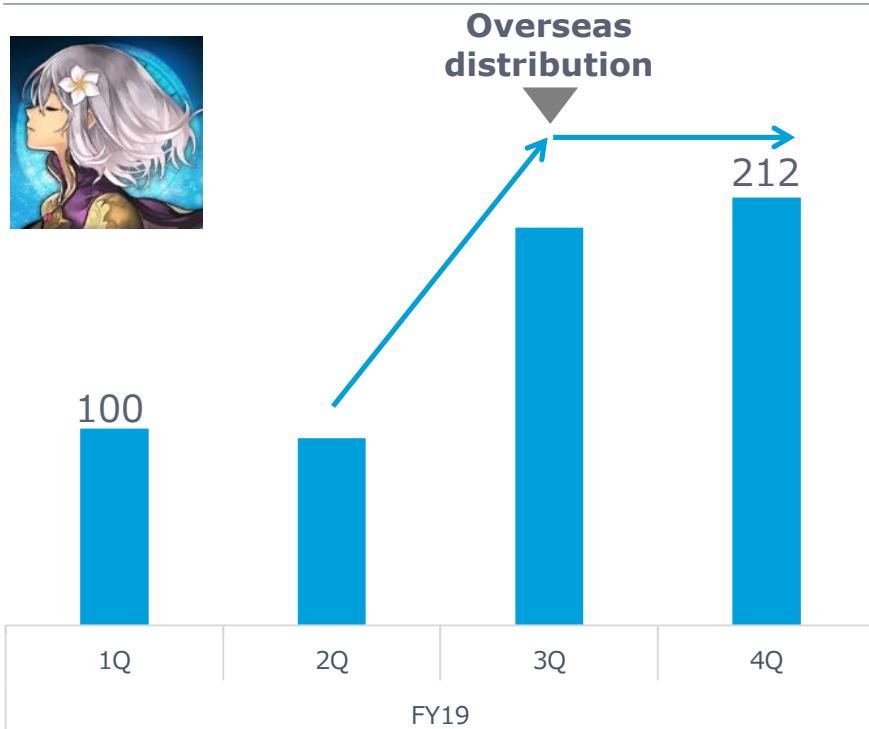
2. Operational Overview: FY19 results

Game/entertainment business - Game

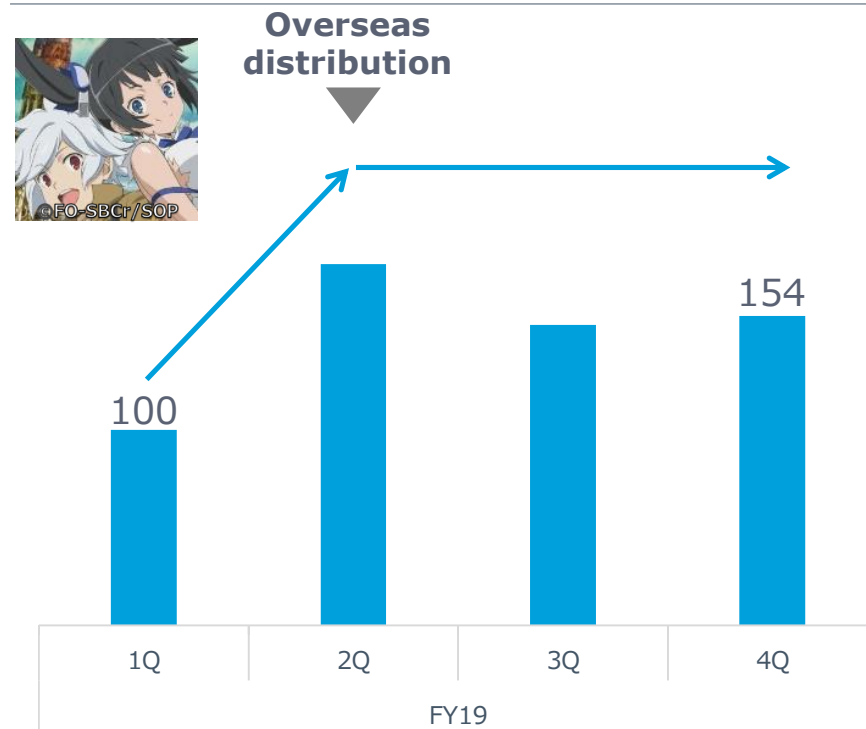
FY19 Results Overseas Distribution: Strengthening Profitability

Strengthening profitability through our global operations system

Another Eden sales index trends



DanMachi sales index trends



Notes:

- Sales index: 1Q FY19 = 100
- *DanMachi* release area expanded to include South Korea, Taiwan, and Hong Kong in 2Q (released overseas in North America only until 1Q).
- *DanMachi* = *DanMachi* - *MEMORIA FREESE*

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2. Operational Overview: FY19 results




