



**GREE, Inc.**

FY2020 Third Quarter Financial Results

May 14, 2020

## Financial Results Overview

- **Net Sales ¥15.4 billion, Operating Income ¥1.2 billion, EBITDA ¥1.4 billion**
  - Operating income surpassed our forecast

## Business Overview

- **Strong overseas sales of titles based on first-party IP**
  - Boosted earnings potential by strengthening global operations systems for *Another Eden*
- **Made progress in preparing for overseas distribution**
  - *SINoALICE*, release date set for July 1
- **Made progress in developing the live entertainment business**
  - Expanded lineup of original contents for REALITY virtual live distribution platform

## Outlook

- **While the Company may post a one-time loss in 4Q owing to restructuring costs aimed at strengthening our earnings structure over the medium-to-long term, we expect to have a solid earnings base starting in FY2021.**

## **1. Financial Results Overview**

## **2. Operational Overview**

## **3. Appendix**

## **1. Financial Results Overview**

## **2. Operational Overview**

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# 1. Financial Results Overview (Consolidated)



## FY20 3Q Financial Results Overview

Net sales ¥15.4 billion, operating income ¥1.2 billion,  
EBITDA ¥1.4 billion

Billions of yen

	FY20		
	3Q	QoQ	YoY
Net sales	15.44	-1.00	-2.20
Operating income	1.24	0.42	-0.31
Ordinary income	1.23	-0.82	-0.21
Net income	1.18	-1.37	-0.03
EBITDA	1.36	0.27	-0.44

FY20	FY19
2Q	3Q
16.44	17.64
0.81	1.55
2.05	1.45
2.55	1.21
1.09	1.80

### Notes:

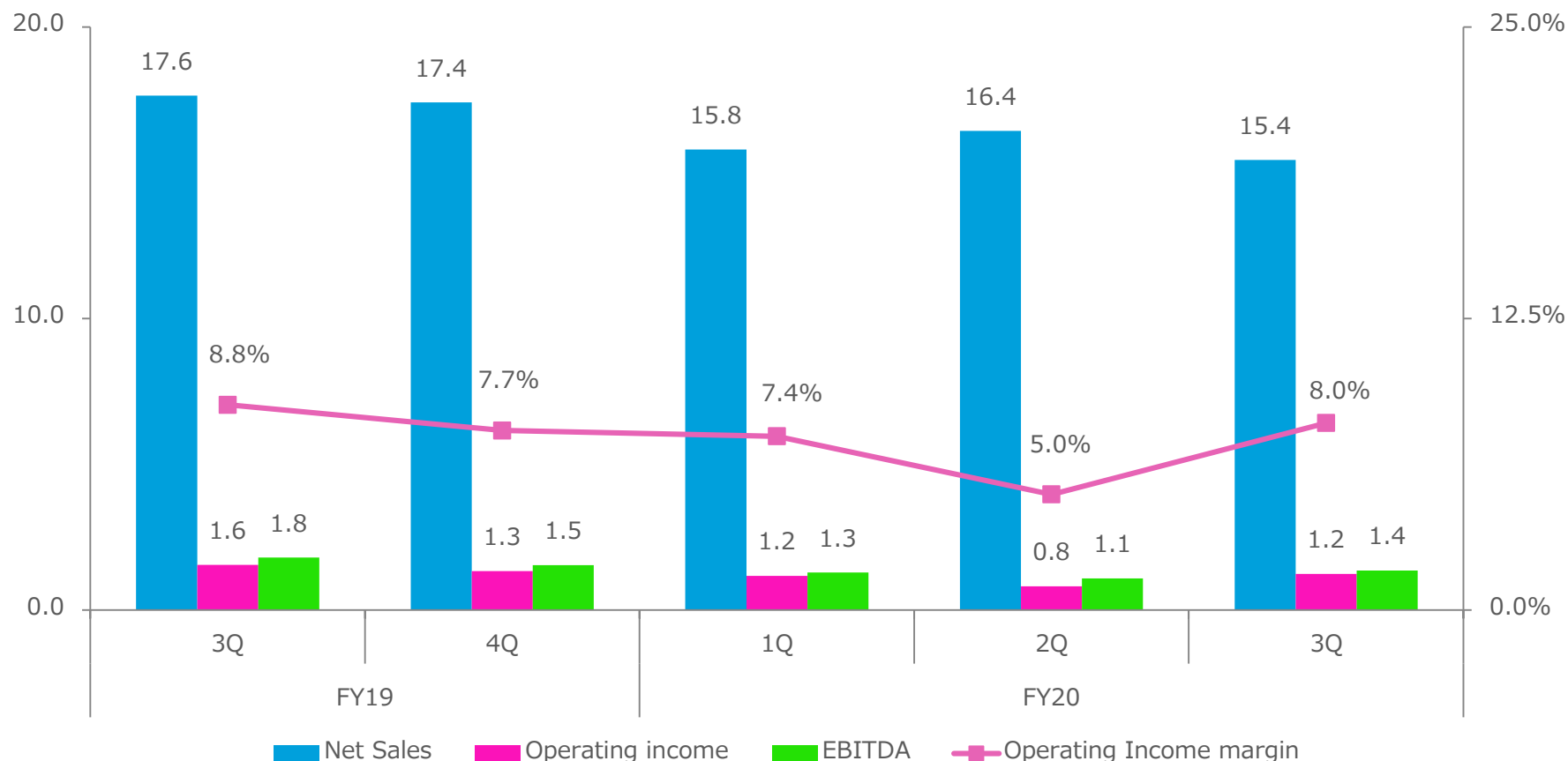
- Net income: Profit attributable to shareholders of parent
- EBITDA = Operating income/loss + depreciation costs + amortization of goodwill

