



GREE, Inc.

FY2020 Fourth Quarter Financial Results

August 20, 2020

Executive Summary



FY20 Actual	Full-year	<ul style="list-style-type: none">■ Net sales ¥62.7 billion, operating income ¥3.2 billion, EBITDA ¥3.9 billion<ul style="list-style-type: none">- In the game business, increased earnings potential of titles by strengthening operations systems and expanding overseas distribution- In the live entertainment business, strengthened platform functionality and expanded contents- In the advertising and media business, expanded user fan base by strengthening media potential
	4Q	<ul style="list-style-type: none">■ Net sales ¥15.0 billion, operating income -¥0.1 billion, EBITDA ¥0.1 billion<ul style="list-style-type: none">- Operating income adjusted for one-time costs was ¥0.8 billion; profit-generation base remains firm
FY21 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 in our REALITY, Virtual live distribution app- 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)

FY20 Full-Year and 4Q Financial Results Overview

FY20 net sales ¥62.7 billion, operating income ¥3.2 billion,
EBITDA ¥3.9 billion

Billions of yen

	FY20		FY20 4Q		FY19	FY20 3Q
		YoY		QoQ		
Net sales	62.67	-8.27	14.99	-0.44	70.94	15.44
Operating income	3.16	-2.31	-0.07	-1.31	5.48	1.24
Ordinary income	4.22	-1.51	-0.14	-1.37	5.73	1.23
Net income	2.71	-0.78	-2.01	-3.19	3.49	1.18
EBITDA	3.88	-2.52	0.14	-1.22	6.39	1.36

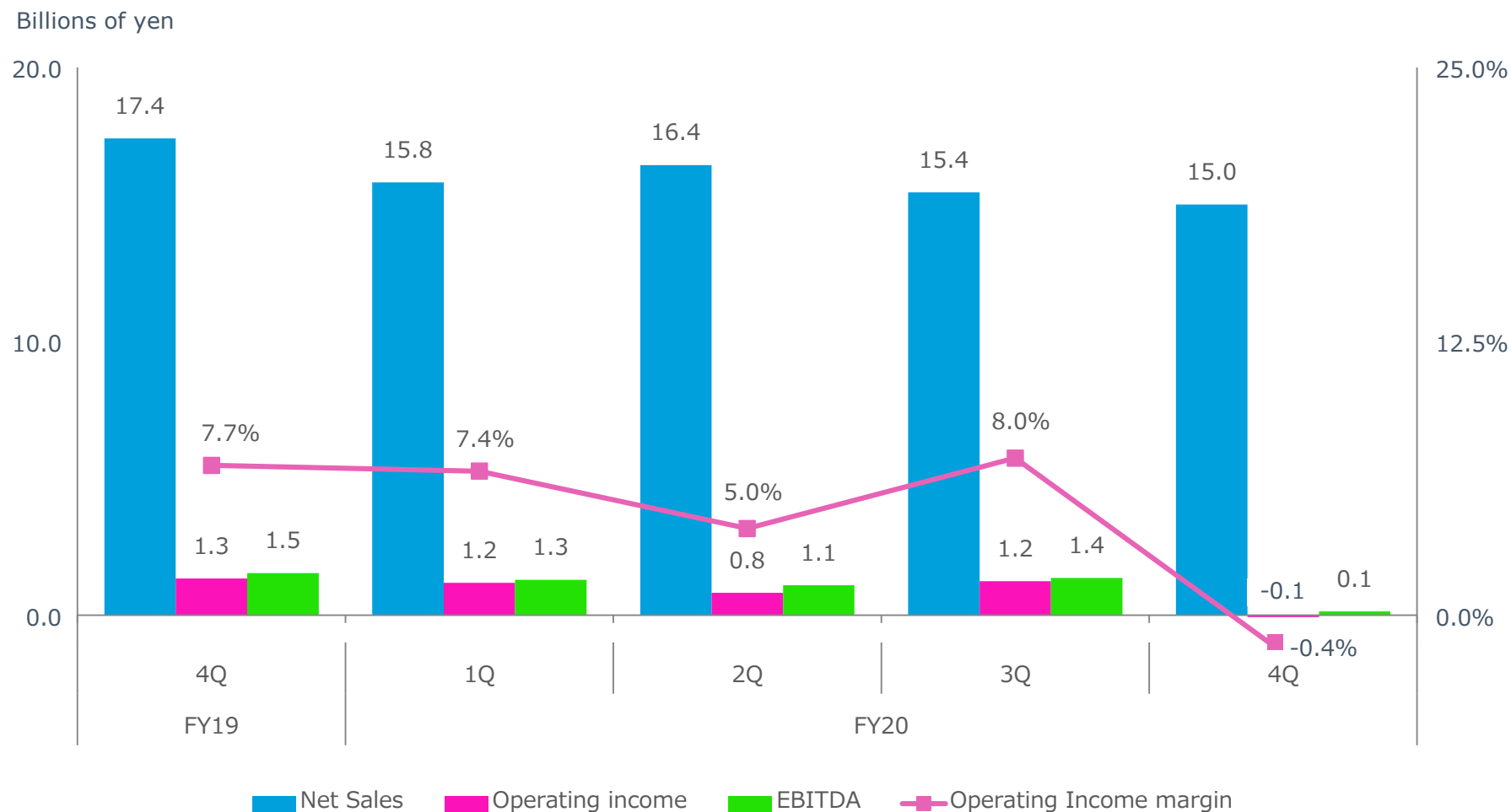
Notes:

- In 4Q FY20, the Company posted an extraordinary loss of ¥0.76 billion owing to a valuation loss on investment securities, etc and posted tax of ¥1.13 billion owing to the reversal of a portion of its deferred tax assets, etc.
- 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

Profit decline on posting of one-time costs



Notes:

- The Company posted one-time costs of ¥0.83 billion in 4Q FY20, 4Q operating income adjusted for this factor is ¥0.76 billion

1. Financial Results Overview (Consolidated)

4Q Operating Income Analysis

Profit decline owing to posting of one-time costs resulted in operating income of **-¥0.1 billion**

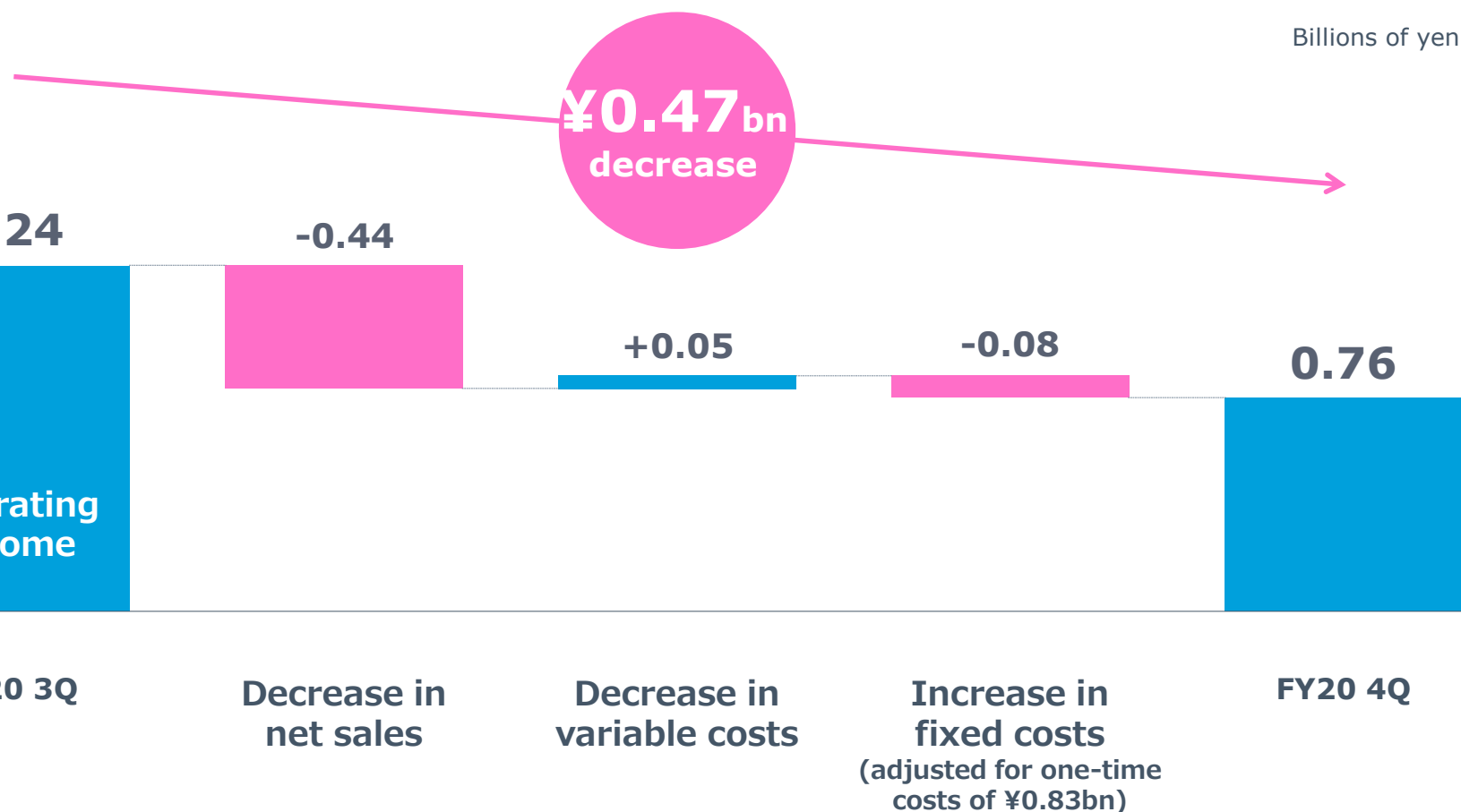
Billions of yen



1. Financial Results Overview (Consolidated)

4Q Operating Income Analysis (adjusted for one-time costs)

Operating income adjusted for one-time costs of ¥0.8 billion;
profit-generation base remains firm