Game/entertainment business - Game

FY19 Results

Overseas Distribution: Expanding Regionally/Accumulating Knowhow

Distributing multiple titles in key regions, accumulating region-specific distribution knowhow

Distribution region

| | Japan | North America | Europe | Hong Kong, Taiwan, etc. | China | Partnership agreement status |
|--|----------|---------------------------------------|---------------------------------------|---|---------------------------------------|------------------------------|
|  | Released | Released Distribution by partners | Preparing Self Distribution | Released FY19 Self Distribution | Preparing Distribution by partners | Agreement signed |
|  | Released | Preparing Distribution by partners | Preparing Distribution by partners | Released FY19 Distribution by partners | Preparing Distribution by partners | Agreement signed |
|  | Released | Released FY19 Self Distribution | Released FY19 Self Distribution | Released FY19 Self Distribution | Preparing Distribution by partners | Agreement signed |

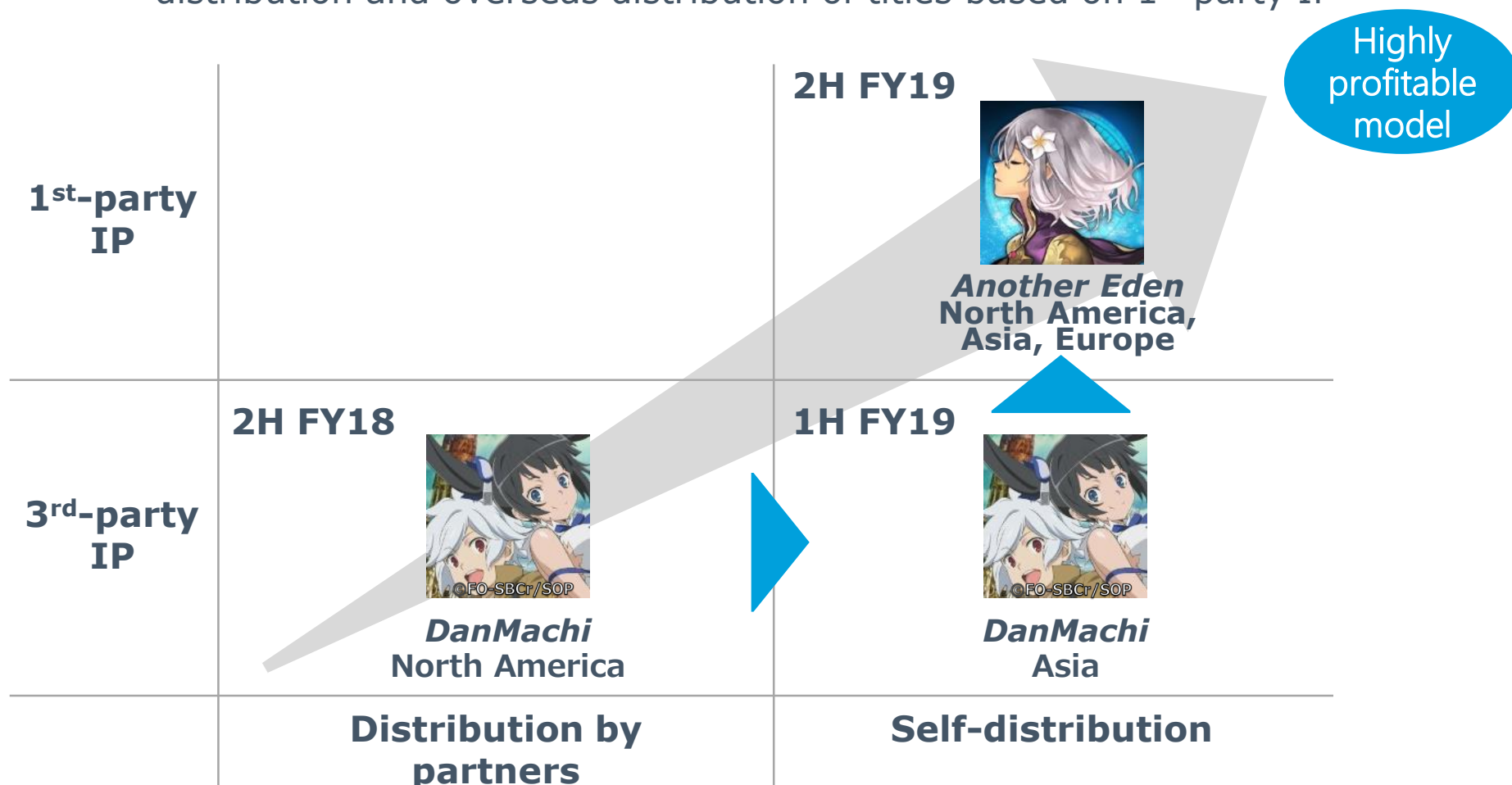
2. Operational Overview: FY19 results

Game/entertainment business - Game

FY19 Results

Overseas Distribution: Increasing Profitability

Earnings per title rose owing to accumulation of knowhow regarding self-distribution and overseas distribution of titles based on 1st party IP