# 1. Financial Results Overview (Consolidated)

## Net Sales, EBITDA, and Operating Income

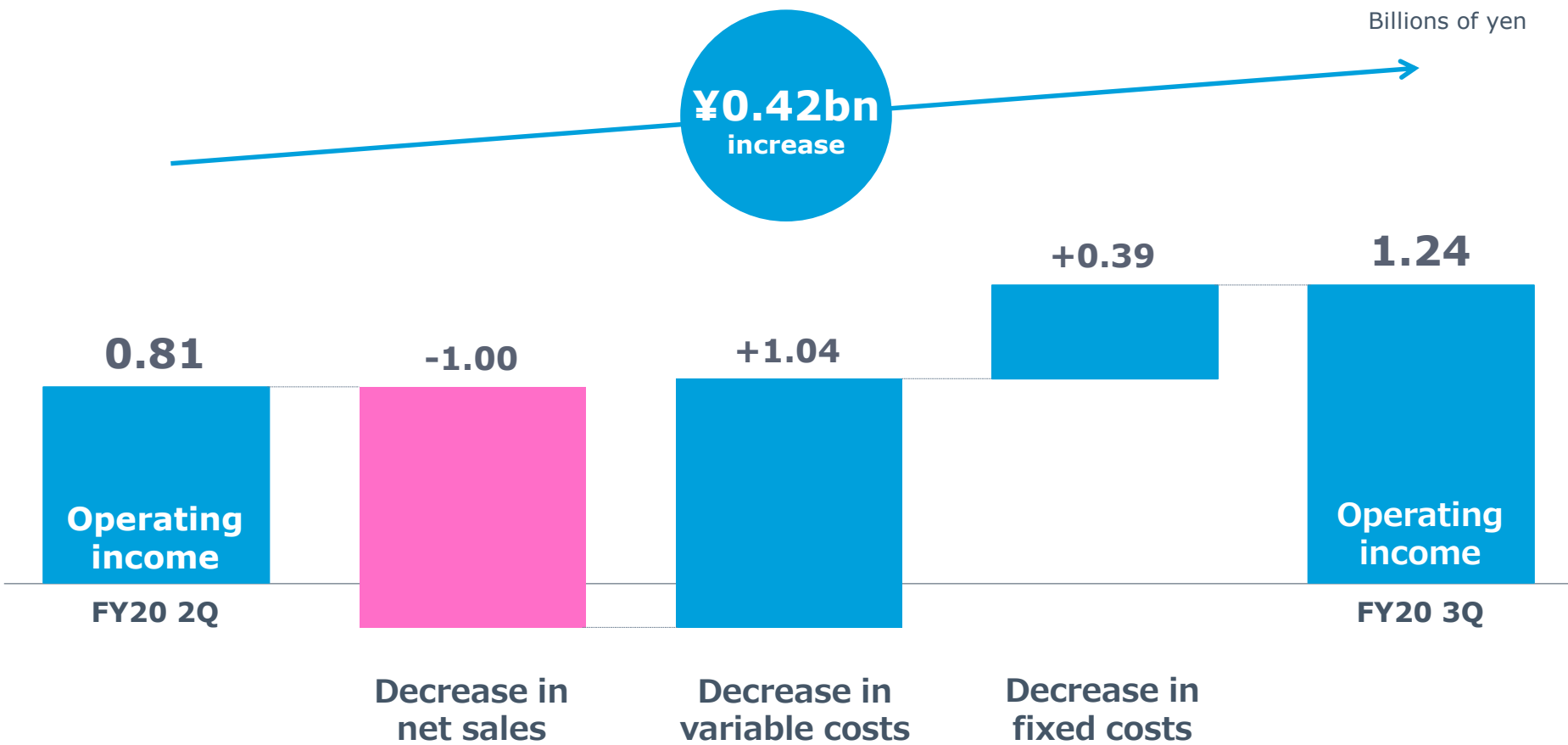
Operating income ratio up 3.0ppt to 8.0%

Billions of yen



3Q Operating Income Analysis

Net sales declined, but sales of first-party IP title were strong  
and operating income rose ¥0.4 billion to ¥1.2 billion



