



GREE, Inc.

FY2020 Second Quarter Financial Results

February 3, 2020

Financial Results Overview

- **Net Sales ¥16.4 billion, Operating Income ¥0.8 billion, EBITDA ¥1.1 billion**
 - Operating income surpassed our forecast

Business Overview

- **Began distribution of third-party title**
 - Simultaneous global release off to a smooth start
- **Sales growth in US, Europe, and Asia of title based on first-party IP**
 - Successful global marketing of *Another Eden*
- **Made progress in developing the live entertainment business**
 - Strengthened functionality of REALITY virtual live distribution platform

Outlook

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

1. Financial Results Overview

2. Operational Overview

3. Appendix

1. Financial Results Overview

2. Operational Overview

3. Appendix

1. Financial Results Overview (Consolidated)



FY20 2Q Financial Results Overview

Net sales ¥16.4 billion, operating income ¥0.8 billion,
EBITDA ¥1.1 billion , net income reached ¥2.6 billion
owing to gains on sales of investment securities

Billions of yen

	FY20			FY20	FY19
	2Q	QoQ	YoY	1Q	2Q
Net sales	16.44	0.64	-1.29	15.80	17.73
Operating income	0.81	-0.36	-0.15	1.18	0.97
Ordinary income	2.05	0.98	1.26	1.07	0.79
Net income	2.55	1.56	2.40	0.99	0.15
EBITDA	1.09	-0.20	-0.12	1.29	1.20

Notes:

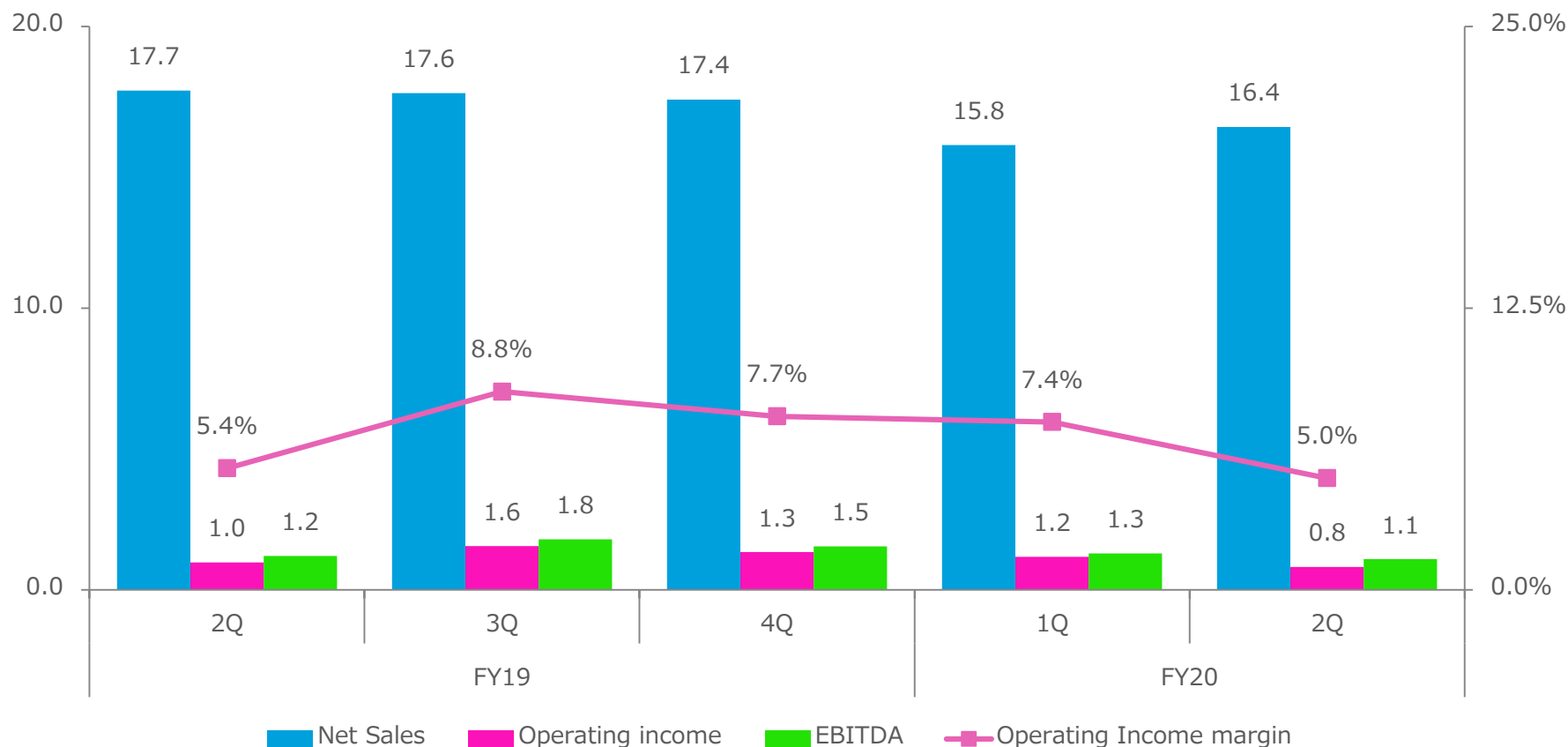
- Net income: Profit attributable to shareholders of parent
- EBITDA = Operating income/loss + depreciation costs + amortization of goodwill

