



**GREE, Inc.**

FY2020 First Quarter Financial Results

October 30, 2019

# Executive Summary



## Financial Results Overview

- **Net Sales ¥15.8 billion, Operating Income ¥1.2 billion, EBITDA ¥1.3 billion**
  - Operating income surpassed forecast

## Business Overview

- **Made steady progress in developing new title**
  - Began pre-registration for partner-distributed title
- **Made progress in overseas distribution and steadily expanded into new markets**
  - Launched *DanMachi* in 27 countries and territories in Europe (October)
- **Made progress in developing the live entertainment business**
  - Expanded lineup of original programs for our REALITY virtual live distribution platform

## Outlook

- **We expect firm profit based on global operations of games**

Note:

- *DanMachi* = *DanMachi* - *MEMORIA FREESE*

## **1. Financial Results Overview**

## **2. Operational Overview**

## **3. Appendix**

## **1. Financial Results Overview**

## 2. Operational Overview

## 3. Appendix

# 1. Financial Results Overview (Consolidated)



## FY20 1Q Financial Results Overview

Net Sales ¥15.8 billion, operating income ¥1.2 billion  
and EBITDA ¥1.3 billion

Billions of yen

	FY20			FY19 4Q	FY19 1Q
	1Q	QoQ	YoY		
Net sales	15.80	-1.61	-2.36	17.41	18.16
Operating income	1.18	-0.16	-0.44	1.34	1.62
Ordinary income	1.07	-0.25	-1.09	1.33	2.17
Net income	0.99	0.95	-1.10	0.04	2.08
EBITDA	1.29	-0.25	-0.56	1.54	1.85

### Notes:

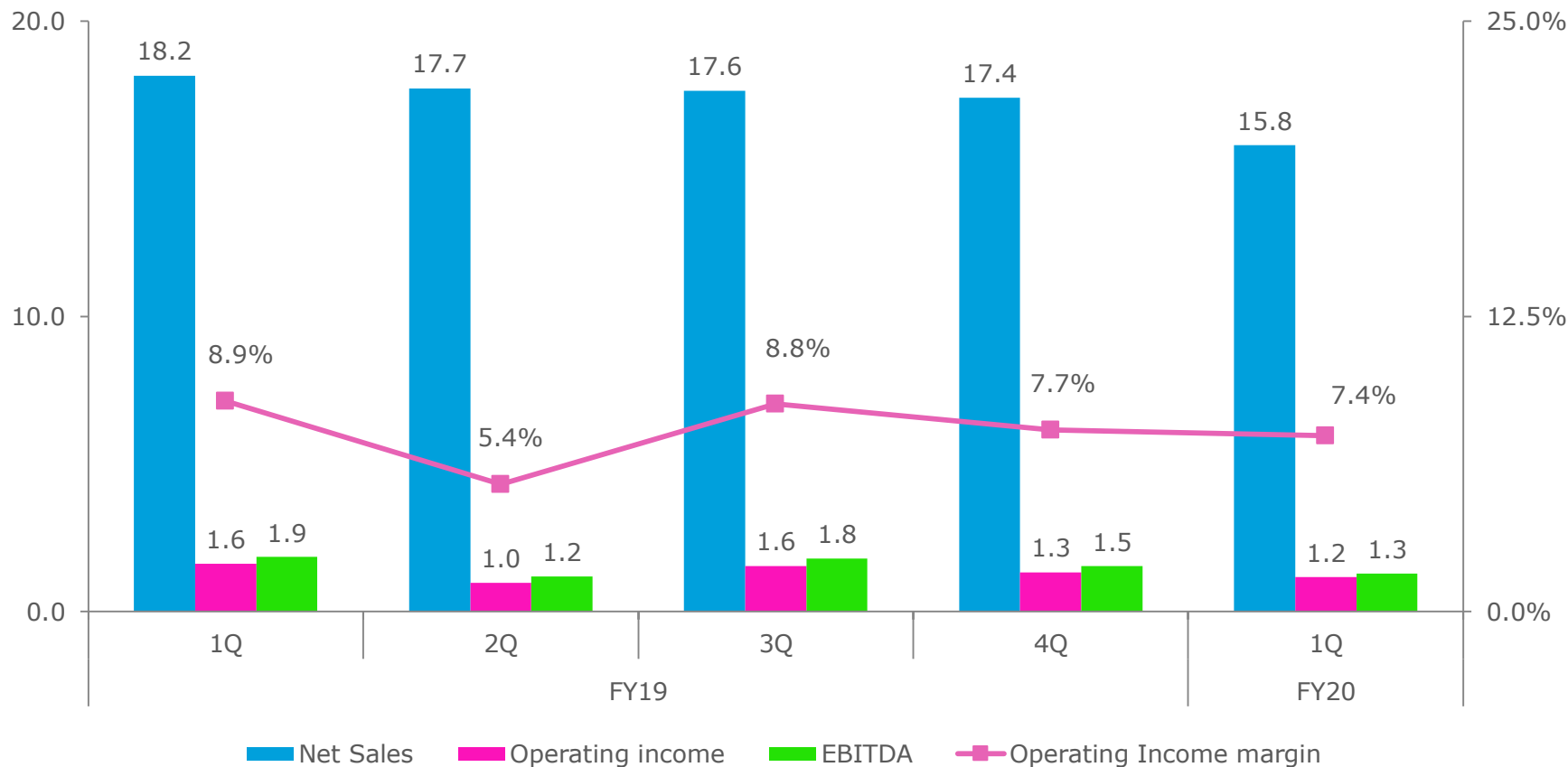
- Breakdown of FY20 1Q net sales: Paid service sales ¥12.27 billion; Other sales(ad, CS, license, VR, etc.) ¥3.53 billion
- Net income: Profit attributable to shareholders of parent
- EBITDA = Operating income/loss + depreciation costs + amortization of goodwill