# 1. Financial Results Overview (Consolidated)

## FY20 3Q Cost Structure

Total costs down ¥1.4 billion QoQ, to ¥14.2 billion

						Billions of yen	
		FY20 3Q	QoQ	YoY	Factors in change (QoQ)	FY20 2Q	FY19 3Q
	Advertising	0.40	-0.35	-0.72	Reduction due to efficiency	0.76	1.12
	Commission Fees, etc.	4.87	-0.48	-0.31	Decrease due to lower sales	5.35	5.18
	Other	0.92	-0.21	-0.03	Decrease due to lower sales	1.12	0.95
<b>Total variable costs</b>		<b>6.20</b>	-1.04	-1.06		7.23	7.25
	Labor costs	3.45	-0.04	-0.09	-	3.49	3.54
	Rental costs	0.56	-0.02	-0.07	-	0.58	0.63
	Depreciation	0.10	-0.15	-0.07	Decrease on reactive decline from one-time costs associated with office transfer in 2Q	0.25	0.18
	Goodwill amortization	0.02	0.00	-0.05	-	0.02	0.7
	Other	3.87	-0.17	-0.54	Decrease in outsourcing costs	4.04	4.41
<b>Total fixed costs</b>		<b>8.00</b>	-0.39	-0.83		8.39	8.83
<b>Total costs</b>		<b>14.20</b>	-1.42	-1.89		15.62	16.09

Notes:

•Breakdown of 3Q FY20 commission fees: commission fees: ¥3.05 billion, royalties: ¥1.82 billion



# 1. Financial Results Overview (Consolidated)

## Stock Repurchase

Implemented the stock repurchase to increase shareholder returns  
and to implement a flexible capital policy

Details of repurchase	
Class of stock to be repurchased	GREE common stock
Total number of shares to be repurchased	<b>Up to 5 million shares</b> 2.2% of the total number of shares issued, excluding treasury stock
Total cost of stock repurchase	<b>Up to JPY 2.5 billion</b>
Period of stock repurchase	March 5, 2020 to September 23, 2020

Reference : Cumulative repurchases as of April 30, 2020

Total number of shares repurchased	2.21 million shares
Total repurchased price of shares	JPY 0.9 billion

# 1. Financial Results Overview (Consolidated)

## Dividend Forecast

Planned dividend of ¥10 per share

### Dividend Distribution Policy

**Maintaining a dividend on DOE of 2.0%,  
consolidated dividend payout ratio of 20% or higher**

	FY20 Forecast	FY19 Results
Dividend record date	June 30, 2020	June 30, 2019
Per-share dividend	¥10	¥10

#### Notes:

- The 2020 dividend plan will be approved by the general meeting of shareholders scheduled for September 2020.

## 1. Financial Results Overview

## 2. Operational Overview

## 3. Appendix

## 2. Operational Overview: Summary

### Review and Summary of 3Q

		FY20 Business Plan	Review
Overall		Continue to strengthen 3 earnings pillars	- In the games business, made progress in overseas distribution and boosted the earning potential of first-party IP title
Game/entertainment	Game	"Game engine, IP, and global" strategies	<ul style="list-style-type: none"> <li>- Boosted earnings potential by strengthening global operations systems for <i>Another Eden</i></li> <li>- Began advance promotion for the launch of the global distribution of <i>SINoALICE</i></li> <li>- Began pre-registration for <i>Assault Lilly: Last Bullet</i></li> </ul>
	Live Entertainment, etc.	Further develop platform	- Expanded original content portfolio for REALITY virtual live distribution platform
Advertising and media		Strengthen media potential	- Strengthened media potential by expanding content

Development pipeline

Postponed release of title scheduled for FY20 until FY21 or later

Scheduled for release in FY20

FY21 and onward

Already  
released

In  
development

Planning/  
development

1

-

4 - 6

- One strong third-party IP title already released in FY20
- One strong third-party IP title launch postponed until FY21 or later

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

Notes:  
•Excludes licensed titles

## 2. Operational Overview: Game business

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

***Assault Lilly: Last Bullet***

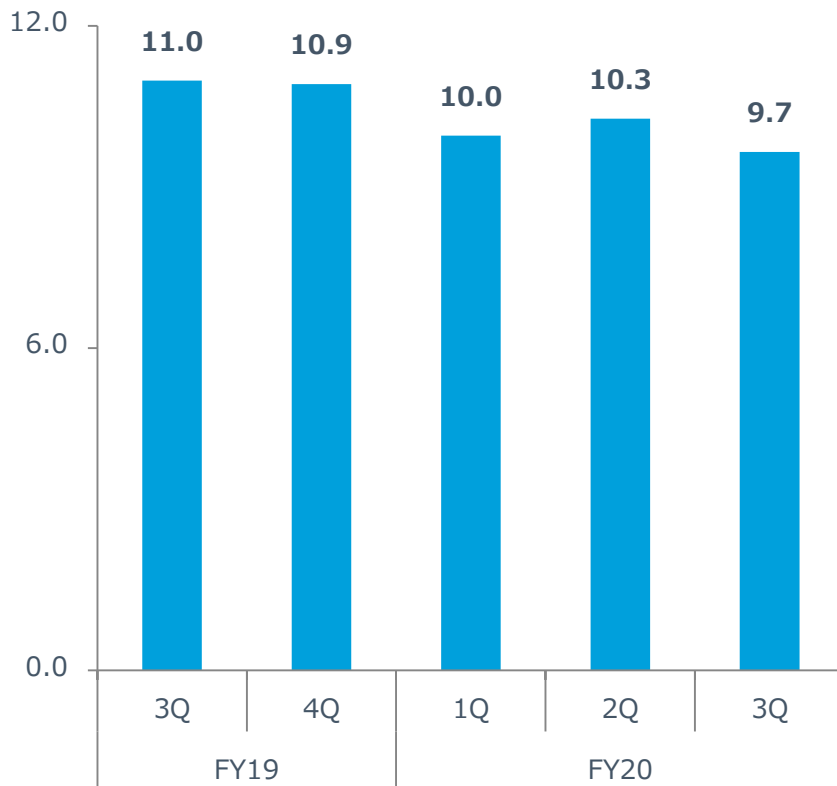


- *Assault Lilly: Last Bullet*, GREE's third title developed in cooperation with Bushiroad, is currently in pre-registration.
- Planning a wide-ranging media mix including an animation titled *Assault Lilly: BOUQUET*.