1. Financial Results Overview (Consolidated)

FY20 4Q Cost Structure

Total costs up ¥0.9 billion QoQ, to **¥15.1 billion**

Billions of yen

		FY20 4Q	QoQ	YoY	Factors in change (QoQ)	FY20 3Q	FY19 4Q
	Advertising	0.62	0.22	-0.56	Increase due to app games anniversary campaigns	0.40	1.18
	Commission Fees, etc.	4.98	0.11	-0.45	Increase due to higher paid services sales	4.87	5.43
	Other	0.54	-0.38	-0.33	Decrease due to lower sales	0.92	0.87
Total variable costs		6.15	-0.05	-1.34		6.20	7.49
	Labor costs	3.71	0.26	0.20	Increase due to one-time costs including remote office support costs, etc	3.45	3.51
	Rental costs	0.54	-0.01	-0.02	-	0.56	0.57
	Depreciation	0.18	0.08	0.04	Increase due to one-time costs including office streamlining	0.10	0.14
	Goodwill amortization	0.02	0.00	-0.03	-	0.02	0.06
	Other	4.45	0.58	0.14	Increase due to higher outsourcing and posting of other one-time costs, etc	3.87	4.31
Total Fixed costs		8.91	0.91	0.33		8.00	8.58
Total costs		15.06	0.86	-1.01		14.20	16.07

Note:

• Breakdown of 4Q FY20 commission fees, etc.: commission fees: ¥3.12 billion, royalties: ¥1.87 billion

1. Financial Results Overview (Consolidated)

Stock Repurchase

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

Cumulative repurchases(as of end July 30, 2020)

Total number of shares repurchased	Roughly 4.14 million shares
Total repurchased price of shares	Roughly 1.8 billion JPY

For reference:

Details of share repurchase(as decided at Board of Directors meeting held on March 4, 2020)

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

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

	FY20 Forecast	FY19 Actual
Record date	June 30, 2020	June 30, 2019
Dividend per share	¥10	¥10
Total amount	¥2.274 billion	¥2.302 billion
Effective date	September 30, 2020	September 26, 2019

Notes:

- FY20 dividend amount is subject to approval at the annual shareholders' meeting scheduled for September 29, 2020
- Total dividend amount is rounded down to the nearest one million

1. Financial Results Overview (Consolidated)

FY21 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, especially in China
	Live Entertainment	<ul style="list-style-type: none">- Maintain same level of investment as FY20, focusing on our REALITY, Virtual live distribution app
Advertising and media		<ul style="list-style-type: none">- We expect earnings to improve as a result of strengthening of media potential and restructuring of our business

1. Financial Results Overview

2. Operational Overview

3. Appendix

2. Operational Overview: FY20 results

Review and Summary

		FY20 Business Plan	Review
Overall		Continue to strengthen 3 earnings pillars	- Aggressively invested in three businesses
Game/entertainment	Game	"Game engine, IP, and global" strategies	<ul style="list-style-type: none"> - Successfully strengthened operations from a long-term perspective, maintained strong operation - Strengthened earning potential of titles by strengthening global operating systems - Expanded overseas distribution and progress in preparing for distribution in China
	Live Entertainment	Further develop platform	<ul style="list-style-type: none"> - Strengthened functionality and expanded contents for our REALITY, Virtual live distribution app
Advertising and media		Strengthen media potential	<ul style="list-style-type: none"> - Strengthened media potential by expanding contents - Responded to changing user needs resulting from the spread of COVID-19

2. Operational Overview: FY20 results Game

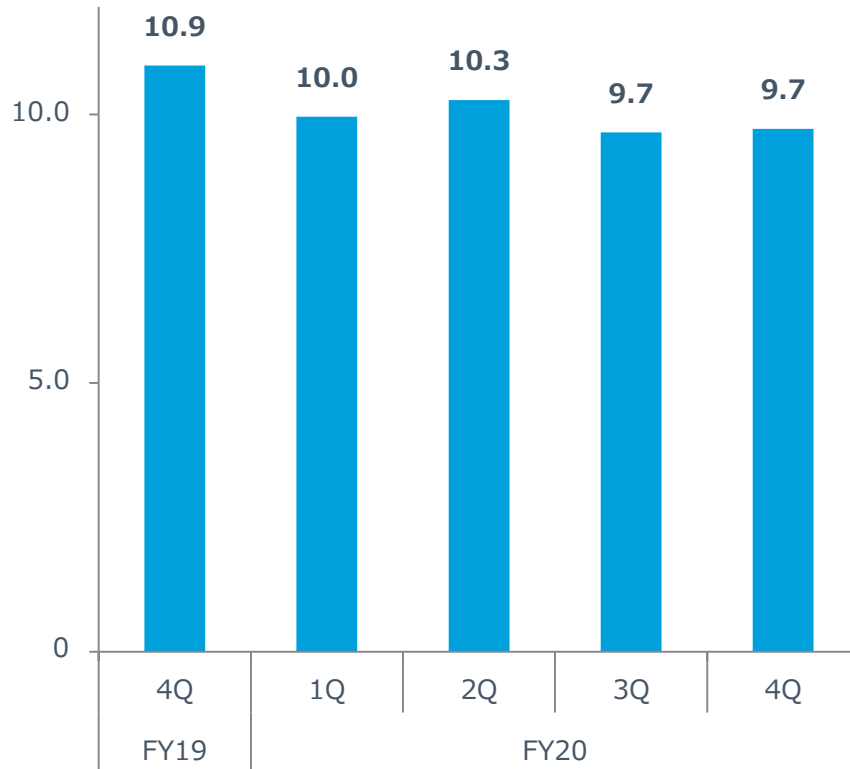
Coin Consumption

Maintained stable coin consumption by strengthening global operations and expanding distribution to new regions