# 1. Financial Results Overview (Consolidated)

## Net Sales, EBITDA, and Operating Income

Operating income strong

Billions of yen



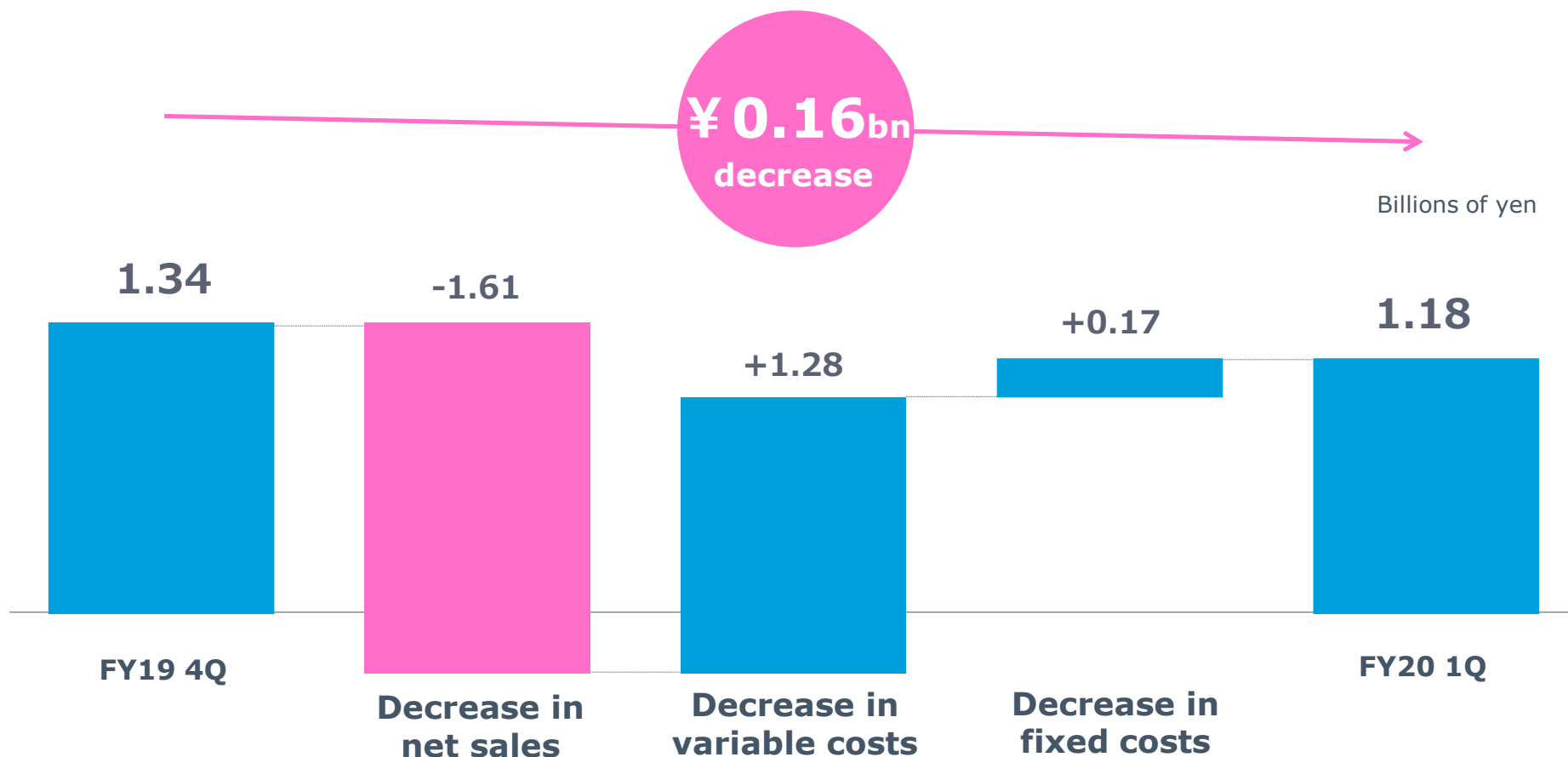
### Notes:

- Due to one-off events occurring in FY19 3Q, the Company posted net sales of ¥390 million and operating income of ¥460 million in FY19 3Q. Without impact from these factors, FY19 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 FY19 2Q. Without the revision, FY19 2Q operating income is ¥1.13 billion.