1. Financial Results Overview (Consolidated)

Net Sales, EBITDA, and Operating Income

Operating income strong

Billions of yen



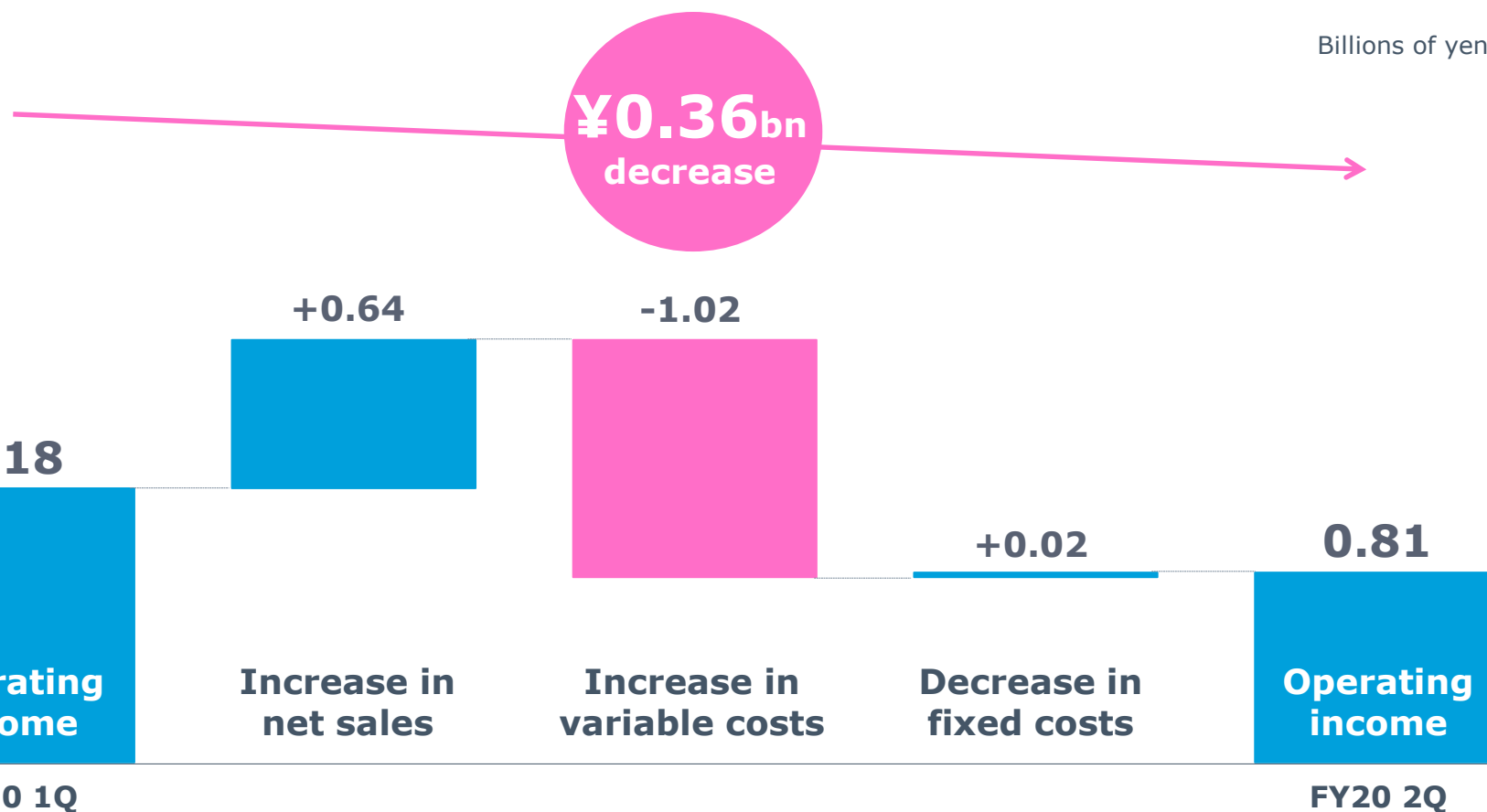
Notes:

- 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.
- 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.