Coin consumption (app games)

Topic

Billions of coins



- Coin consumption has stabilized at around 10.0 billion
 - Global operation based on a long-term perspective
 - Expansion into new countries/territories
 - Some titles saw weak coin consumption on indirect impact from COVID-19 crisis

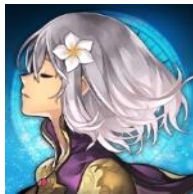
Notes:

- Excludes coin consumption for titles developed overseas

2. Operational Overview: FY20 results Game

Strengthening of long-term Operations system

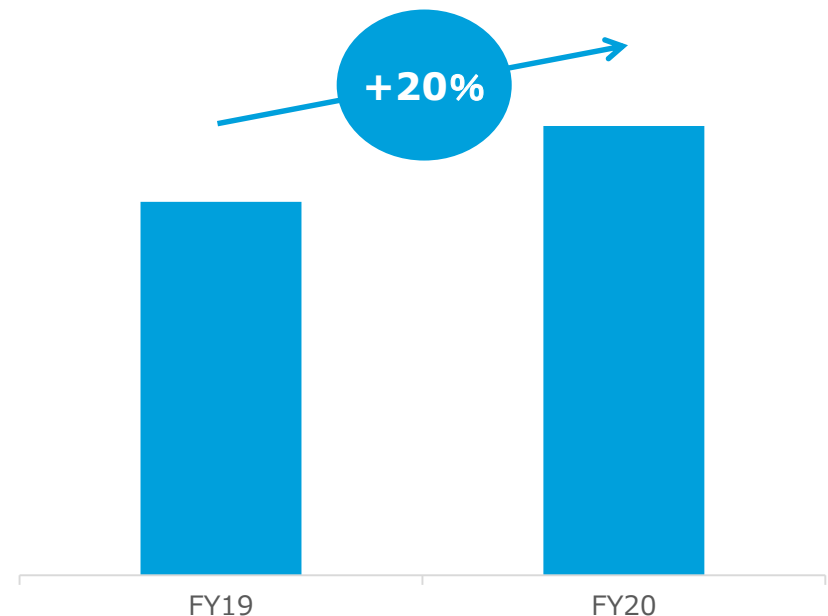
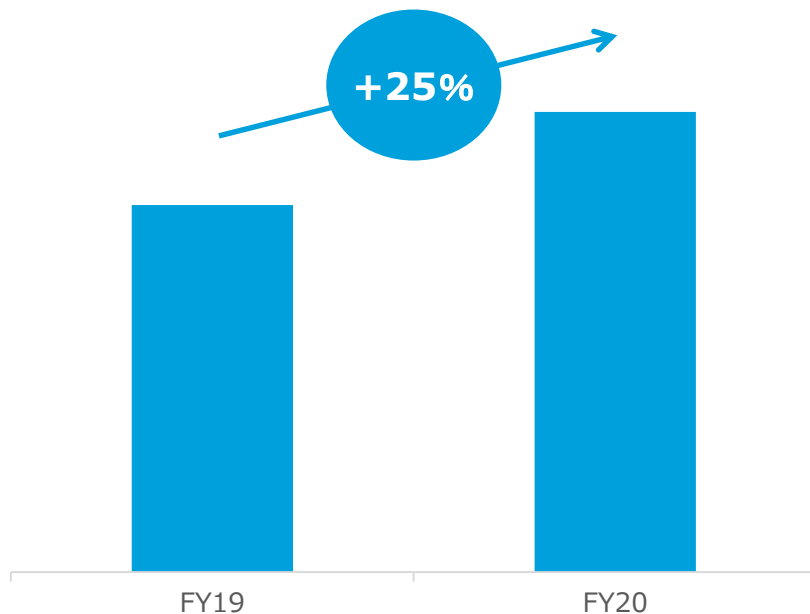
Major titles achieved YoY growth through successful global distribution and IP collaboration



Another Eden
Released Q4 FY17



SYMPHOGEAR
Released Q4 FY17



Notes:

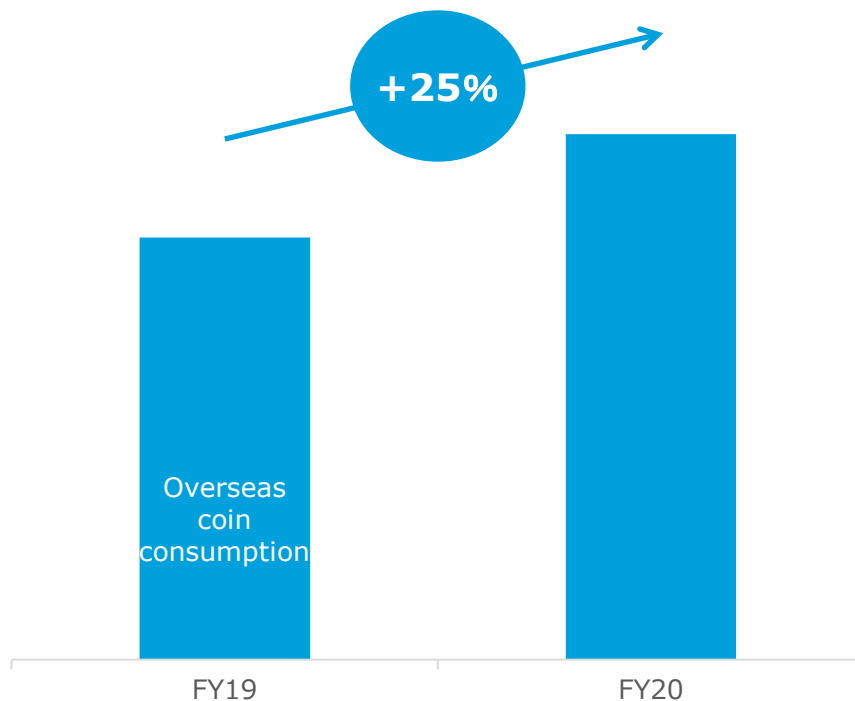
- Comparison of coin consumption using FY19 as base year
- SYMPHOGEAR = Senki Zesshou SYMPHOGEAR XD UNLIMITED

2. Operational Overview: FY20 results Game

Overseas Distribution: Strengthening earning potential

Increased overseas coin consumption by expanding overseas distribution and strengthening operations

Overseas coin consumption (app games)



Measures taken in FY20

- Global simultaneous release of third-party title
- Strengthened earnings potential in regions where distribution has already begun by strengthening our operations system
- Expanded distribution of major titles into new countries/territories

Notes:

- Excludes coin consumption for titles developed overseas

2. Operational Overview: FY20 results Game

Overseas Distribution: Strengthening earning potential

Growth in overseas coin consumption of first-party title *Another Eden*

***Another Eden*: overseas coin consumption**



+28%



1H

2H

FY20

Measures taken in FY20



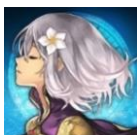
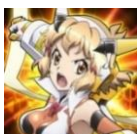
- Strengthened global marketing
- Acquired new user base through IP collaboration
- Expanded contents by strengthening operations system

2. Operational Overview: FY20 results Game

Overseas Distribution: Expanding regionally/Accumulating knowhow

Expansion into new regions and progress in preparing for distribution in China

Distribution regions

	Japan	North America	Europe	Hong Kong, Taiwan, etc.	Mainland China
 DanMachi	Released	Released	Released FY20	Released	Agreement signed
 SINoALICE	Released	Released 2020/7/1	Released 2020/7/1	Released	Agreement signed
 Another Eden	Released	Released	Released	Released	Agreement signed
 SYMPHOGEAR	Released	Released FY20	-	Released FY20	-
Third-party distributed title	Simultaneous global released FY20				-

Notes:

- DanMachi = DanMachi - MEMORIA FREESE
- SYMPHOGEAR = Senki Zesshou SYMPHOGEAR XD UNLIMITED
- SYMPHOGEAR North America, Hong Kong/Taiwan, closed in July 2020
- © 2017-2020 Pokelabo Inc./SQUARE ENIX CO., LTD. All Rights Reserved
- © Fujino Omori-SB Creative Corp./Danmachi3 Project © WFS
- © Project Symphogear © Project Symphogear G © Project Symphogear GX © Project Symphogear AXZ © Project Symphogear XV © bushiroad All Rights Reserved. © Pokelabo, Inc.

2. Operational Overview: FY20 results Live Entertainment

Further develop platform

Strengthened functionality and expanded contents
for our REALITY, Virtual live distribution app