### Progress Made

#### Coin consumption (App games)

Billions of coins



Notes:

- Excludes coin consumption for titles developed overseas

#### Topics

- *Another Eden*
  - Boosted earnings potential by strengthening global operations
  - Launched distribution in 29 countries/territories
- Coin consumption trends were slightly weak on the closing of titles, etc.

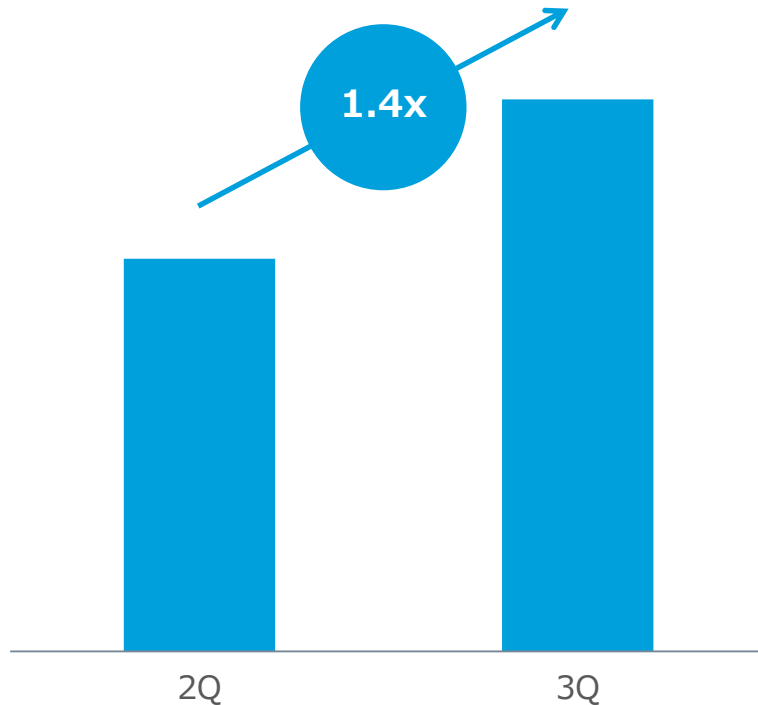


## 2. Operational Overview: Game business

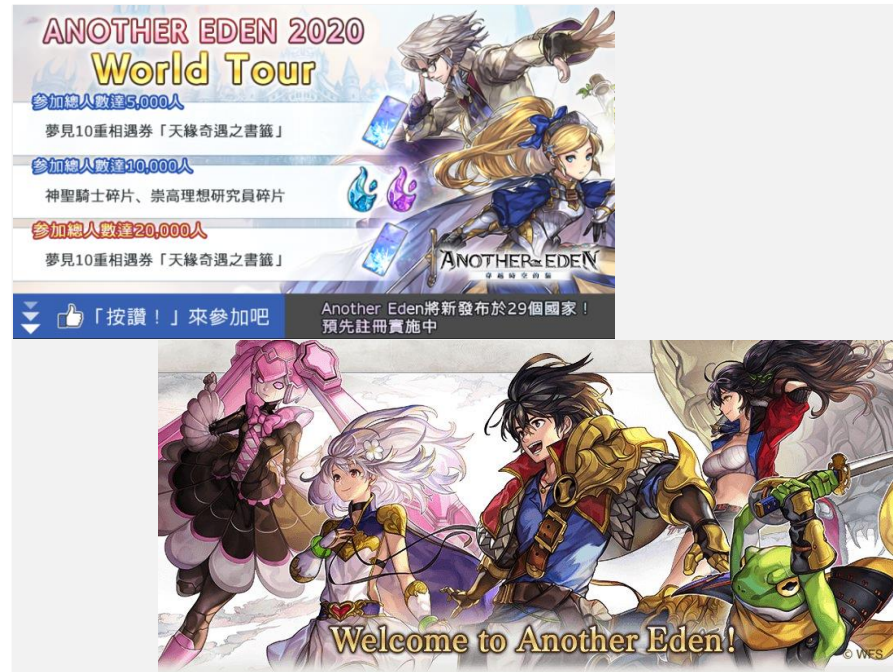
### Strengthening earnings potential of overseas distribution

Boosted earnings potential of *Another Eden* by strengthening global operations

#### Overseas sales



#### Strengthening global operations



- Expanded content by strengthening global operations
- Expanded distribution to include 71 countries/territories.