# 1. Financial Results Overview (Consolidated)

## 1Q Operating Income Analysis

Operating income remained steady owing to cost control measures despite a reactive decline in net sales after anniversary events



# 1. Financial Results Overview (Consolidated)

## FY20 1Q Cost Structure

Total costs down ¥1.5 billion QoQ, to **¥14.6 billion**

Billions of yen

		FY20 1Q	QoQ	YoY	Factors in change (QoQ)	FY19 4Q	FY19 1Q
	Advertising	<b>0.65</b>	-0.53	-0.63	Reactive decline in sales after anniversary events	1.18	1.28
	Commission Fees, etc.	<b>4.74</b>	-0.70	-0.74	Decrease due to sales decline	5.43	5.48
	Other	<b>0.82</b>	-0.05	0.07	-	0.87	0.75
<b>Total variable costs</b>		<b>6.21</b>	-1.28	-1.30		7.49	7.51
	Labor costs	<b>3.57</b>	0.06	0.24	-	3.51	3.33
	Rental costs	<b>0.54</b>	-0.03	-0.15	-	0.57	0.68
	Depreciation	<b>0.09</b>	-0.05	-0.07	-	0.14	0.16
	Goodwill Amortization	<b>0.02</b>	-0.03	-0.05	-	0.06	0.07
	Other	<b>4.19</b>	-0.12	-0.60	Decrease due to decreased outsourcing	4.31	4.78
<b>Total Fixed costs</b>		<b>8.41</b>	-0.17	-0.62		8.58	9.03
<b>Total costs</b>		<b>14.62</b>	-1.45	-1.92		16.07	16.54

Note:

- Breakdown of 1Q FY20 commission fees: commission fees: ¥3.10 billion, royalties: ¥1.65 billion