1. Financial Results Overview (Consolidated)

2Q Operating Income Analysis

Net sales rose on the release of third-party distributed title, but profit declined on increased royalty and advertising costs



1. Financial Results Overview (Consolidated)

FY20 2Q Cost Structure

Total costs up ¥1.0 billion QoQ, to **¥15.6 billion**

Billions of yen

		FY20 2Q	QoQ	YoY	Factors in change (QoQ)	FY20 1Q	FY19 2Q
	Advertising	0.76	0.10	-0.13	Increase on year-end season ad campaign, etc.	0.65	0.89
	Commission Fees, etc.	5.35	0.62	-0.10	Increase due to higher sales	4.74	5.46
	Other	1.12	0.30	0.20	Increase due to higher sales	0.82	0.92
	Total variable costs	7.23	1.02	-0.04		6.21	7.27
	Labor costs	3.49	-0.08	0.15	-	3.57	3.34
	Rental costs	0.58	0.05	-0.12	-	0.54	0.70
	Depreciation	0.25	0.16	0.09	One-time increase on costs associated with office transfer	0.09	0.17
	Goodwill amortization	0.02	0.00	-0.05	-	0.02	0.07
	Other	4.04	-0.15	-1.18	Decrease in outsourcing costs	4.19	5.22
Total Fixed costs		8.39	-0.02	-1.11		8.41	9.50
Total costs		15.62	1.00	-1.14		14.62	16.76

Note:

- Breakdown of 2Q FY20 commission fees: commission fees: ¥3.27 billion, royalties: ¥2.09 billion

1. Financial Results Overview (Consolidated)

Investment Securities Held

Posted roughly **¥3.0bn** in gains from sales of investment securities
Continued strong investment performance since 1Q

Investment examples

Investment in shares

B BUSHIROAD

Listed in
July 2019

MEDLEY

Listed in
December 2019

BIZREACH

SmartNews

VC investment

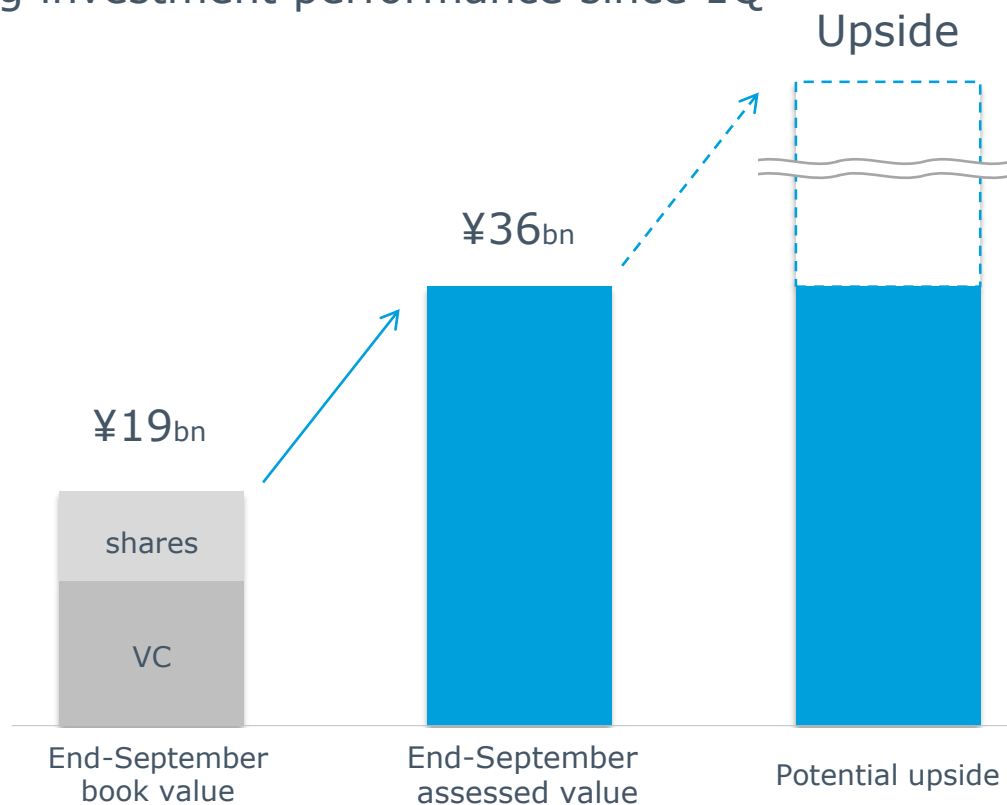
GREE Ventures

if IncubateFund

dcm

B DASH VENTURES

Distributions received from
multiple VC investments



(Figure reproduced from 1Q results announcement materials)

