



GREE, Inc.

FY2021 First Quarter Financial Results

October 27, 2020

Executive Summary

Financial Results Overview

- **Net Sales ¥15.2 billion, Operating Income ¥1.6 billion, EBITDA ¥1.8 billion**
 - Operating income surpassed our forecast

Business Overview

- **Started global distribution of *SINoALICE***
 - Off to a strong start with distribution kicked off in 139 countries and territories on July 1
- **Made progress with major titles in China**
 - Started distribution of *DanMachi* on September 24
 - Distribution of *Another Eden* scheduled to start on November 5
- **Made progress in developing the live entertainment business**
 - Expanded contents for our REALITY, Virtual live distribution app

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)



FY21 1Q Financial Results Overview

Net sales ¥15.2 billion, operating income ¥1.6 billion,
EBITDA ¥1.8 billion

Billions of yen

	FY21			FY20 4Q	FY20 1Q
	1Q	QoQ	YoY		
Net sales	15.24	0.24	-0.56	14.99	15.80
Operating income	1.60	1.66	0.42	-0.07	1.18
Ordinary income	1.78	1.92	0.71	-0.14	1.07
Net income	1.25	3.26	0.27	-2.01	0.99
EBITDA	1.84	1.70	0.55	0.14	1.29

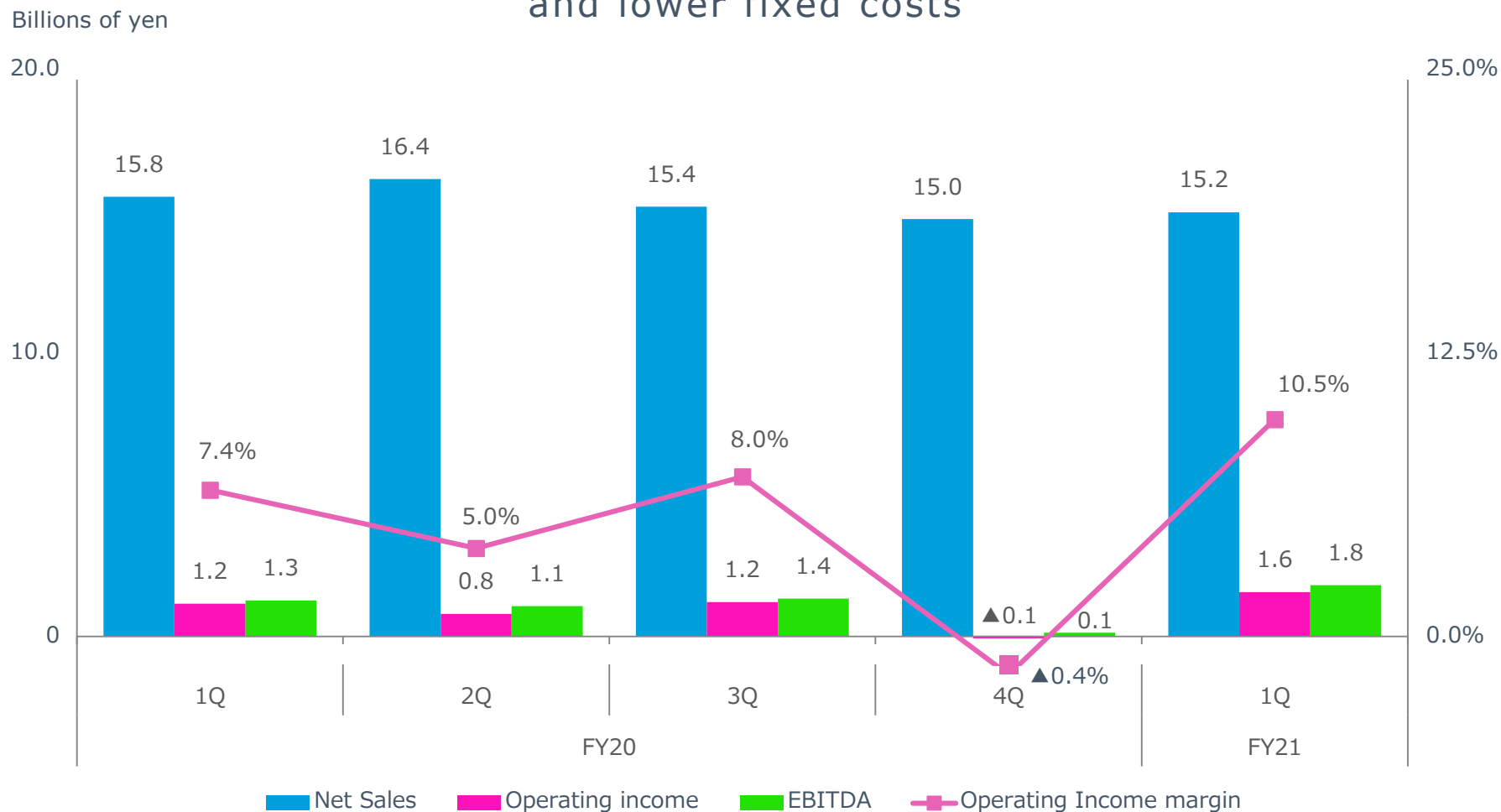
Notes:

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

1. Financial Results Overview (Consolidated)

Net Sales, EBITDA, and Operating Income

Increase in net sales and income on strong performance overseas and lower fixed costs

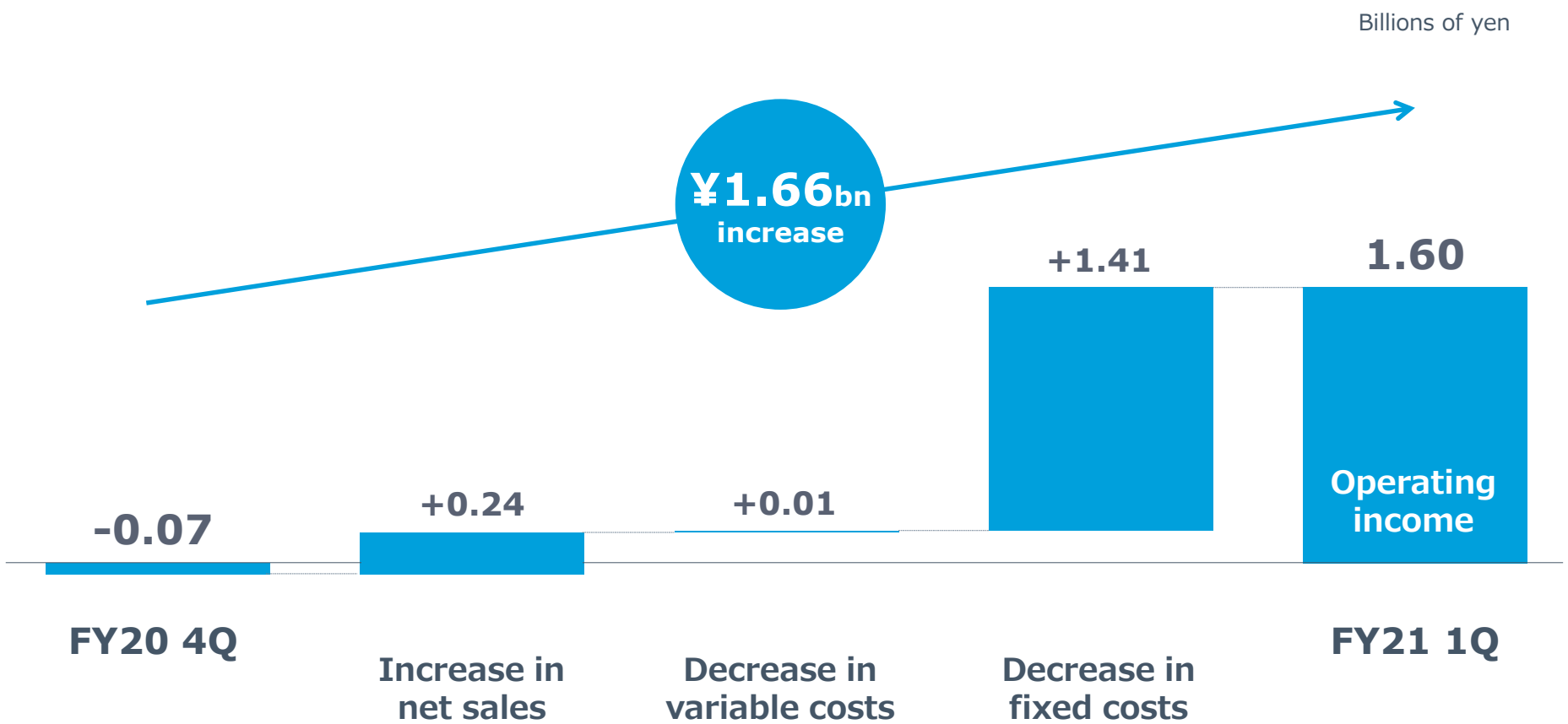


Note:

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

1Q Operating Income Analysis

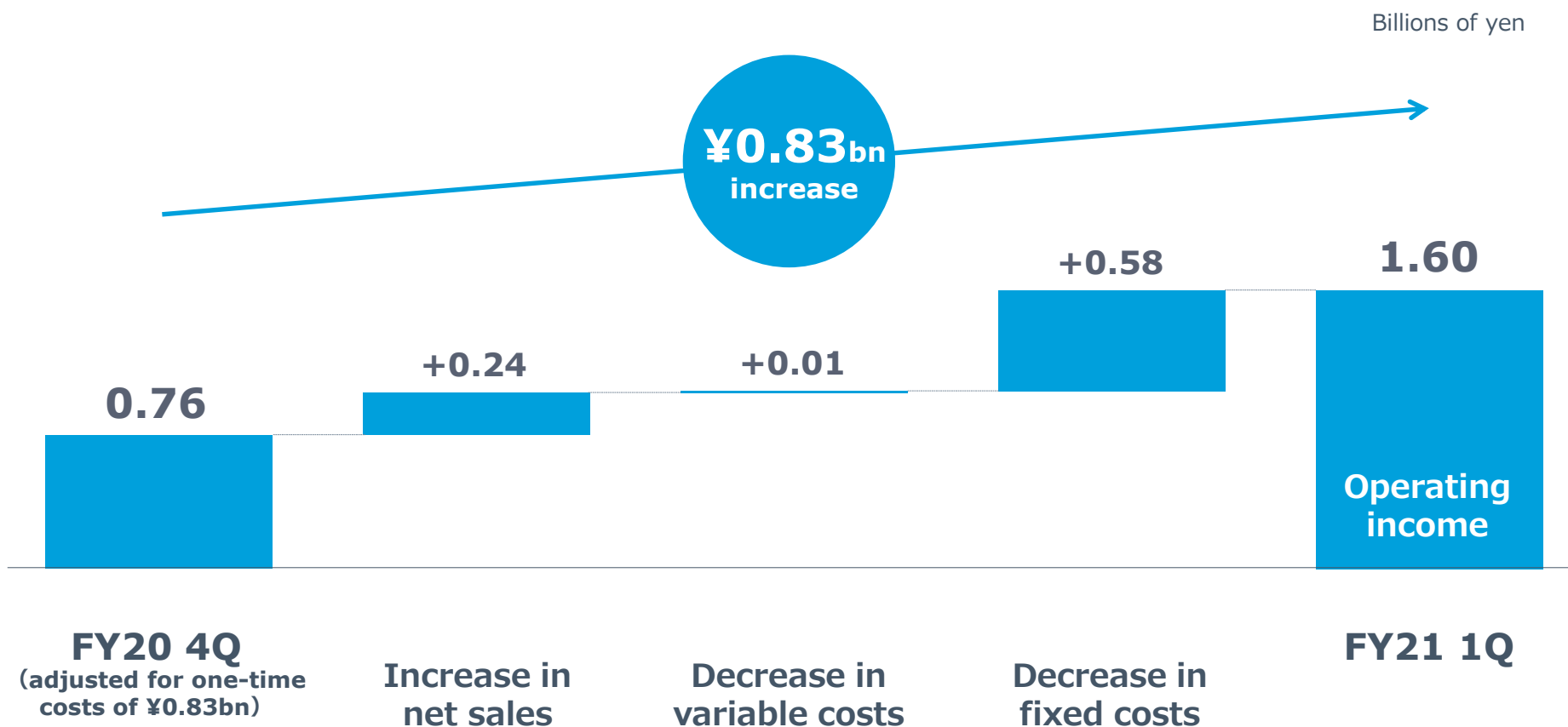
Operating income of **¥1.6 billion** owing to rising sales and lower fixed costs, etc.