## 2. Operational Overview: Game business

### Expanding overseas distribution to include more countries/territories

Began prelaunch promotion of global distribution of *SINoALICE*




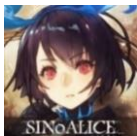
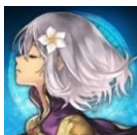
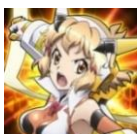
- Global distribution of *SINoALICE* scheduled for release on July 1 (Self Distribution)
- By distribution in North America and Europe, etc., we expanded distribution to include 139 countries/territories.

## 2. Operational Overview: Game business

### Overseas Distribution Plan

Global distribution of *SINoALICE* scheduled for release on July 1

#### Distribution region

	Japan	North America	Europe	Hong Kong, Taiwan, etc.	Mainland China
 DanMachi	Released	Released	Released	Released	Agreement signed
 SINoALICE	Released	Release scheduled for July 1		Released	Agreement signed
 Another Eden	Released			Released	Agreement signed
 SYMPHOGEAR	Released	Close scheduled	-	Close scheduled	-
Third-party distributed title	Released	Released	Released	Released	-

Notes:

- DanMachi = DanMachi - MEMORIA FREESE
- SYMPHOGEAR = Senki Zesshou SYMPHOGEAR XD UNLIMITED

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### Expanding and Energizing Fan Communities (1)

Increasing user loyalty through interactive broadcasts and IP collaborations

#### *SINoALICE*

Interactive broadcast



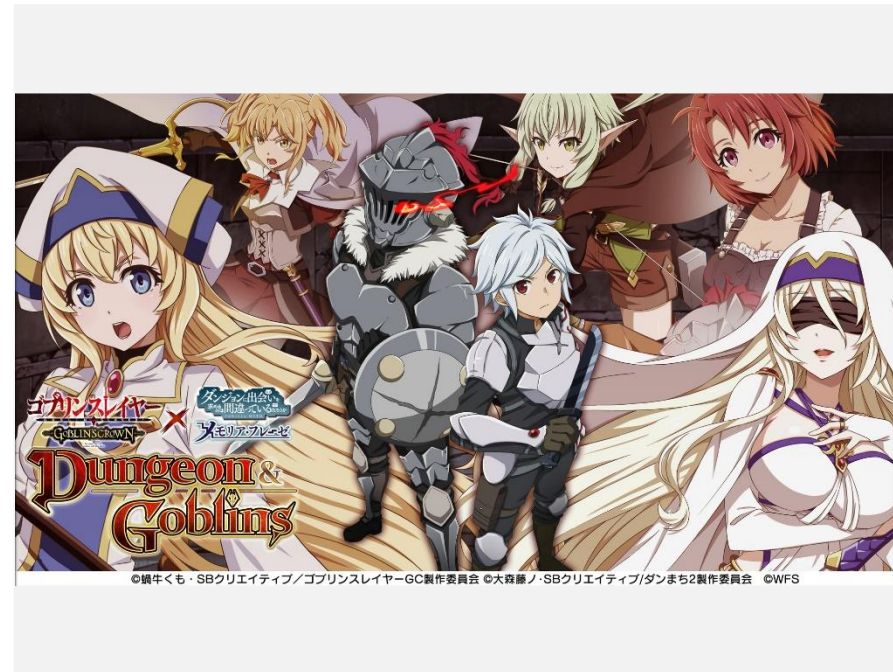
- Establishment of measures to energize communication with users

Notes:

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

#### *DanMachi*

IP collaboration



- Collaboration with *Goblin Slayer*

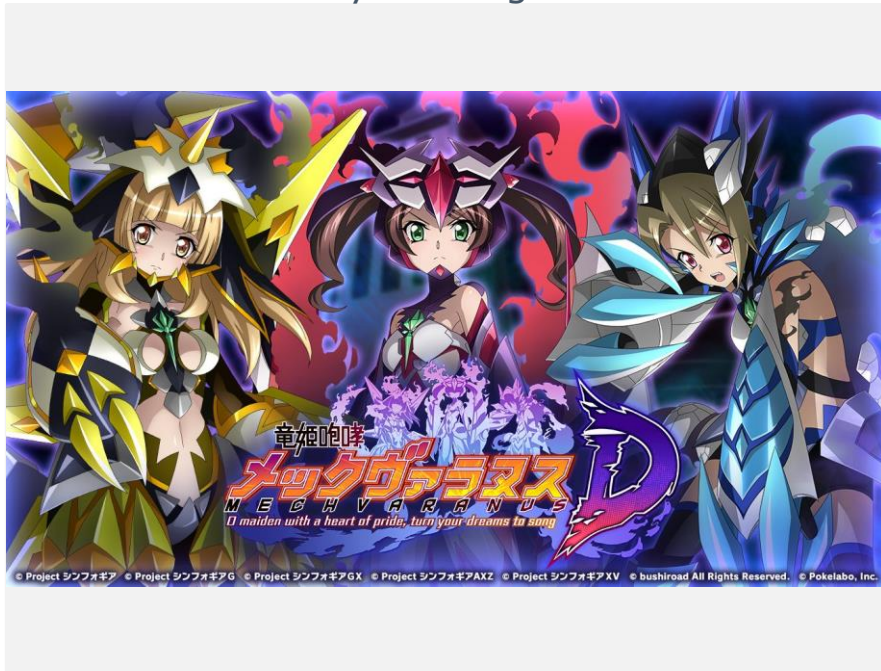


### Expanding and Energizing Fan Communities (2)

Energized users by adding new scenario and an updated main storyline  
by the original creator