Notes:

- Assessed value is based on data that is available at the end of 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 2Q

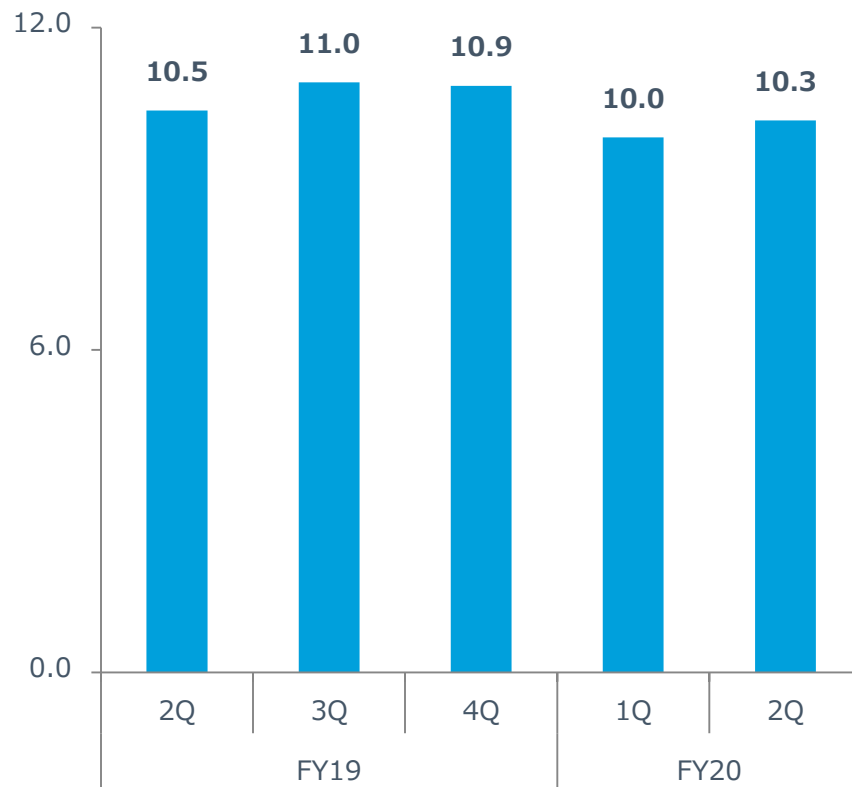
		FY20 Business Plan	Review
Overall		Continue to strengthen 3 earnings pillars	- Smooth launch of third-party distributed title in the game business
Game/entertainment	Game	"Game engine, IP, and global" strategies	- Simultaneous global release of third-party distributed title - Increased sales in US, Europe, and Asia by strengthening global marketing - Announced information on two new titles to be launched in cooperation with strong partners
	Live Entertainment, etc.	Further develop Platform	- Continued to expand REALITY platform by strengthening functionality and forming partnerships
Advertising and media		Strengthen media potential	- Strengthened media potential by expanding content

2. Operational Overview: Game business

Progress Made

Coin consumption (App games)

Billions of coins



Topics

- Released third-party distributed title on November 20
- Increased overseas sales of first-party IP title in US, Europe, and Asia
 - Successful global marketing of *Another Eden*

Note:

- Excludes coin consumption for titles developed overseas

2. Operational Overview: Game business

Development pipeline

Simultaneous global release of third-party distributed title

Scheduled for release in FY20

FY21 and onward

**Already
released**

1

**In
development**

1

**Planning/
development**

4 - 6

- Two strong third-party IP titles scheduled for release in FY20
- One title already released in November

- 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

**Title in development
(scheduled for release in FY21 or later)**

Heaven Burns Red



- Development in cooperation with Key, VISUAL ARTS that has produced content for many hit games and animations including *AIR*, *CLANNAD*, *Little Busters!*, and *Angel Beats!*

2. Operational Overview: Game business

**Title in development
(scheduled for release in FY21 or later)**

Assault Lilly: Last Bullet



- *Assault Lilly: Last Bullet*, GREE's third title developed in cooperation with Bushiroad, is currently in development.
- Planning a wide-ranging media mix including development of an animation by SHAFT and on-stage entertainment.