1. Financial Results Overview (Consolidated)

1Q Operating Income Analysis(adjusted for one-time costs)

Operating income adjusted for one-time costs
rose by ¥0.8 billion



1. Financial Results Overview (Consolidated)

FY21 1Q Cost Structure

Total costs down ¥1.4 billion QoQ, to **¥13.6 billion**

						Billions of yen	
		FY21 1Q	QoQ	YoY	Factors in change (QoQ)	FY20 4Q	FY20 1Q
	Advertising	0.45	-0.17	-0.20	Decrease due to winding down of impact from anniversary events held for major titles	0.62	0.65
	Commission Fees, etc.	5.21	0.23	0.48	Increase due to higher sales	4.98	4.74
	Other	0.47	-0.07	-0.35	-	0.54	0.82
Total variable costs		6.14	-0.01	-0.08		6.15	6.21
	Labor costs	3.33	-0.38	-0.25	Decrease due to non-recurrence of one-time costs posted in 4Q FY20 and restructuring of our business	3.71	3.57
	Rental costs	0.55	0.00	0.01	-	0.54	0.54
	Depreciation	0.22	0.04	0.13	-	0.18	0.09
	Goodwill amortization	0.02	0.00	0.00	-	0.02	0.02
	Other	3.38	-1.07	-0.80	Decrease due to non-recurrence of one-time costs posted in 4Q FY20 and restructuring of our business	4.45	4.19
Total fixed costs		7.51	-1.41	-0.91		8.91	8.41
Total costs		13.64	-1.42	-0.98		15.06	14.62

Note:

- Breakdown of 1Q FY21 commission fees, etc.: commission fees: ¥3.34 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

Details of share repurchase

Class of stock to be repurchased	GREE common stock
Total number of shares to be repurchased	Up to 20 million shares 8.9% of the total number of shares issued, excluding treasury stock
Total cost of stock repurchase	Up to JPY 12.0 billion
Period of stock repurchase	October 1, 2020 – September 22, 2021

1. Financial Results Overview

2. Operational Overview

3. Appendix

2. Operational Overview: Summary

Review and Summary of 1Q

		FY21 Business Plan	Review
Overall		Continue to strengthen 3 earnings pillars	- In the game business, made progress in overseas distribution and improved the earnings potential of existing titles
Game/entertainment	Game	"Game engine, IP, and global" strategies	<ul style="list-style-type: none"> - Started global distribution of <i>SINoALICE</i> on July 1 - Made progress with major titles in China, started distribution of <i>DanMachi</i> on September 24, and prepared for distribution of <i>Another Eden</i> starting on November 5 - Made progress with development of new titles
	Live Entertainment	Further develop platform	- Expanded lineup of original contents for REALITY, Virtual live distribution app
Advertising and media		Strengthen media potential	- Strengthened media potential by expanding contents