Notes:

- *DanMachi* = *DanMachi - MEMORIA FREESE*

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2. Operational Overview: FY19 results

Game/entertainment business - Game

FY19 Results

Multiplatform Distribution

Development of titles based on 1st-party IP
on platforms and services with growth potential

LINE QUICK GAME



Fishing Star QUICK

Began distribution in August 2018



Driland Brave Hunters

Began distribution in September 2018

Nintendo Switch™

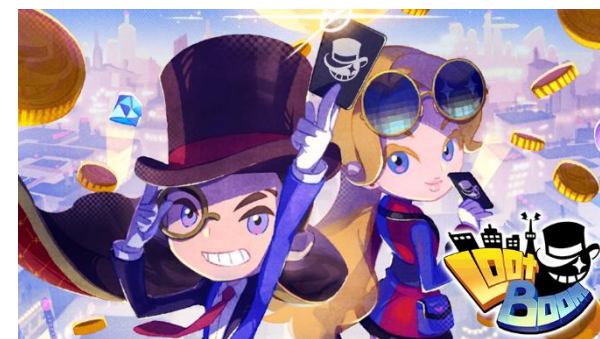


Fishing Star World Tour

Began distribution in January 2019

Facebook
Instant Games

MAU over 1 million



Roulette Town – Loot Boom

Began distribution in May 2019

Note:

- Nintendo Switch is a trademark of Nintendo Co., Ltd.