#### ***Senki Zesshou SYMPHOGEAR XD UNLIMITED***

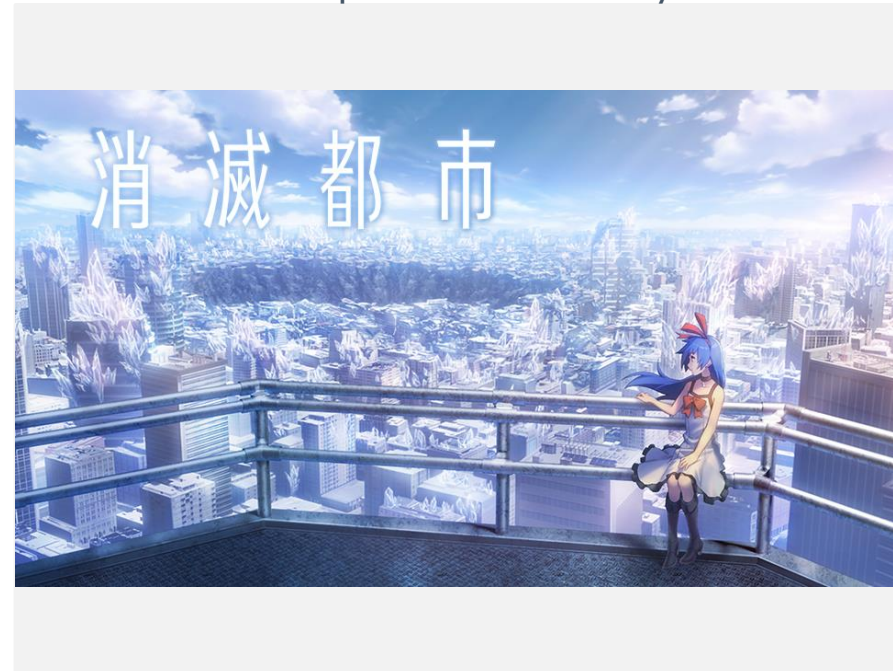
Scenario by the original creator



- Added scenario by original creator, Akifumi Kaneko

#### ***Shoumetsu Toshi***

Final chapter of main storyline



- Added final chapter “-epilogue-” of main storyline

## 2. Operational Overview: Game business

### Distribution of licensed title

Released traditional Chinese version of *One-Punch Man*, reached 1st in sales ranking



- Game app based on anime TV show targeting adult viewers, released by Gamenow Technology Ltd.
- Japanese version in development targeting release by GREE, Inc. in 2020

#### Notes:

- Rankings indicate highest sales ranking reached as reported by App Annie in Taiwan from January 7 to March 31
- Gamenow Technology Ltd. is a subsidiary of Ourpalm Co. Ltd.

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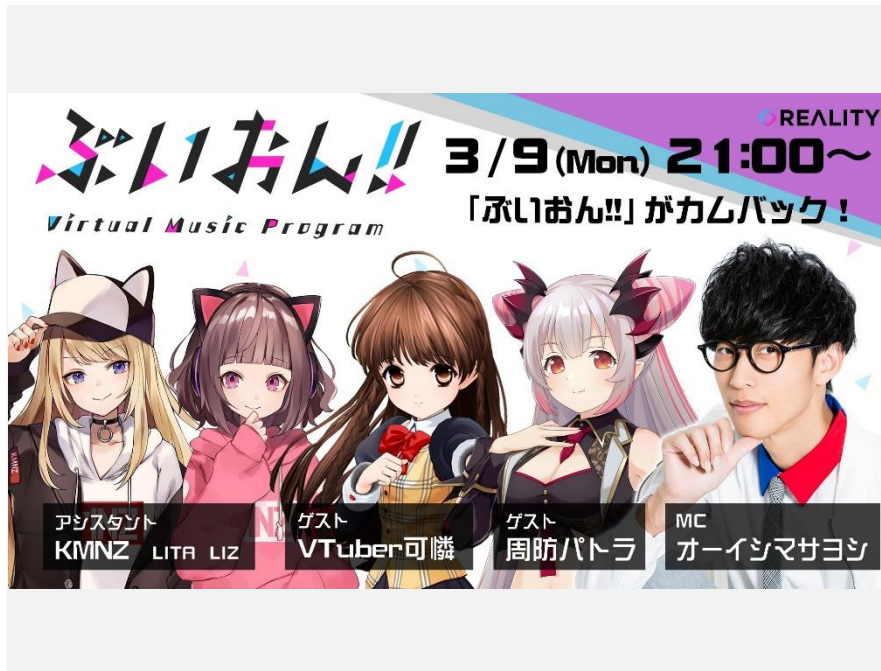
## 2. Operational Overview: Live Entertainment business

### Growing Distribution Platform

Expanding content on REALITY platform through original programs and events

#### Original program

*Buion!!*



- Original music program featuring VTubers

#### Interactive event

Event where participants received unique items



- Energized communication between users via ranking event for streamers

## 2. Operational Overview: Advertising and Media business

### Strengthened Media Potential

Energized user communities through campaigns, etc.