Note:

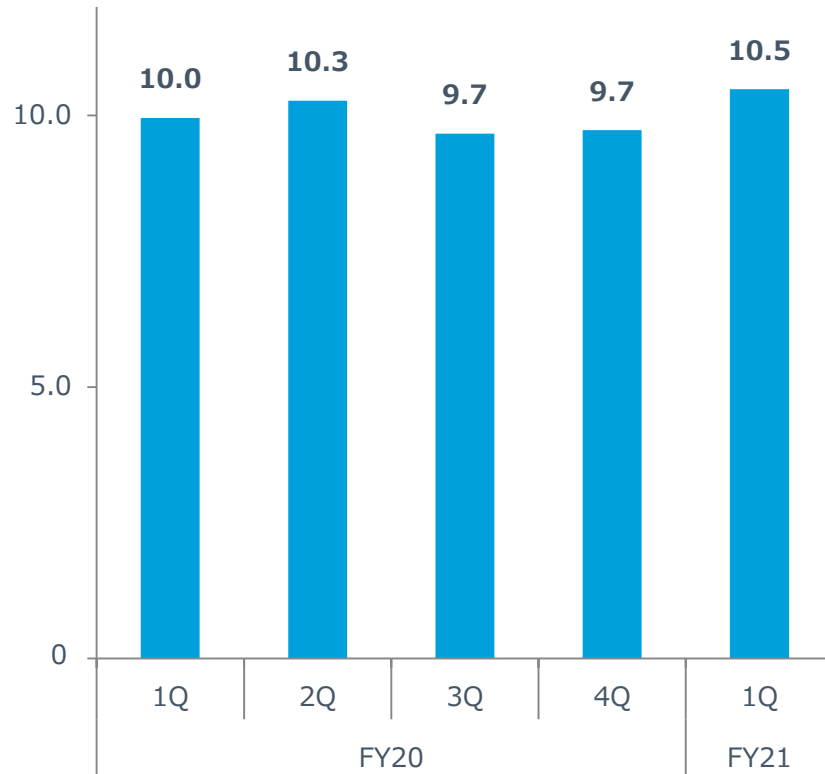
• *DanMachi* = *DanMachi* - *MEMORIA FREESE*

2. Operational Overview: Game business

Progress Made

Coin consumption (App games)

Billions of coins



Topics

- Started global distribution of *SINoALICE* on July 1
- Coin consumption remained stable even after the rise associated with anniversary events held in 4Q settled down

Note:

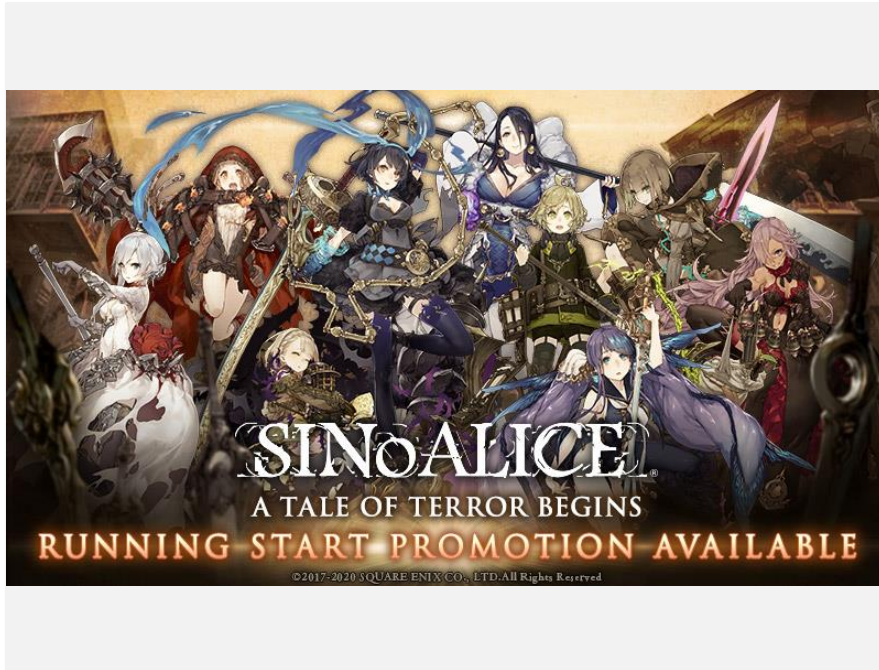
- Excludes coin consumption from licensed titles and mainstay titles in China