2. Operational Overview: Game business

Strengthening earnings potential of overseas distribution

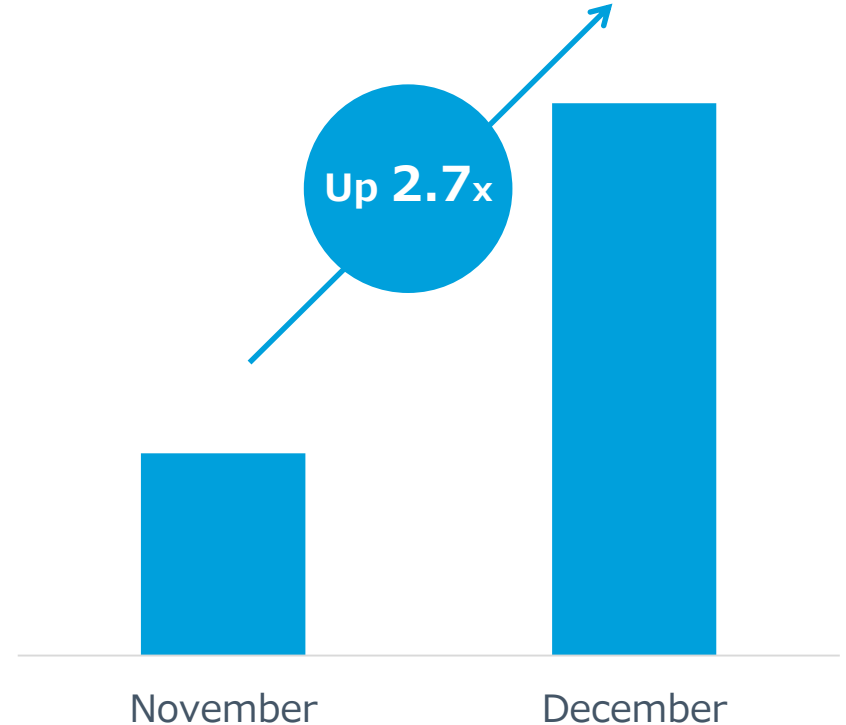
Increased sales in US, Europe, and Asia by strengthening global marketing of *Another Eden* series

Marketing initiatives



- Strengthened global marketing
- Simultaneously added new chapters and conducted IP collaborations




Overseas sales



2. Operational Overview: Game business

Overseas Distribution Plans

Simultaneous global release of third-party distributed title
Distribution region

	Japan	North America	Europe	Hong Kong, Taiwan, etc.	Mainland China
 DanMachi	Released	Released	Released 10/24	Released	Agreement signed
 SINoALICE	Released	Preparing	Preparing	Released	Agreement signed
 Another Eden	Released	Released	Released	Released	Agreement signed
 SYMPHOGEAR	Released	Preparing	-	Preparing	-
Third-party distributed title	Simultaneous global release November 20				-
Title to be released in FY20	Preparing	Preparing	Preparing	Preparing	-

Notes:

• DanMachi = DanMachi - MEMORIA FREESE

• SYMPHOGEAR = Senki Zesshou SYMPHOGEAR XD UNLIMITED

© 2017-2019 Pokelabo Inc./SQUARE ENIX CO., LTD. All Rights Reserved

© 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GX © Project シンフォギアAXZ © Project シンフォギアXV © bushiroad All Rights Reserved. © Pokelabo, Inc.

Copyright © GREE, Inc. All Rights Reserved.

2. Operational Overview: Game business

Expanding and Energizing Fan Communities ①

Energized users with large-scale campaigns

SINoALICE

Year-end season campaign



- Combined official live broadcasts and SNS with events

Note:

• DanMachi = DanMachi - MEMORIA FREESE
© 2017-2020 Pokelabo Inc./SQUARE ENIX CO., LTD. All Rights Reserved
© Fujino Omori-SB Creative Corp./Danmachi2 Project, © WFS