# 1. Financial Results Overview (Consolidated)

## Investment Securities Held

### Investment examples

#### Investment in shares

**BUSHIROAD**

Listed in July 2019



SmartNews

**BIZREACH**



**MEDLEY**

#### VC investment



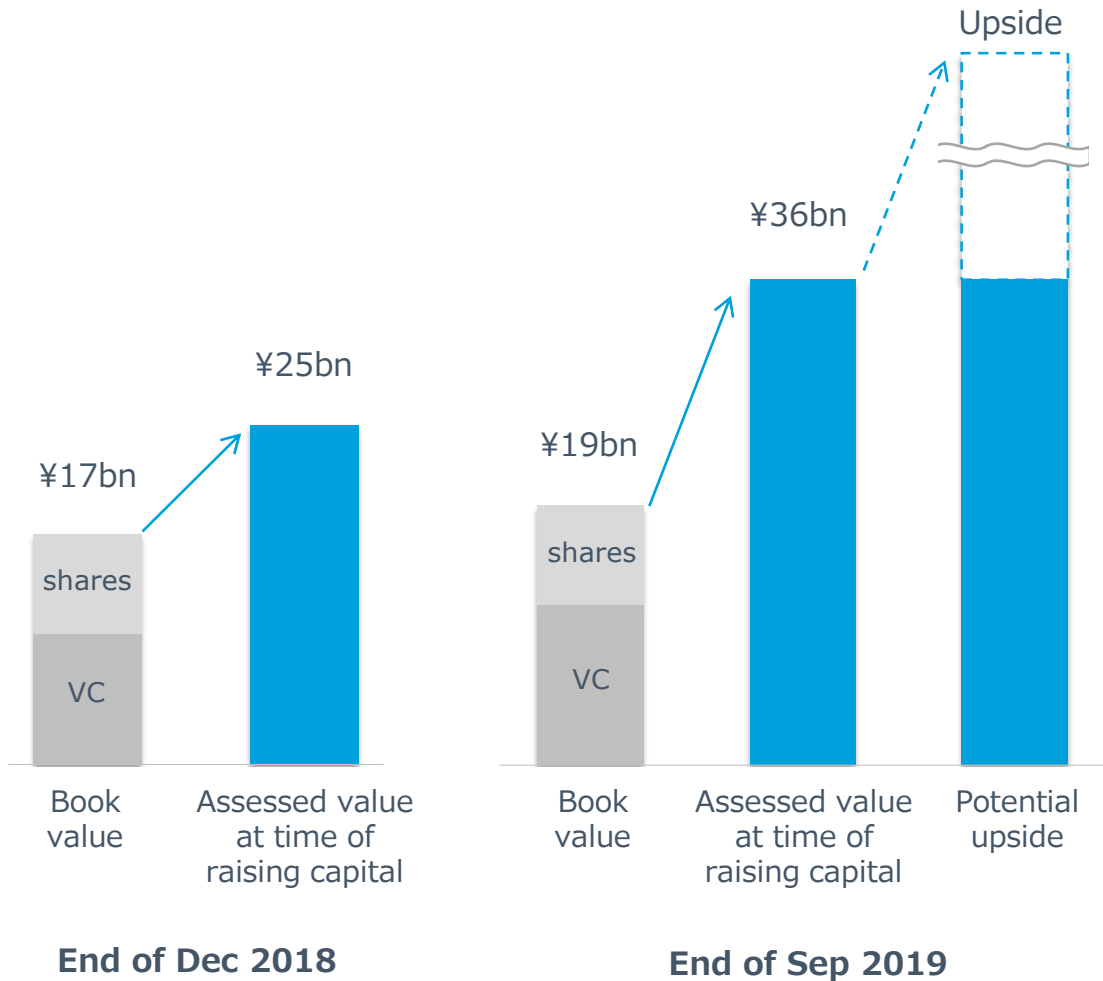
GREE Ventures



IncubateFund



**B DASH VENTURES**



### Notes:

- Assessed value at time of raising capital is based on data that is available at the end of December, 2018 and September, 2019.
- Valuation of shares of unlisted companies is based on the assessed value of companies at the time of raising capital and valuation of VC investments is based on the assessed value of companies at the time of raising capital through VC investment.

## 1. Financial Results Overview

## 2. Operational Overview

## 3. Appendix

## 2. Operational Overview: Summary

### Review and Summary of 1Q

		FY20 Business Plan	Review
Overall		Continue to strengthen 3 earnings pillars	- Moved forward with new development in the game business and made progress in overseas distribution
Game/entertainment	Game	"Game engine, IP, and global" strategies	<ul style="list-style-type: none"> <li>- Made progress in developing new games, began pre- registration for partner-distributed title</li> <li>- Launched <i>DanMachi</i> in 27 countries and territories in Europe (October)</li> <li>- Continued stable operation of existing titles by adding to main storylines and conducting collaborations</li> </ul>
	Live Entertainment, etc.	Further develop platform	- Expanded lineup of original programs for REALITY
Advertising and media		Strengthen media potential	- Strengthened media potential by expanding content

Note:

- *DanMachi* = *DanMachi* - MEMORIA FREESE

## 2. Operational Overview: Game business

### Development pipeline

Began pre-registration for partner-distributed title

Scheduled for release in FY20

FY21 and onward

**Already  
released**

**—**

**In  
development**

**2**

**Planning/  
Development**

**4 - 6**

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

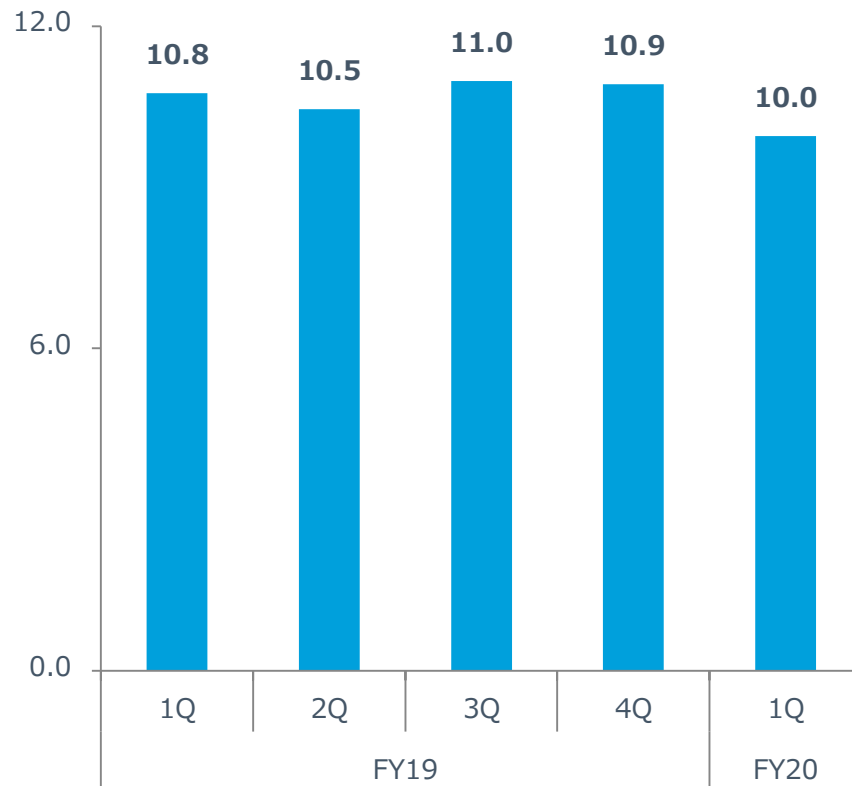
- Number of titles in the planning/development pipeline
- We will continue to invest in the development of titles that will ensure future growth

## 2. Operational Overview: Game business

### Progress Made

#### Domestic coin consumption (App games)

Billions of coins



Note:

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

#### Topics

- Anniversary events wound down in 4Q
- Stable operation of existing titles
  - Added storylines
  - Conducted collaborations
  - Anime tie-ins