©2017 Nintendo

2. Operational Overview: FY19 results Game/entertainment business - Live, etc.

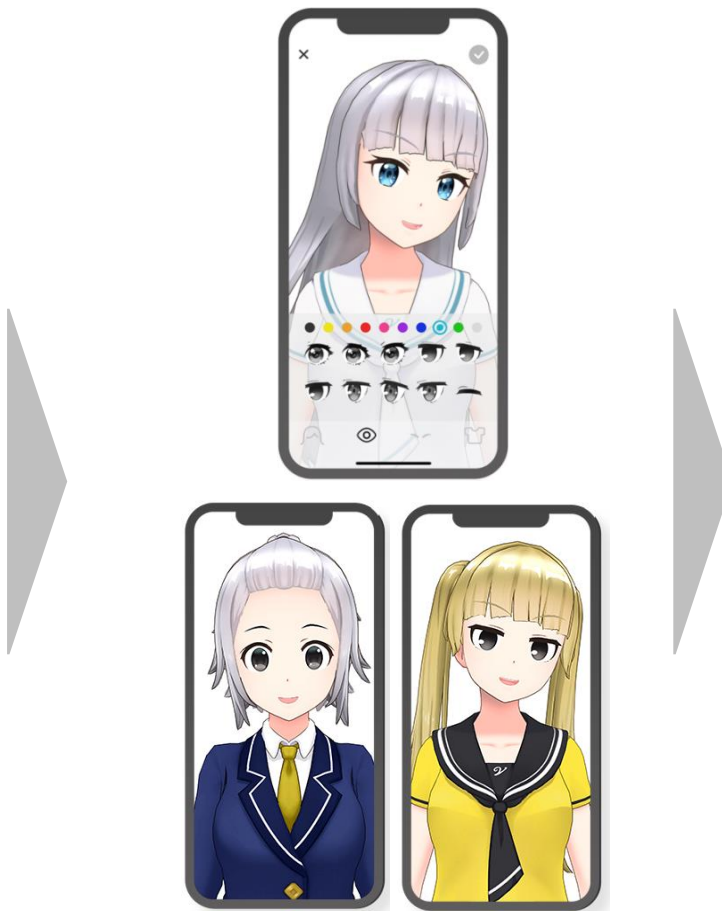
FY19 Results

Launch of REALITY

Expanding content portfolio focusing on REALITY



Launch of REALITY



Added avatar functions



Expanded lineup of
official programs

2. Operational Overview: FY19 results

Advertising and media business



FY19 Results

Expanded User Base

Establishment of vertical media portfolio



Genre

Housing &
lifestyles

Fashion

Outing &
travel

Beauty

Main users

Working
mothers
in their 30s
and 40s

Fashion and
trend conscious
women aged
27-32

Men and women
in their 20s and
30s who enjoy
travel

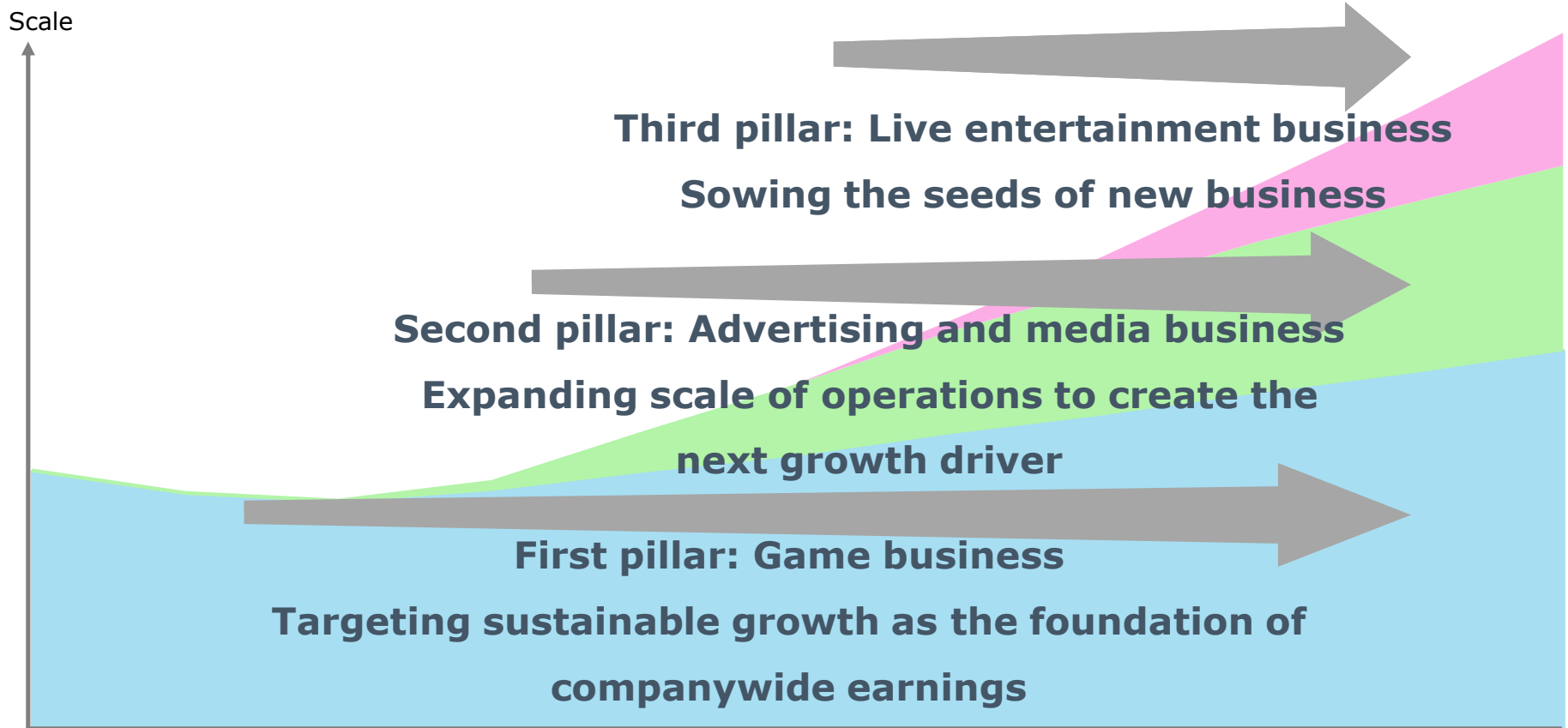
Women in their
20s and 30s who
are devoted to
self-improvement

2. Operational Overview: Medium-Term Plan

Medium-Term Plan

Targeting Medium-Term Growth

Targeting sustainable growth from three earnings pillars



2. Operational Overview: FY20 Business Strategy

FY20 Strategy

Summary

| Business Plan | | Summary |
|-----------------------|--------------------------|---|
| Overall | | Strengthen 3 earnings pillars - Continue aggressive investment aimed at strengthening three earnings pillars |
| Game/entertainment | Game | "Game engine, IP, and global" strategies - Continue to invest in engine development and improvement, and IP acquisition and creation - Expand and energize IP fan communities by undertaking operations with a long-term view - Strengthen earnings potential through further expansion of overseas distribution |
| | Live Entertainment, etc. | Further develop platform - Invest with a focus on the REALITY, Virtual YouTuber live distribution platform |
| Advertising and media | | Strengthen media potential Invest in expanding our vertical media portfolio |

2. Operational Overview: FY20 Business Strategy

Game/entertainment business - Game



FY20 Strategy

Development Pipeline

2 new titles scheduled for release in FY20

Continuing to invest in the development pipeline with 2-3 titles to be released starting in FY21

Scheduled for release in
FY20

FY21 and onward

2

4-6

- Two strong 3rd-party IP titles scheduled for release
- Also expect overseas distribution in FY20

- Number of titles in the planning/development pipeline
- We will continue to invest in the development of titles that will ensure future growth