#### LIMIA

Held posting contest



- Energized user community through a photo contest

#### aumo

Restaurant support project



- Supported restaurants by posting info on restaurants that offer takeout and delivery services

## 1. Financial Results Overview

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### 3. Appendix

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

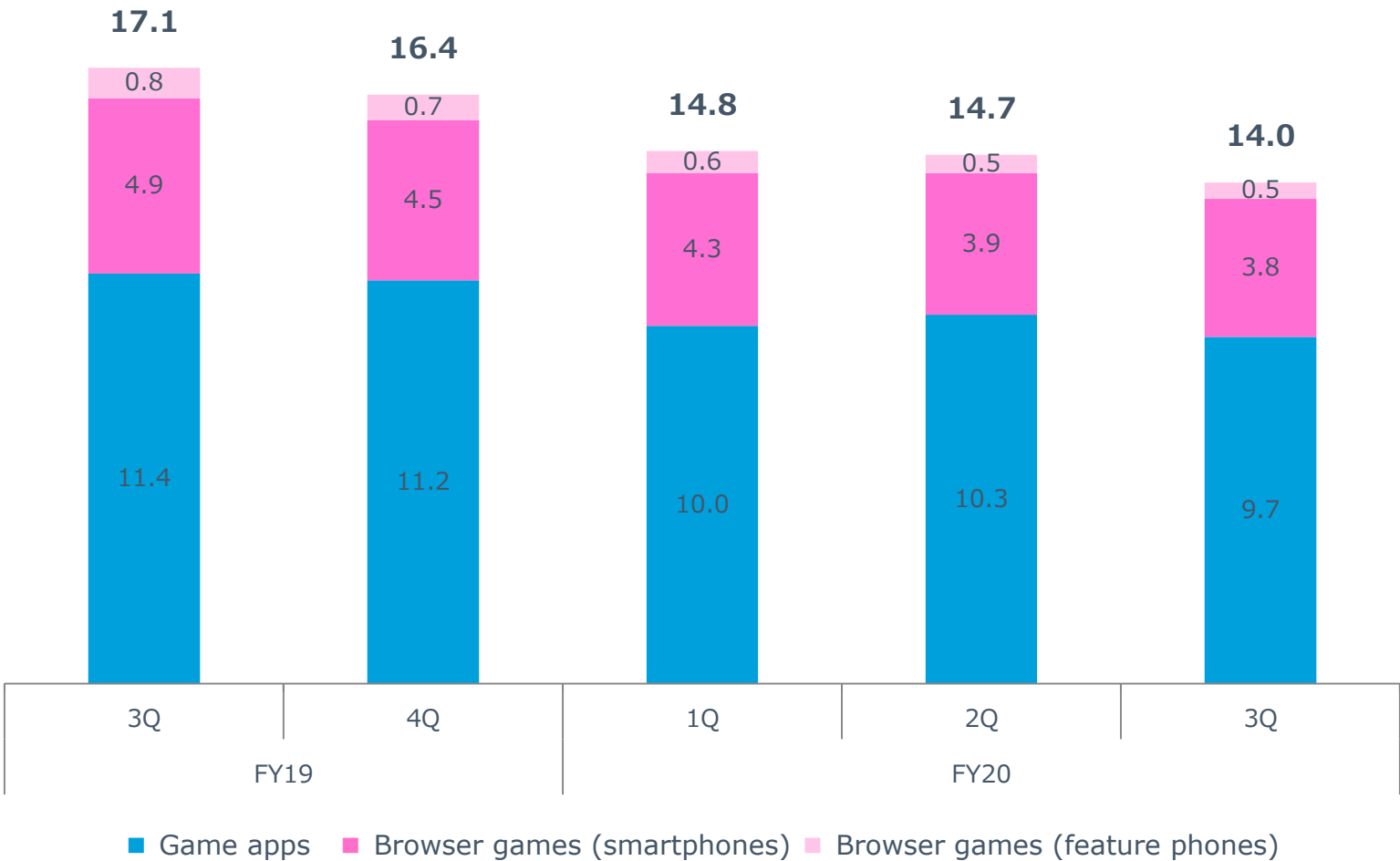
### *Heaven Burns Red*



- 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!*

# Coin Consumption

Billions of coins



## 3Q FY20 Cost Structure

					Billions of yen	
		FY20 3Q	QoQ	YoY	FY20 2Q	FY19 3Q
	Rental charges	<b>0.56</b>	-0.02	-0.07	0.59	0.64
	Labor costs	<b>2.21</b>	0.01	-0.18	2.20	2.39
	Others	<b>4.30</b>	-0.47	-0.49	4.78	4.80
	Cost of sales	<b>7.08</b>	-0.49	-0.75	7.56	7.83
	Advertising	<b>0.40</b>	-0.35	-0.72	0.76	1.12
	Commission fees	<b>3.05</b>	-0.21	-0.46	3.27	3.52
	Labor costs	<b>1.24</b>	-0.05	0.09	1.29	1.15
	Others	<b>2.42</b>	-0.32	-0.05	2.74	2.48
	SG&A	<b>7.12</b>	-0.94	-1.14	8.06	8.26
	<b>Total costs</b>	<b>14.20</b>	-1.42	-1.89	15.62	16.09