DanMachi

2.5-year anniversary campaign



- Additional storylines and revival gacha

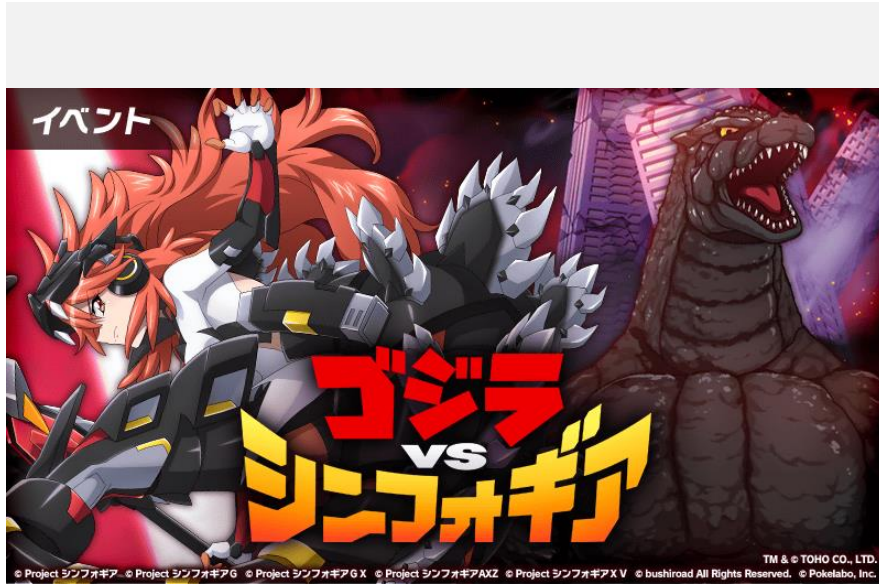
2. Operational Overview: Game business

Expanding and Energizing Fan Communities ②

Expanded fan base through IP collaborations

Senki Zesshou SYMPHOGEAR XD UNLIMITED

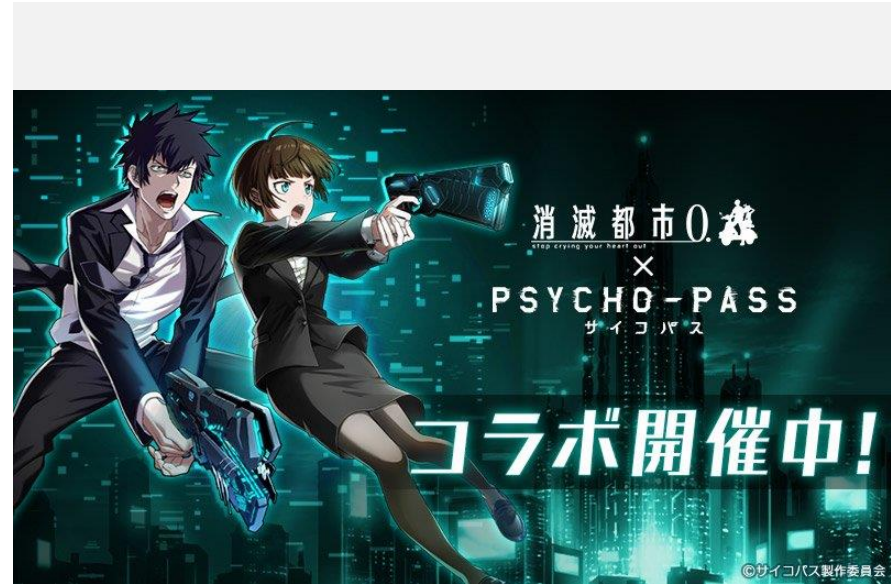
IP collaboration



- Collaboration with *Godzilla*

Shoumetsu Toshi 0.

IP collaboration



- Collaboration with *PSYCHO-PASS*

2. Operational Overview: Live Entertainment business

Growing Distribution Platform

Expanded REALITY platform by strengthening functionality and forming partnerships

Strengthened functionality

Launched low-latency mode



The advertisement features a red background with a sunburst pattern. At the top, it says 'ラグなし配信で円滑なコミュニケーション!' (Seamless streaming for smooth communication!). Below this, three smartphone screens show a virtual avatar. A grey arrow points from the first screen to the second, labeled '旧型・8秒' (Old model, 8 seconds). A yellow arrow points from the second screen to the third, labeled '新型 1秒!' (New model, 1 second!). The REALITY logo is in the bottom right corner. Small text at the bottom left reads: '※当社調べ ※実際の通信量は通信環境などにより変動します'.

- Sizable reduction in lag and data transmission volume allowing high-quality image transmission

Service partnerships

Capital and operational tie-up with Cluster, Inc.



WRIGHT FLYER
LIVE ENTERTAINMENT

- Developed integrated avatar functionality with cluster, a virtual event platform

2. Operational Overview: Advertising and Media business

Strengthened Media Potential

Energized user communities through campaign, tie-ups

LIMIA

Held posting campaign



- Energized users community by photo contest

aumo

Tie-up with The Nishinippon Shimbun Co., Ltd.