2. Operational Overview: FY20 Business Strategy

Game/entertainment business - Game

FY20 Strategy

Overseas Distribution Plans

Increased earnings potential and profitability through further expansion of overseas distribution

| | Distribution region | | | | |
|--|---------------------|---------------|-----------|-------------------------|------------------|
| | Japan | North America | Europe | Hong Kong, Taiwan, etc. | China |
|  | Released | Released | Preparing | Released | Agreement signed |
|  | Released | Preparing | Preparing | Released | Agreement signed |
|  | Released | Released | Released | Released | Agreement signed |
| Title released in FY17 | Released | Preparing | Preparing | Preparing | Preparing |
| Title A to be released in FY20 | Preparing | Preparing | Preparing | Preparing | Preparing |
| Title B to be released in FY20 | Preparing | Preparing | Preparing | Preparing | Preparing |

2. Operational Overview: FY20 Business Strategy Game/entertainment business - Live, etc.

FY20 Strategy

Live Entertainment Business

Accumulating reproducible content with a focus on platforms

Production

Continue to discover
and produce new
VTubers



Platform

Increase functionality
and expand content



Solutions

Provide B-to-B solutions

Client



WRIGHT FLYER
LIVE ENTERTAINMENT

2. Operational Overview: FY20 Business Strategy

Advertising and media business



FY20 Strategy

Expansion of Vertical Media Portfolio

Continued investment aimed at increasing media capabilities

Expanding our vertical media portfolio

Housing & lifestyles



Outing & travel



Beauty



Fashion



1. Financial Results Overview

2. Operational Overview

3. Appendix

3. Appendix: 4Q Overview

Game/entertainment business - Game

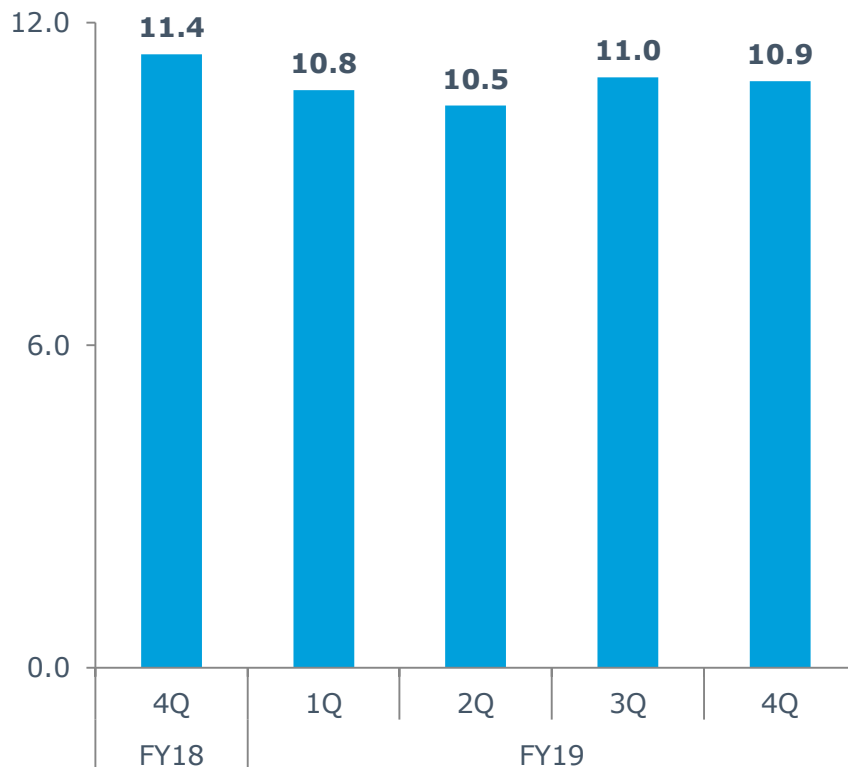


4Q Results

Business Overview

Domestic coin consumption (App games)

Billions of coins



Topics

- Anniversary event
 - TV commercials aired etc. to mark anniversaries for mainstay titles
- Overseas distribution
 - Began self-distribution of *Another Eden* in Europe and Southeast Asia

Note:

• Domestic/overseas coin consumption classified by region where game was developed

3. Appendix: 4Q Overview

Game/entertainment business - Game

4Q Results

Nurturing First-party IP Over Long Term

Supporting IP by holding large-scale events and releasing new titles

Another Eden

Marked two-year anniversary



- Marked two-year anniversary by releasing sequel to popular storyline and running online ads, etc.

AFTERLOST - *Shoumetsu Toshi*

Released June 6



- Distributed new title in the *Shoumetsu Toshi* series in five countries and regions

3. Appendix: 4Q Overview

Game/entertainment business - Game

4Q Results

Expanding Fan Communities ①

Expanded fan base through anniversary events and TV commercials

SINoALICE

Two-year anniversary event



- Aired TV commercials and held tie-in campaign events

Notes:

- *DanMachi* = *DanMachi - MEMORIA FREESE*
- © 2017-2019 Pokelabo Inc./SQUARE ENIX CO., LTD. All Rights Reserved
- ©Fujino Omori-SB Creative Corp./Danmachi2 Project © WFS

DanMachi

Two-year anniversary event



- Added new storyline drafted by original creator Fujino Omori

3. Appendix: 4Q Overview

Game/entertainment business - Game



4Q Results

Expanding Fan Communities ②

Energizing fan communities with major events

Senki Zesshou SYMPHOGEAR XD UNLIMITED

Two-year anniversary event



- Released new storyline and songs, etc.