Strengthened functionalities

Launched low-latency mode



Avatar sharing with other
companies' virtual SNS services



Expanded contents

Original Programs



Avatar contents



2. Operational Overview: FY20 results Advertising and Media

Expanded User Base

Strengthened vertical media potential by expanding contents

Strengthened media potential



Housing & lifestyles



Outing & travel



Fashion



Beauty

Measures to meet users' needs

Posted info on restaurants
offering takeout/delivery



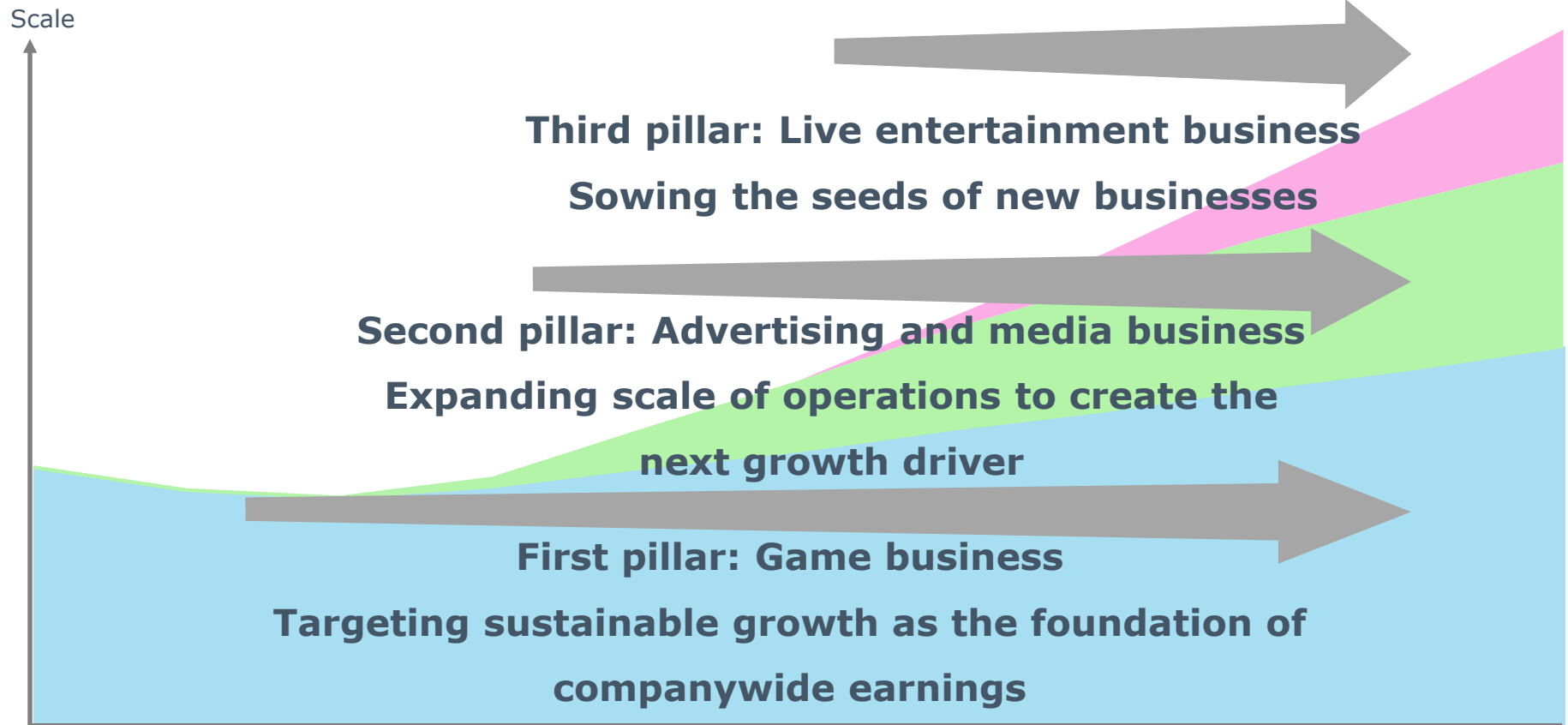
Held photo contest
with the theme of "at-home time"



2. Operational Overview: Medium-Term Plan

Targeting Medium-Term Growth

Targeting sustainable growth from three earnings pillars



2. Operational Overview: FY21 Business Strategy

Summary

Business Plan		Summary
Overall		<p>Continue to strengthen 3 earnings pillars</p> <ul style="list-style-type: none"> - Continue aggressive investment aimed at strengthening three earnings pillars
Game/entertainment	Game	<p>"Game engine, IP, and global" strategies</p> <ul style="list-style-type: none"> - 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, especially in China
	Live Entertainment	<p>Further develop platform</p> <ul style="list-style-type: none"> - Invest in expansion of the REALITY, Virtual live distribution app
Advertising and media		<p>Strengthen media potential</p> <ul style="list-style-type: none"> - Invest in expanding our vertical media portfolio

2. Operational Overview: FY21 Business Strategy - Game

Development pipeline

Plan to release 2-3 new titles per year; aiming to generate hits

Assault Lily: Last Bullet



Scheduled
release this
winter

Heaven Burns Red



Scheduled
release in
2021

KNIGHT OF SIDONIA game project



Scheduled
release in
2021

Multiple other titles in
planning/development pipeline

Overseas Distribution Plans

Aiming to further strengthen earning potential through expansion of overseas distribution, especially in China