## 2. Operational Overview: Game business

### Expanding and Energizing Fan Communities ①

Energizing users with adding main storylines and IP collaboration

#### *Another Eden*

Added main storyline



- Began distribution of part two middle storyline

#### *SINoALICE*

Held collaboration event



- Held *Code Geass: Lelouch of the Rebellion* collaboration event

## 2. Operational Overview: Game business

### Expanding and Energizing Fan Communities ②

Expanded fan base through anime tie-ins

#### *DanMachi*

Created anime tie-in



- Released anime tie-in contents immediately after the airing of each anime episode

Notes:

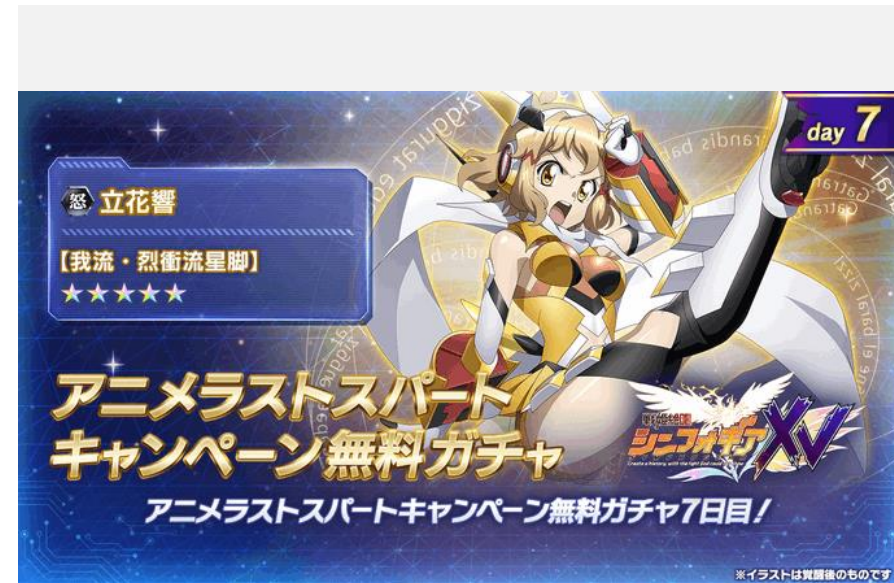
• *DanMachi* = *DanMachi - MEMORIA FREEZE*

© Fujino Omori-SB Creative Corp./Danmachi2 Project © WFS

© Project シンフォギア © Project シンフォギアG © Project シンフォギアAXZ ©Project シンフォギアX V © bushiroad All Rights Reserved. © Pokelabo, Inc.

#### *Senki Zesshou SYMPHOGEAR XD UNLIMITED*

Created anime tie-in



- Released contents to energize fan base ahead of final anime episode and tie-in game with anime



## 2. Operational Overview: Game business

### Expanding and Energizing Fan Communities ③

Energizing fan communities through anniversary campaigns

#### *Shoumetsu Toshi*

Over 10 million downloads



- Held campaign to celebrate downloads topping 10 million

#### *In Love with NEWS*

Group formation anniversary event



- Added special voice and held campaign to celebrate the anniversary of the group's formation



## 2. Operational Overview: Game business

### Expansion of Overseas Distribution

Strengthening and increasing profitability by launching *DanMachi* in Europe



- Launched in 27 countries and territories in Europe (October)

Notes:



- *DanMachi* = *DanMachi - MEMORIA FREESE*  
© Fujino Omori-SB Creative Corp./Danmachi2 Project © WFS

## 2. Operational Overview: Game business

### Overseas Distribution Plans

Launched *DanMachi* in 27 countries and territories in Europe

#### Distribution region

	Japan	North America	Europe	Hong Kong, Taiwan, etc.	Mainland China
	Released	Released	Released 10/24	Released	Agreement signed
	Released	Preparing	Preparing	Released	Agreement signed
	Released	Released	Released	Released	Agreement signed
Title A 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: Live Entertainment business

### Growing Distribution Platform

Expanded REALITY content library by adding original programs

#### Held content expansion week

Held REALITY FESTIVAL 3



- Streamed original program in which many VTubers participated

#### Held large-scale event

Hosted Kenchikuo contest



- A wide range of VTubers participated in this *Minecraft* contest



### Strengthened Media Potential

Energized user communities through campaign, etc.

#### 「LIMIA」

Held posting campaign



Wチャンスキャンペーン第1弾  
**アイデアまねっこ選手権**

LIMIA or Instagram で写真を投稿すると、総勢**10**名様に豪華商品!

チャンス	応募方法	豪華商品
チャンス1	Instagramに「#リミアな暮らし」を付けてフォト投稿♪	BRUNO コンパクトホットプレート 1名様 Amazonギフト券500円 2名様
チャンス2	LIMIAコンテストページ「応募する」ボタンからフォト投稿♪	BRUNO コンパクトホットプレート 2名様 Amazonギフト券1,000円 5名様

期間：2019年10月04日(金)～10月17日(木)

同じ写真で2回応募もOK!