In Love with NEWS

Held birthday events



- Held birthday event for Keiichiro Koyama and added sequel featuring Yuya Tegoshi

3. Appendix: 4Q Overview

Game/entertainment business - Game

4Q Results

Full-Scale Overseas Distribution

Releases in more regions

Another Eden

Began distribution in Europe and Southeast Asia



- Self-distribution in 34 countries and territories worldwide

SINoALICE

Over a million pre-registrations



- We have teamed up with partner to distribute this title in over 150 countries and territories worldwide

3. Appendix: 4Q Overview

Game/entertainment business - Game

4Q Results

Distribution of Licensed Titles

One-Punch Man released in mainland China and reached 4th in sales ranking



- Game app based on TV series targeting adults, distributed in China by Ourpalm Co. Ltd.
- Preparing for release in Japan, distribution by GREE, Inc. planned

Notes:

- Rankings indicate highest sales ranking reached as reported by App Annie in China from June 19 to July 22

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3. Appendix: 4Q Overview

Game/entertainment business - Live, etc.



4Q Results

Expansion of VTuber Platform

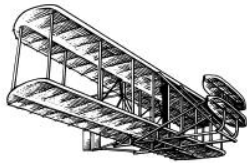
Expanded REALITY through service partner tie-ups and additional functions

Service partner tie-ups

Strategic business alliance with Virtual Cast, Inc.

Virtual Cast, Inc.

株式会社バーチャルキャスト



WRIGHT FLYER
LIVE ENTERTAINMENT

- We have formed a partnership with Virtual Cast, which operates a VTuber distribution system

Added functionality

Added avatar *gacha* functions



- Made avatars more customizable.

3. Appendix: 4Q Overview

Advertising and media business

4Q Results

Strengthened Media Potential

Energized user communities through contests, etc.