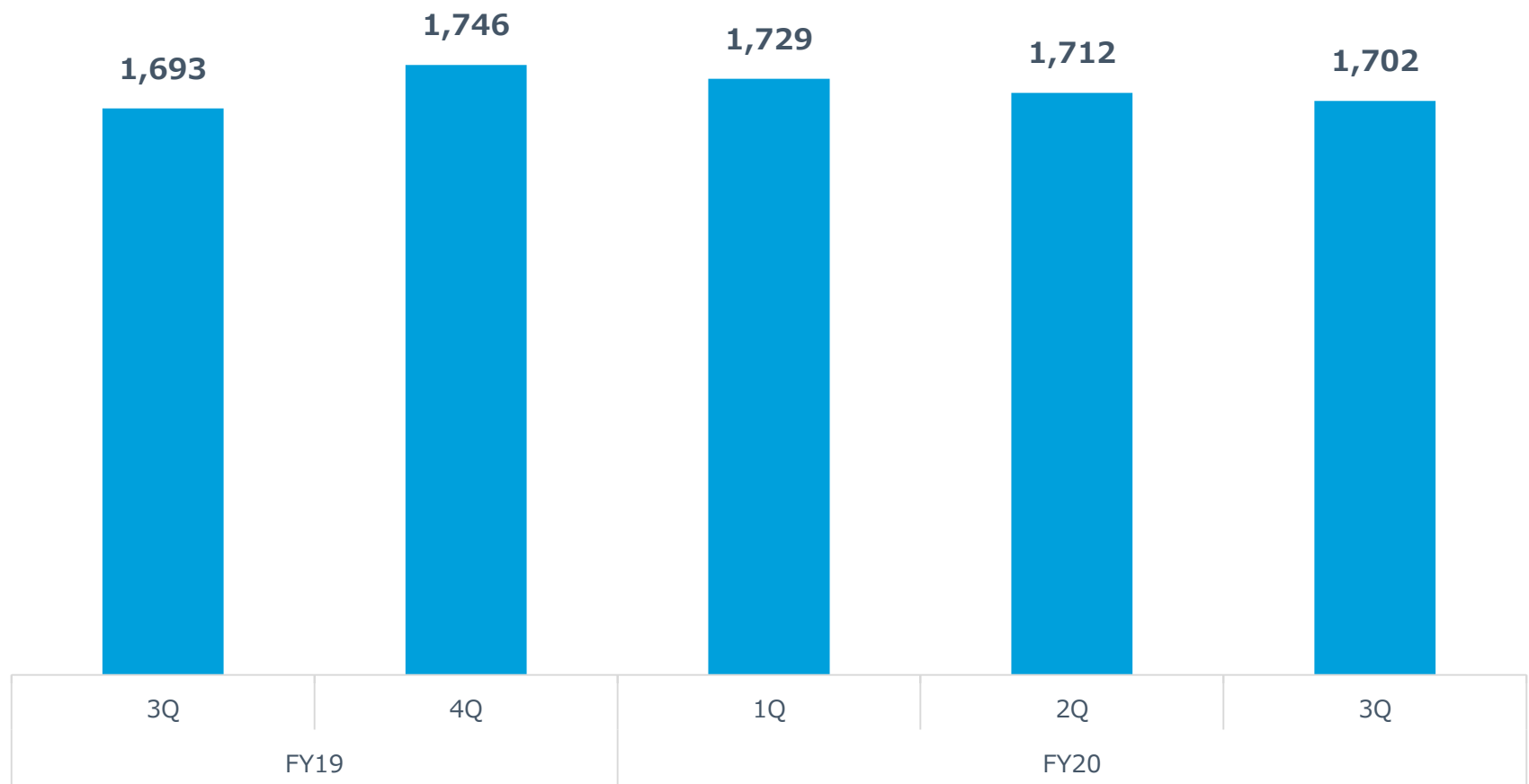
## 3Q FY20 Balance Sheet

Billions of yen

	FY20 3Q	QoQ	YoY	FY20 2Q	FY19 3Q
Current assets	<b>98.7</b>	0.4	2.4	98.4	96.3
Fixed assets	<b>29.9</b>	0.2	-0.4	29.7	30.3
Total assets	<b>128.6</b>	0.6	2.1	128.1	126.6
Current liabilities	<b>11.6</b>	-1.0	-0.6	12.6	12.1
Fixed liabilities	<b>0.9</b>	0.0	-0.0	0.9	1.0
Total liabilities	<b>12.5</b>	-1.0	-0.6	13.5	13.1
Total net assets	<b>116.2</b>	1.6	2.7	114.6	113.5
Cash and cash equivalents	<b>86.0</b>	-2.8	-0.3	88.8	86.3
Goodwill	<b>0.2</b>	-0.0	-0.3	0.2	0.5

# Group Headcount

Number of employees



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



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