- Energized communication between user

#### 「aumo」

Held posting campaign



1万円分の旅行券や  
Amazonギフト券が  
当たる!!

フォトキャンペーン #グルメ

期間 9月2日(月)～9月17日(火)

- Energized user community by Photo campaign

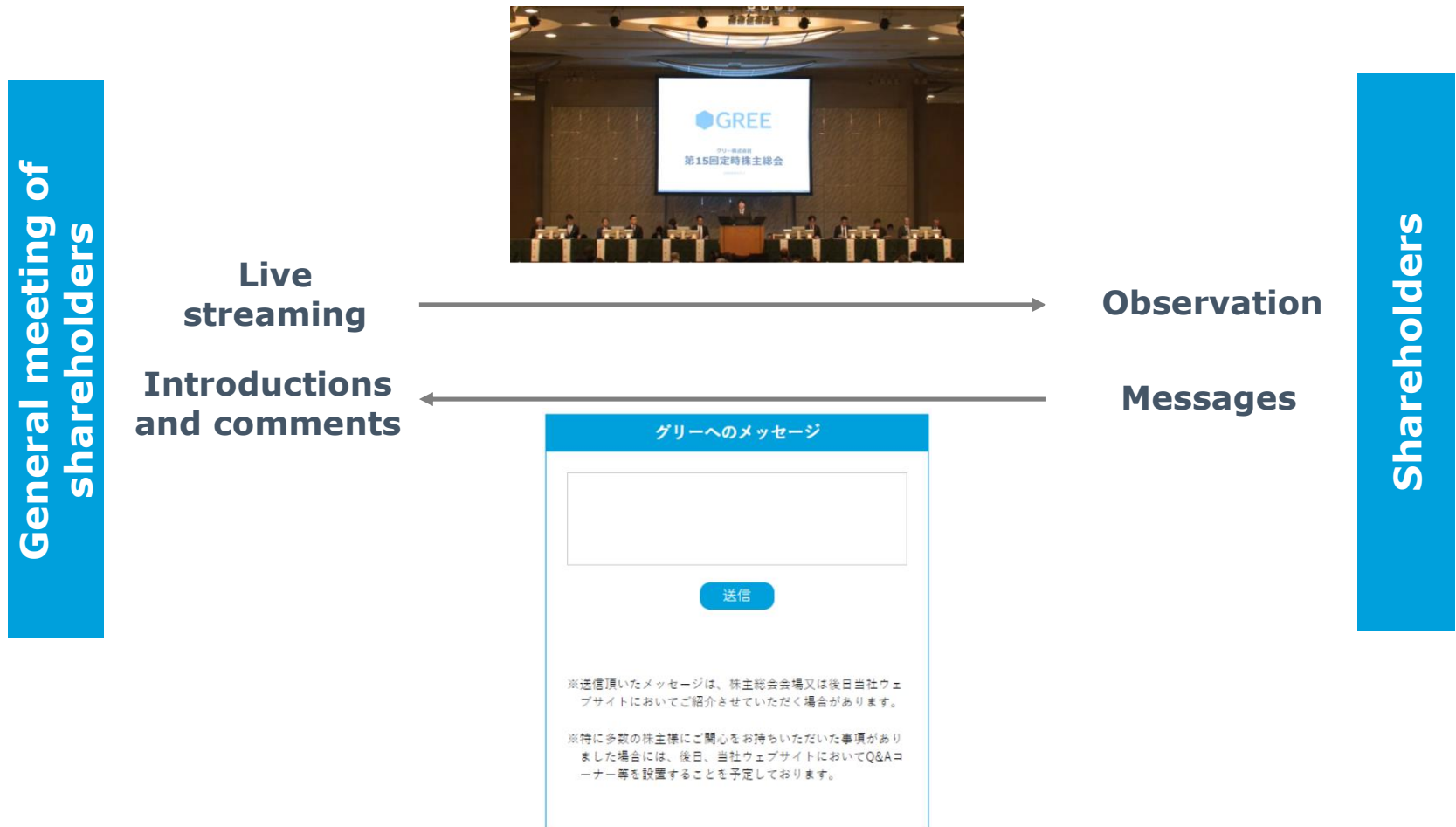
**1. Financial Results Overview**

**2. Operational Overview**

**3. Appendix**

## General Meeting of Shareholders

Held an virtual general meeting of shareholders,  
thereby improving communication with shareholders



### CSR Activities

Continuing educational activities aimed at creating a safe and stable online society

#### **Presentation titled, “What You Should be Afraid of on the Internet”**

Educational presentations given at educational institutions



- GREE employees have given presentations over 1,500 times at educational institutions all over Japan