LIMIA

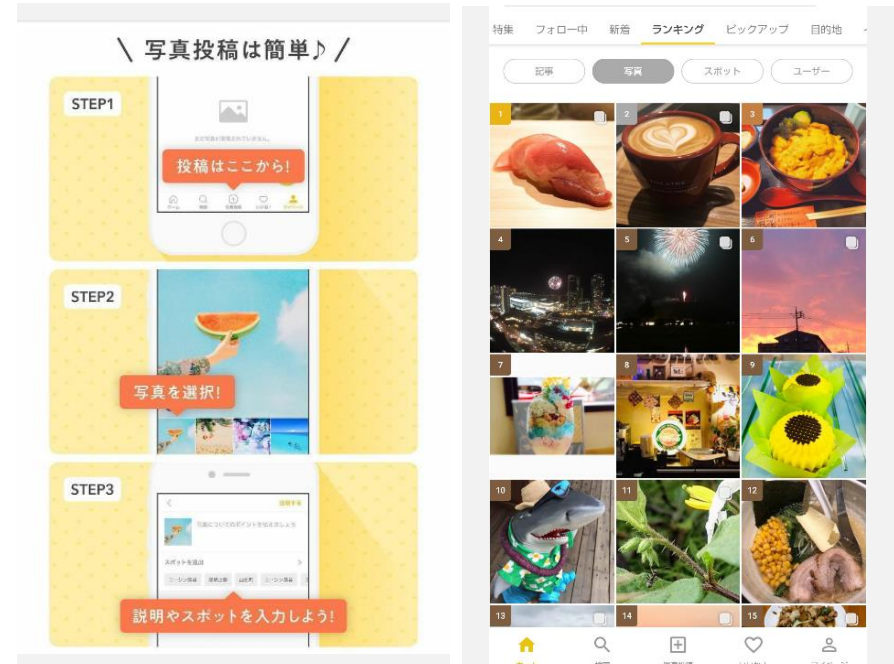
Held online photo contest



- Energized user community through posting

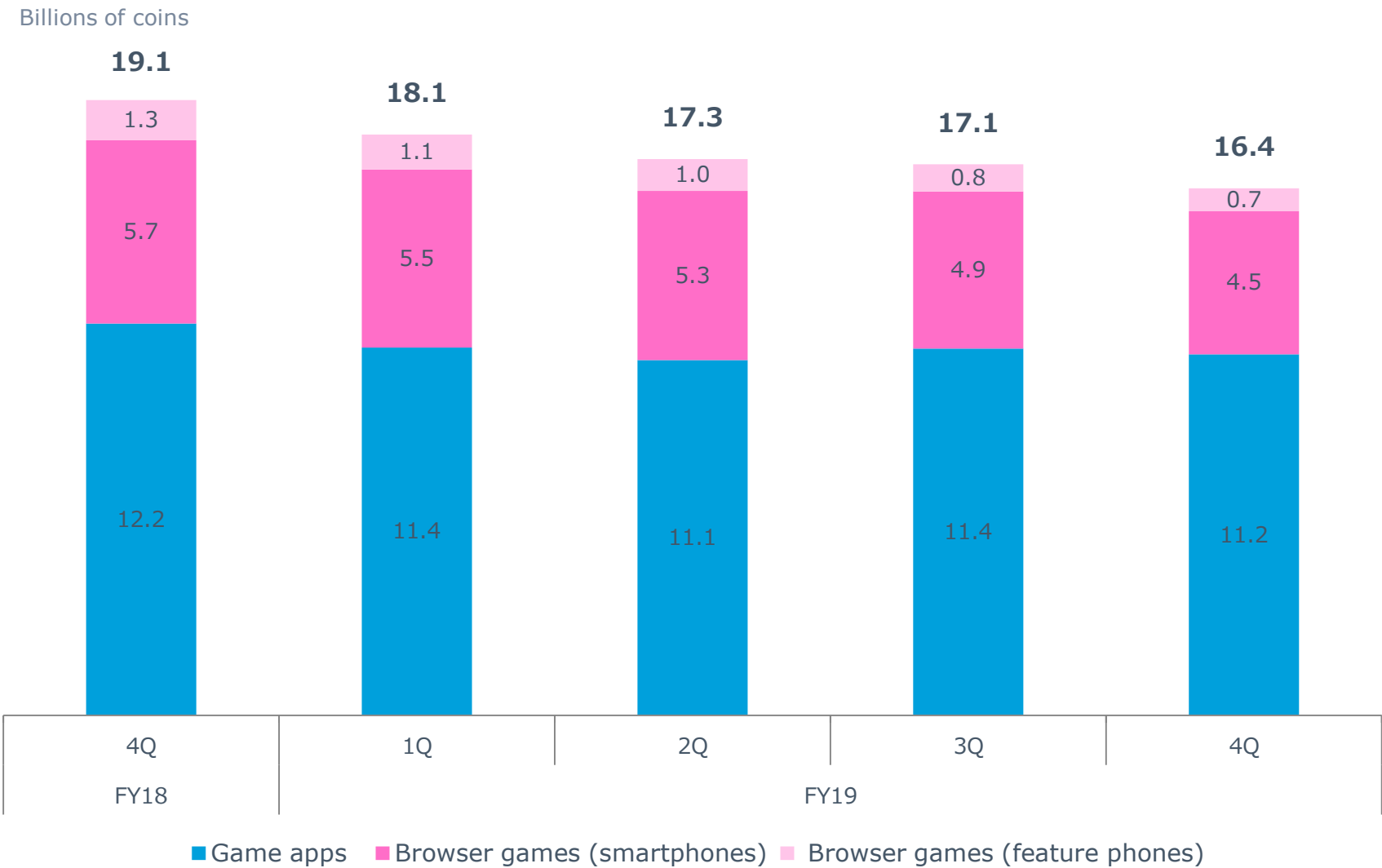
aumo

Held posting campaign



- Increased activity by holding posting campaign

Coin Consumption



3. Appendix: Supplementary Information

4Q FY19 Cost Structure

Billions of yen

| | | FY19 4Q | QoQ | YoY | FY19 3Q | FY18 4Q |
|--|--------------------|--------------|-------|-------|------------|------------|
| | Rental charges | 0.58 | -0.06 | -0.12 | 0.64 | 0.69 |
| | Labor costs | 2.27 | -0.13 | 0.17 | 2.39 | 2.10 |
| | Others | 4.43 | -0.37 | -0.73 | 4.80 | 5.16 |
| | Cost of sales | 7.27 | -0.56 | -0.68 | 7.83 | 7.95 |
| | Advertising | 1.18 | 0.06 | -0.46 | 1.12 | 1.64 |
| | Commission fees | 3.55 | 0.03 | -0.67 | 3.52 | 4.22 |
| | Labor costs | 1.24 | 0.10 | 0.20 | 1.15 | 1.04 |
| | Others | 2.82 | 0.35 | 0.31 | 2.48 | 2.52 |
| | SG&A | 8.80 | 0.54 | -0.62 | 8.26 | 9.42 |
| | Total costs | 16.07 | -0.01 | -1.30 | 16.09 | 17.37 |