- Cooperated with partner Nishinippon Shimbun to leverage regional information magazine Fanfunfukuoka

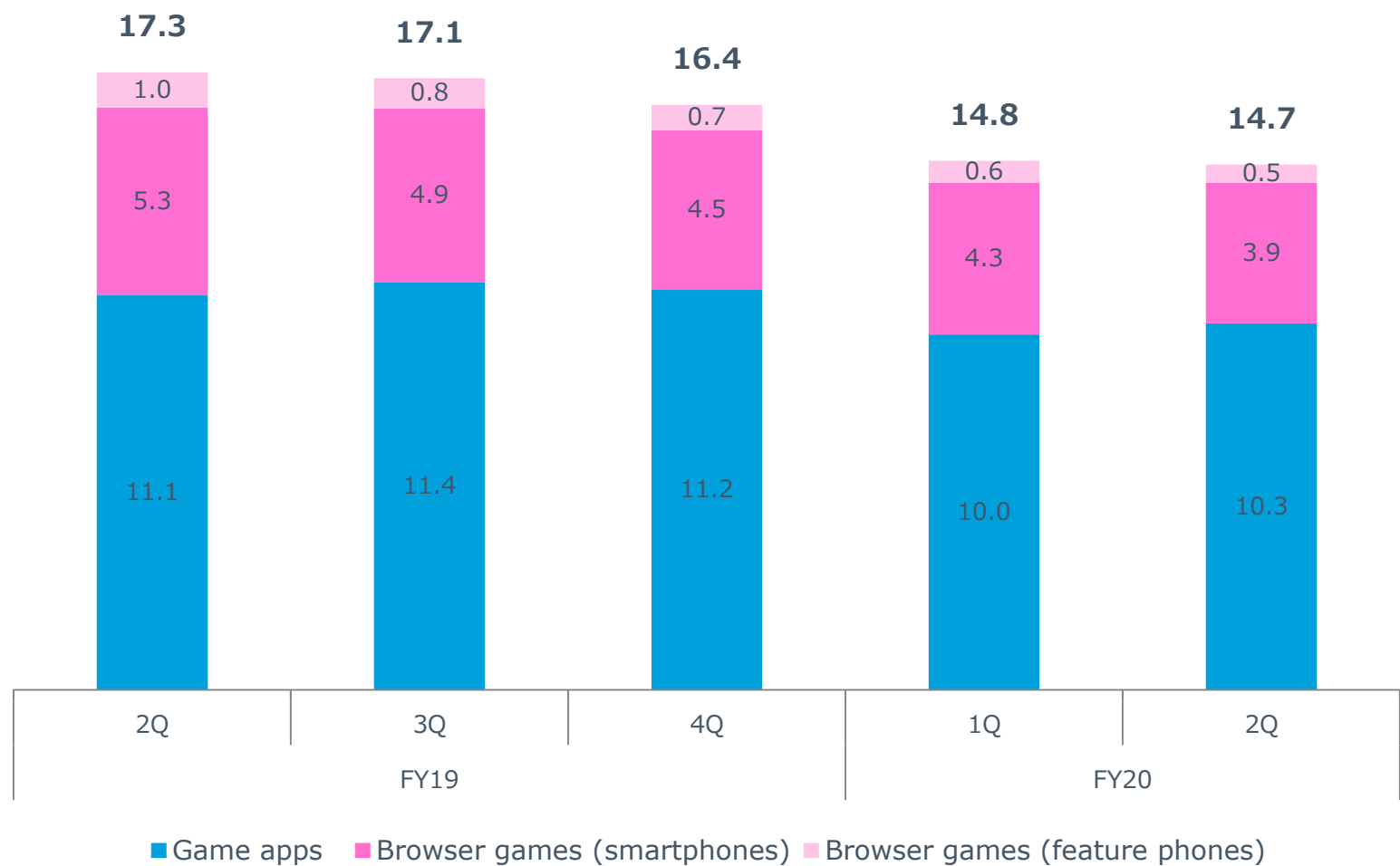
1. Financial Results Overview

2. Operational Overview

3. Appendix

Coin Consumption

Billions of coins



2Q FY20 Cost Structure

Billions of yen

		FY20 2Q	QoQ	YoY	FY20 1Q	FY19 2Q
	Rental charges	0.59	0.05	-0.11	0.54	0.70
	Labor costs	2.20	-0.11	-0.01	2.31	2.21
	Others	4.78	0.52	-0.75	4.25	5.53
	Cost of sales	7.56	0.46	-0.88	7.11	8.44
	Advertising	0.76	0.10	-0.13	0.65	0.89
	Commission fees	3.27	0.17	-0.21	3.10	3.47
	Labor costs	1.29	0.03	0.16	1.26	1.13
	Others	2.74	0.24	-0.09	2.51	2.83
	SG&A	8.06	0.54	-0.27	7.52	8.32
	Total costs	15.62	1.00	-1.14	14.62	16.76