#### ***Soul Negotiator***

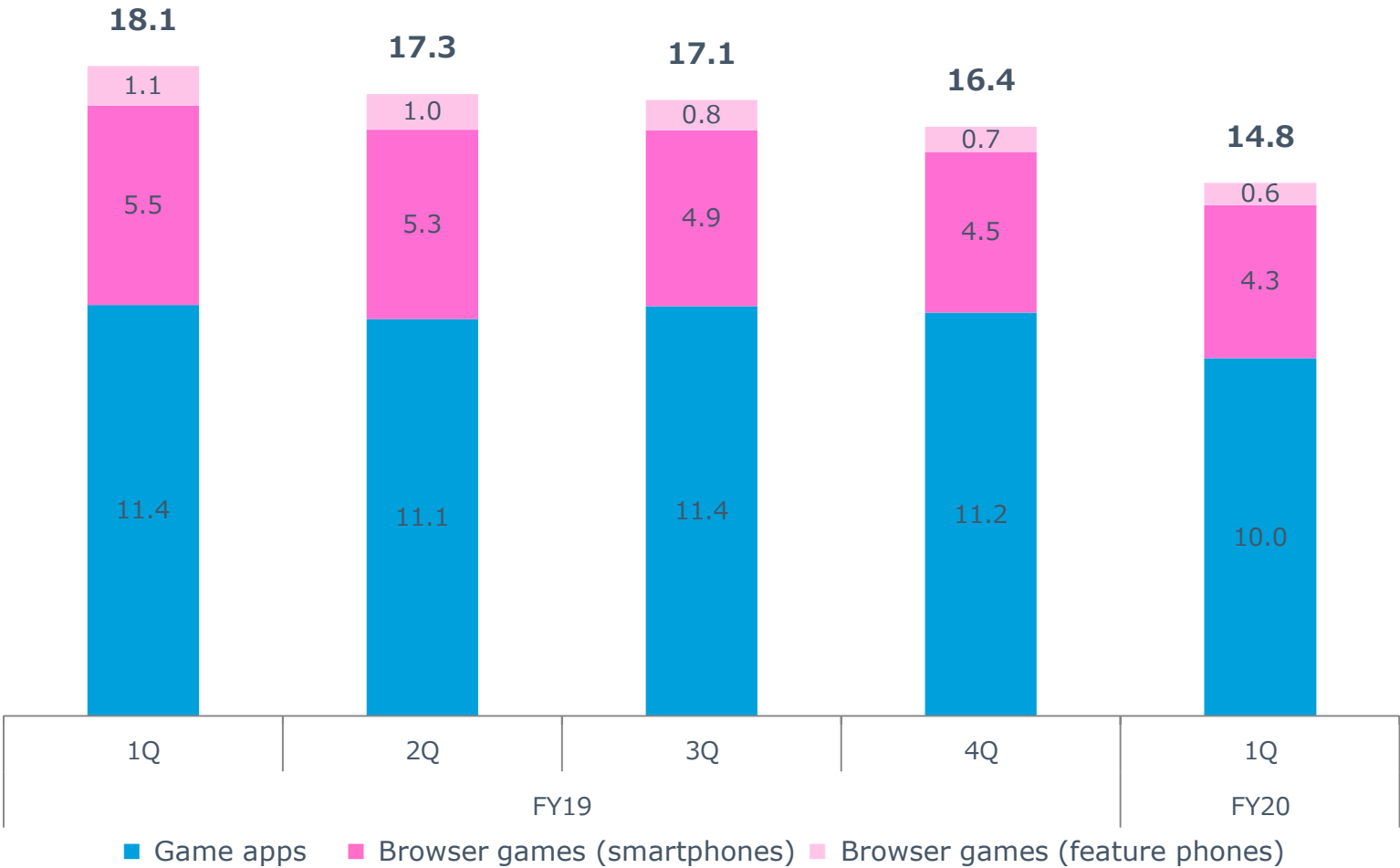
Recommended by the Tokyo Metropolitan Government as an educational app



- Recommended by the Tokyo Metropolitan Government as an educational app, *Soul Negotiator* uses a game format to teach online literacy skills.

# Coin Consumption

Billions of coins





## 1Q FY20 Cost Structure

Billions of yen

		FY20 1Q	QoQ	YoY	FY19 4Q	FY19 1Q
	Rental charges	<b>0.54</b>	-0.04	-0.15	0.58	0.69
	Labor costs	<b>2.31</b>	0.04	0.01	2.27	2.30
	Others	<b>4.25</b>	-0.17	-0.61	4.43	4.87
	Cost of sales	<b>7.11</b>	-0.16	-0.76	7.27	7.86
	Advertising	<b>0.65</b>	-0.53	-0.63	1.18	1.28
	Commission fees	<b>3.10</b>	-0.46	-0.68	3.55	3.77
	Labor costs	<b>1.26</b>	0.02	0.24	1.24	1.03
	Others	<b>2.51</b>	-0.32	-0.10	2.82	2.60
	SG&A	<b>7.52</b>	-1.28	-1.16	8.80	8.68
	<b>Total costs</b>	<b>14.62</b>	-1.45	-1.92	16.07	16.54