3. Appendix: Supplementary Information

4Q FY19 Balance Sheet

Billions of yen

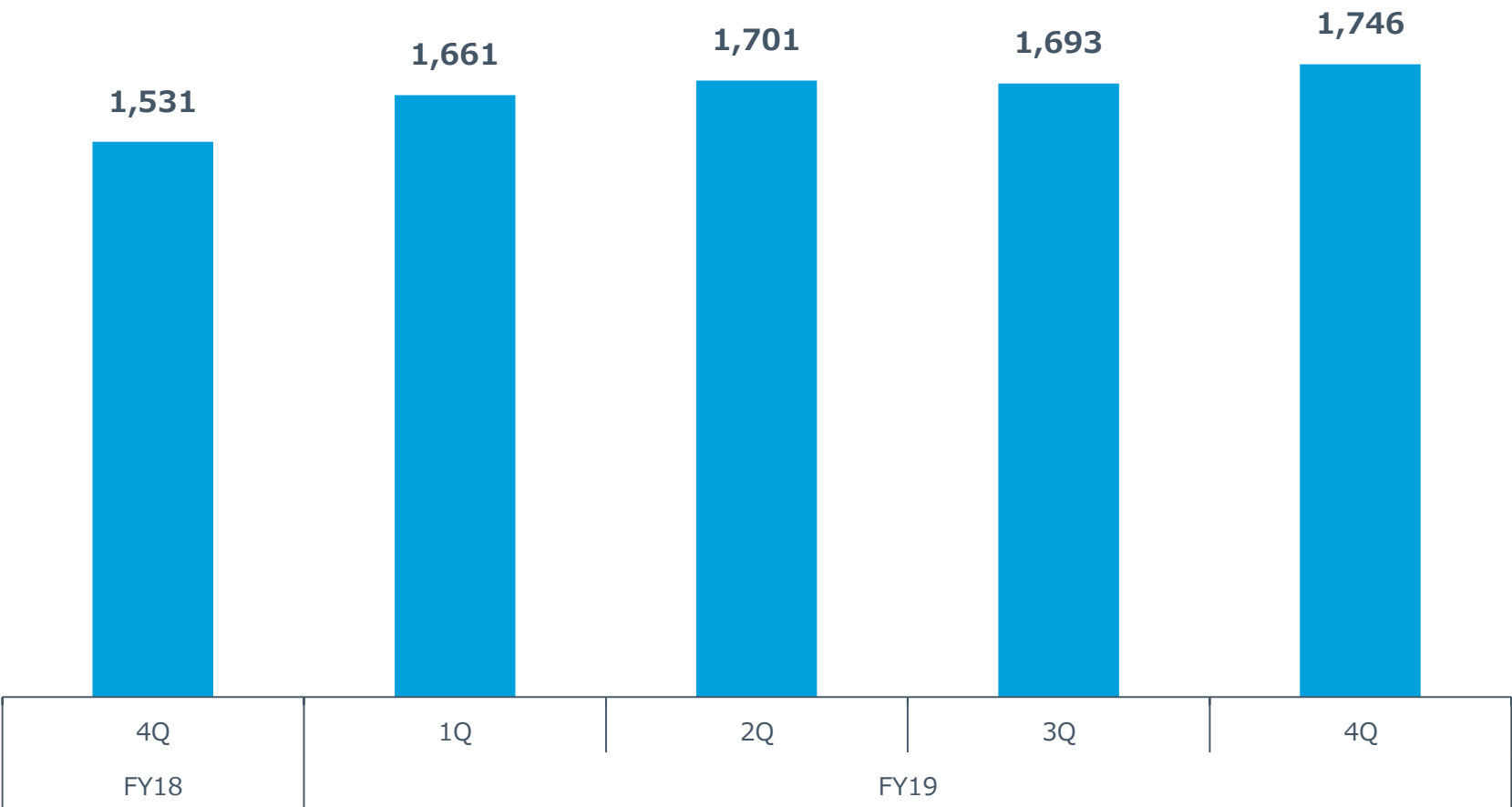
| | | FY19 4Q | QoQ | YoY | FY19 3Q | FY18 4Q |
|---------------------------|--|------------|------|------|------------|------------|
| Current assets | | 94.5 | -1.8 | -3.9 | 96.3 | 98.4 |
| Fixed assets | | 28.0 | -2.3 | 1.0 | 30.3 | 27.0 |
| Total assets | | 122.5 | -4.1 | -2.9 | 126.6 | 125.4 |
| Current liabilities | | 10.9 | -1.2 | -0.7 | 12.1 | 11.6 |
| Fixed liabilities | | 0.9 | -0.0 | 0.2 | 1.0 | 0.7 |
| Total liabilities | | 11.8 | -1.3 | -0.5 | 13.1 | 12.3 |
| Total net assets | | 110.7 | -2.8 | -2.4 | 113.5 | 113.0 |
| Cash and cash equivalents | | 84.5 | -1.9 | -2.7 | 86.3 | 87.2 |
| Goodwill | | 0.2 | -0.3 | -0.1 | 0.5 | 0.3 |

Note:

- The figures of the total amount of current assets and fixed assets of FY18 4Q have been adapted to current accounting standards in accordance with partial change from FY19 1Q

Group Headcount

Number of employees



Note:
• Includes non-consolidated group companies; as of the end of each quarter



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- When producing this document, we were careful to avoid errors or omissions, but the accuracy and completeness of the provided information is not guaranteed.