Distribution of major titles in China

Chinese distribution partners



- bilibili
Operator of major Chinese video platform, *bilibili*



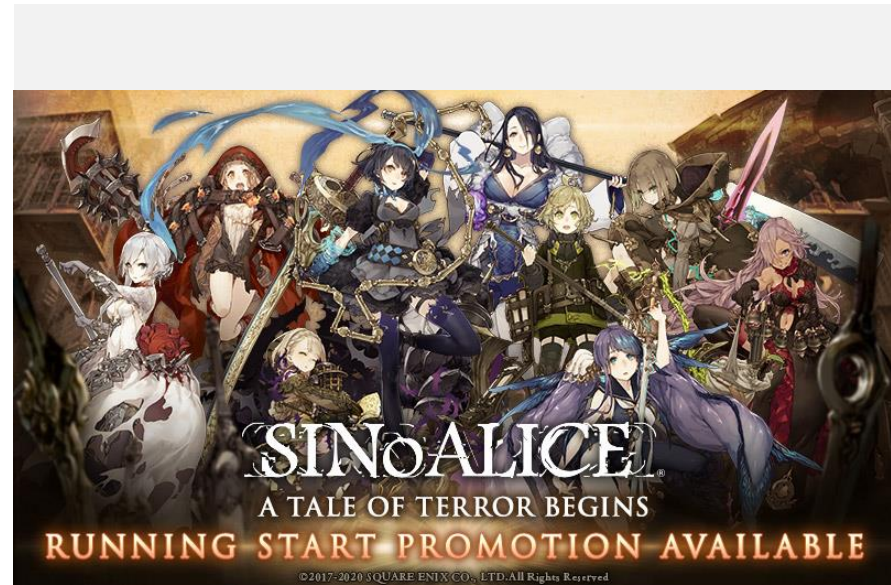
- X.D. Network Inc.
Operator of largest Chinese gaming community and platform, *TapTap*



- Shengqu Games Limited
Major Chinese online game company; total users (all services): over 2.1 billion

- In preparations with partners who have proven track records in game distribution and operations
- Plan to distribute other titles in China

Global distribution of *SINoALICE*



- Released in 139 countries/territories on July 1

2. Operational Overview: FY21 Business Strategy – Live Entertainment business Live Entertainment business



Further develop platform and entry into XR entertainment businesses

Platform business

B-to-C

 **REALITY**
バーチャルライブ配信アプリ



- Continue to strengthen functionality and expand contents of REALITY

XR Entertainment business

B-to-B

Example of event



- Full-scale ramping up of businesses leveraging XR technologies and knowhow

2. Operational Overview: FY21 Business Strategy – Advertising and media



Expansion of Vertical Media Portfolio

Continued investment aimed at increasing media capabilities

Scaling up our vertical media portfolio

Housing & lifestyles



Outing & travel



Beauty



Fashion



1. Financial Results Overview

2. Operational Overview

3. Appendix

3. Appendix: 4Q Overview – Game

Expanding and Energizing Fan Communities (1)

Energized users by adding contents and conducting anniversary campaigns

Another Eden

Marked three-year anniversary



- Added long-form contents and aired interactive broadcast

SINoALICE

Marked three-year anniversary



- Conducted major campaign and updated key functions

3. Appendix: 4Q Overview – Game

Expanding and Energizing Fan Communities (2)

Energized users by adding new game scenarios and IP collaboration

DanMachi

Marked three-year anniversary



- Added new major storyline drafted by original creator Fujino Omori

Notes:

• DanMachi = DanMachi - MEMORIA FREESE

© Fujino Omori-SB Creative Corp./Danmachi3 Project, © WFS

© Project Symphogear © Project Symphogear G © Project Symphogear GX © Project Symphogear AXZ © Project Symphogear XV © bushiroad All Rights Reserved. © Pokelabo, Inc.

Senki Zesshou SYMPHOGEAR XD UNLIMITED

Marked three-year anniversary



- Added new game scenario and collaboration with popular IP

3. Appendix: 4Q Overview – Live Entertainment

Growing Platform

Expanded contents on REALITY by adding original programs and new avatars

Original Program

TOKYO IDOL STADIUM 2020 on .LIVE



- Original program featuring popular virtual talent

Avatar gacha

Alice in Wonderland



- Added new avatar variations

3. Appendix: 4Q Overview – Advertising and media

Strengthened Media Potential

Energized user communities through campaigns, etc.

LIMIA

Held Posting contest



The poster for the LIMIA PHOTO EVENT features a crown icon and the title "わたしの作業部屋" (My Workshop) with the subtitle "フォト投稿コンテスト" (Photo Submission Contest). It includes a photo of a cluttered workshop and a red circular badge that says "Amazon ギフト券 当たる!?" (Amazon Gift Card Win!). At the bottom, it specifies the period: "期間: 2020年6月5日(金) 12:00 ~ 2020年7月3日(金) 11:59".