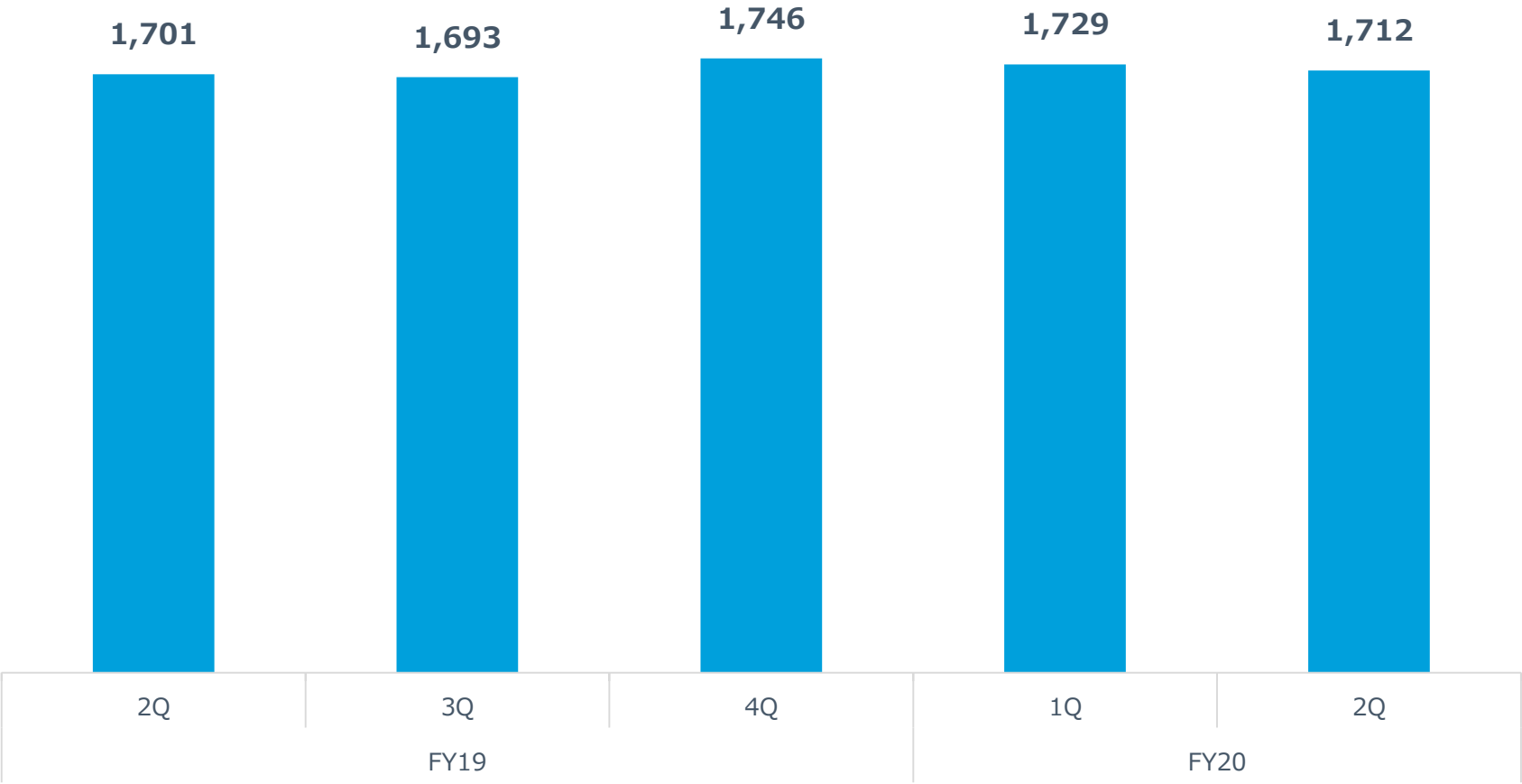
2Q FY20 Balance Sheet

Billions of yen

		FY20 2Q	QoQ	YoY	FY20 1Q	FY19 2Q
	Current assets	98.4	3.7	2.1	94.7	96.3
	Fixed assets	29.7	0.7	0.5	29.0	29.2
Total assets		128.1	4.4	2.6	123.7	125.4
	Current liabilities	12.6	1.5	0.3	11.0	12.2
	Fixed liabilities	0.9	0.0	0.0	0.9	0.9
Total liabilities		13.5	1.5	0.3	11.9	13.1
Total net assets		114.6	2.8	2.3	111.8	112.3
Cash and cash equivalents		88.8	3.9	1.8	84.9	87.0
Goodwill		0.2	-0.0	-0.4	0.2	0.6

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.