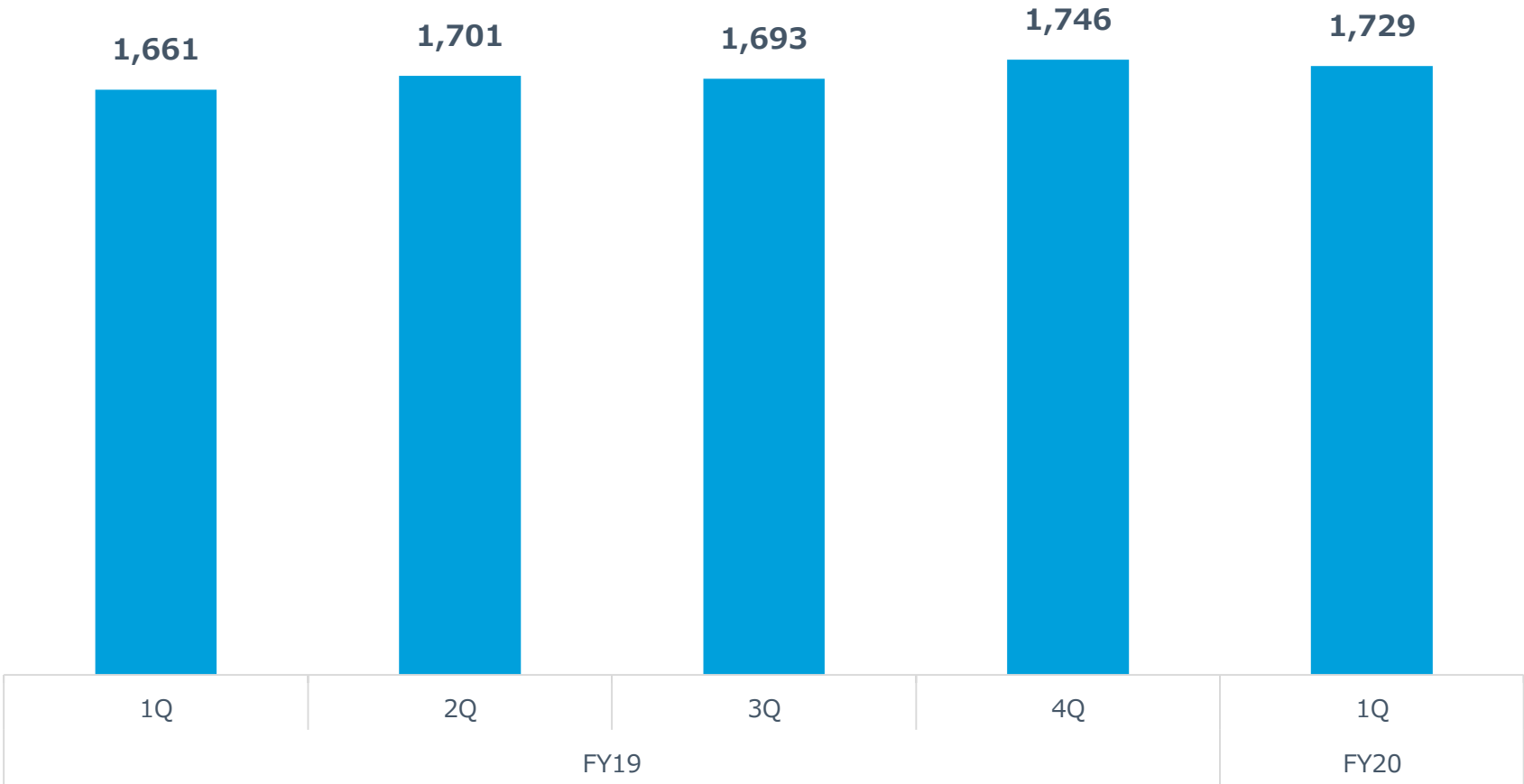
## 1Q FY20 Balance Sheet

Billions of yen

	FY20 1Q	QoQ	YoY	FY19 4Q	FY19 1Q
Current assets	<b>94.7</b>	0.2	-1.2	94.5	95.9
Fixed assets	<b>29.0</b>	1.0	0.2	28.0	28.8
Total assets	<b>123.7</b>	1.2	-1.0	122.5	124.7
Current liabilities	<b>11.0</b>	0.1	-0.7	10.9	11.7
Fixed liabilities	<b>0.9</b>	-0.0	-0.1	0.9	1.0
Total liabilities	<b>11.9</b>	0.1	-0.7	11.8	12.7
Total net assets	<b>111.8</b>	1.1	-0.3	110.7	112.0
Cash and cash equivalents	<b>84.9</b>	0.4	0.4	84.5	84.5
Goodwill	<b>0.2</b>	-0.0	-0.4	0.2	0.7

## Group Headcount

Number of employees



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



インターネットを通じて、世界をより良くする。

Making the world a better place through the power of the Internet.

- This document includes forecasts, which are based on currently available information. Actual performance may differ due to various factors.
- When producing this document, we were careful to avoid errors or omissions, but the accuracy and completeness of the provided information is not guaranteed.