- Energized user community through photo contest

aumo

Reached over 150 media affiliates

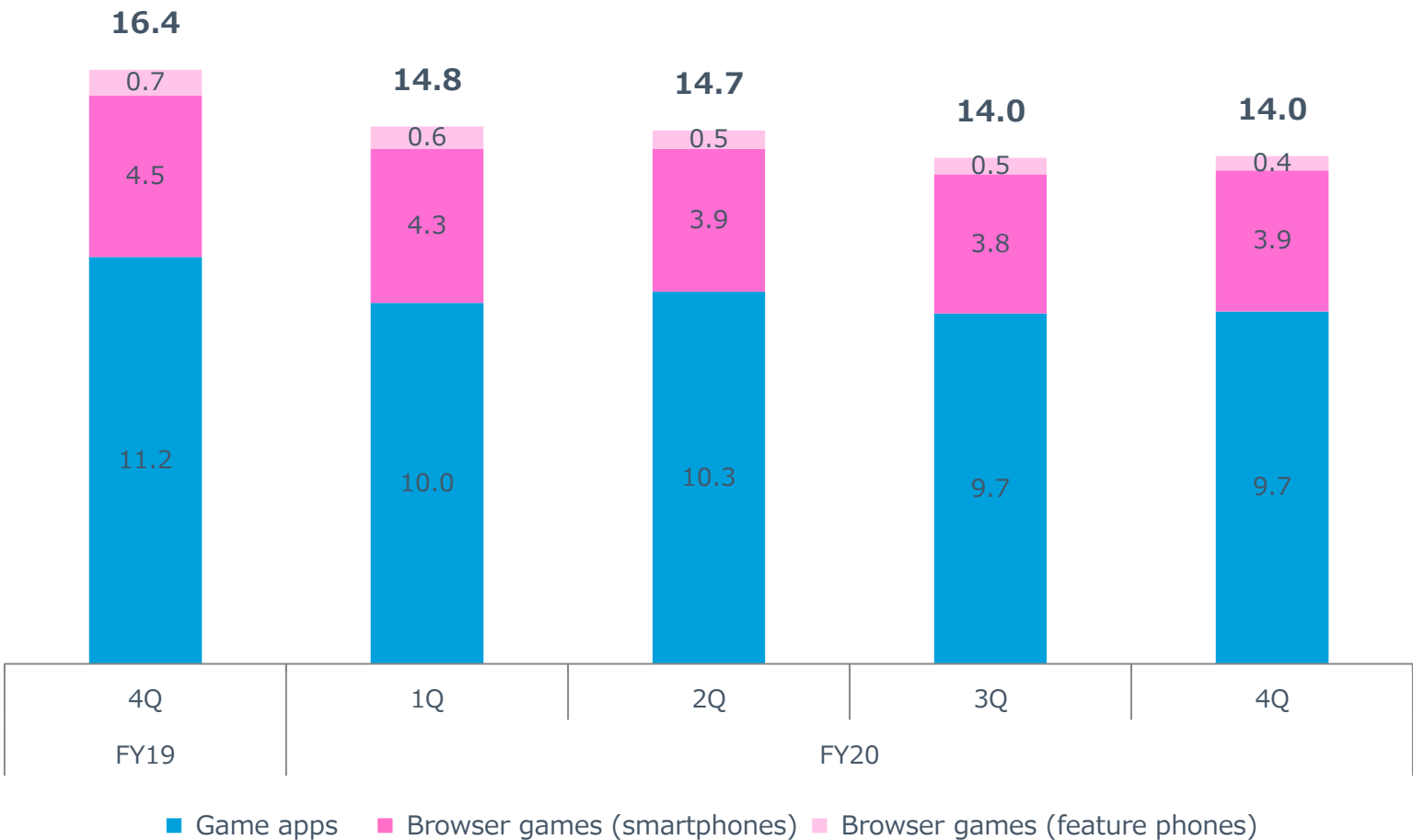


The announcement features a yellow background with a graphic of two hands shaking. The text reads: "aumo 連携メディア 150社突破" (aumo Partnership Media 150 companies breakthrough) and "地域情報の発信を強化!" (Strengthening local information distribution!).

- Strengthened local information distribution capabilities through cooperation with other media providers

Coin Consumption

Billions of coins



4Q FY20 Cost Structure

Billions of yen

		FY20 4Q	QoQ	YoY	FY20 3Q	FY19 4Q
	Rental charges	0.55	-0.02	-0.03	0.56	0.58
	Labor costs	2.38	0.17	0.11	2.21	2.27
	Others	3.92	-0.38	-0.50	4.30	4.43
	Cost of sales	6.85	-0.23	-0.42	7.08	7.27
	Advertising	0.62	0.22	-0.56	0.40	1.18
	Commission fees	3.12	0.06	-0.43	3.05	3.55
	Labor costs	1.33	0.09	0.09	1.24	1.24
	Others	3.14	0.72	0.31	2.42	2.82
	SG&A	8.21	1.09	-0.59	7.12	8.80
	Total costs	15.06	0.86	-1.01	14.20	16.07

4Q FY20 Balance Sheet

Billions of yen

		FY20 4Q	QoQ	YoY	FY20 3Q	FY19 4Q
	Current assets	99.0	0.3	4.5	98.7	94.5
	Fixed assets	27.5	-2.4	-0.5	29.9	28.0
	Total assets	126.5	-2.2	4.0	128.6	122.5
	Current liabilities	12.1	0.5	1.2	11.6	10.9
	Fixed liabilities	1.0	0.1	0.1	0.9	0.9
	Total liabilities	13.1	0.6	1.3	12.5	11.8
Total net assets		113.4	-2.7	2.7	116.2	110.7
Cash and cash equivalents		87.0	1.0	2.5	86.0	84.5
Goodwill		0.2	-0.0	-0.1	0.2	0.2

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.