2. Operational Overview: Game business

Overseas Distribution: Strengthening earning potential

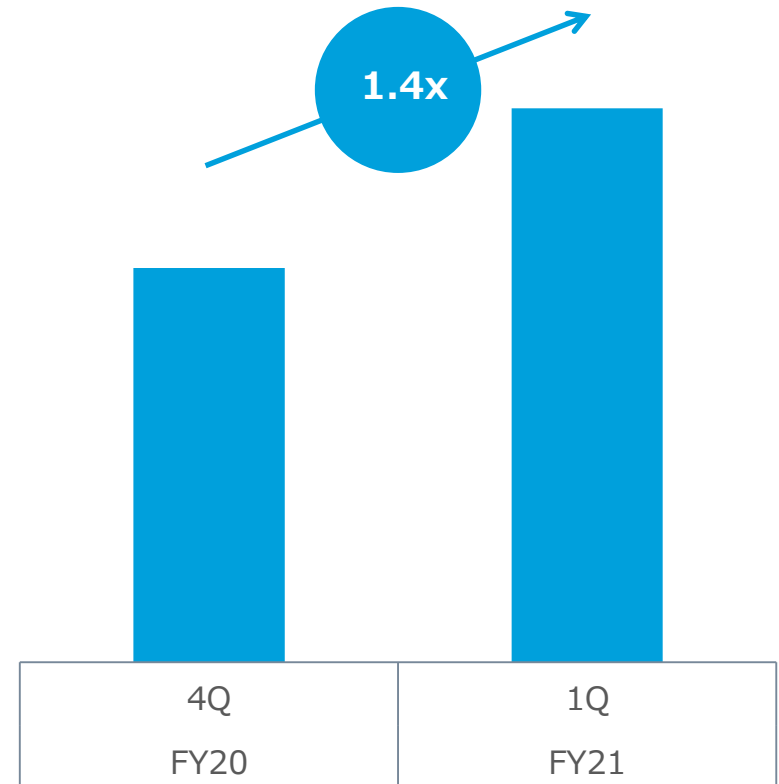
Increased earning potential of *SINoALICE* by launching global version

Release of global version



- Released in 139 countries/territories on July 1

Coin consumption



2. Operational Overview: Game business

Overseas distribution: China

Made progress with major titles in China through cooperation with our local distribution partners

DanMachi

Released September 24



- Distribution partner: Shengqu Games Limited

Another Eden

Released scheduled for November 5



- Distribution partner: X.D. Network Inc.

Note:

- *DanMachi* = *DanMachi - MEMORIA FREESE*
© Fujino Omori-SB Creative Corp./Danmachi3 Project © WFS

2. Operational Overview: Game business

Development pipeline

Plan to continue to release 2-3 in-house developed new titles per year;
aiming to generate hits

Assault Lily: Last Bullet

In-house developed



- Scheduled release this winter

Heaven Burns Red

In-house developed



- Scheduled release in 2021

KNIGHT OF SIDONIA game project

In-house developed



- Scheduled release in 2021

One-Punch Man

Licensed title



- Scheduled release on October 29, 2020

Multiple other titles in
planning/development
pipeline

Note:

- One-Punch Man developed by GREE and Ourpalm Co. Ltd. of China, distributed by GREE
- © AZONE INTERNATIONAL • acus/ Assault Lily Project ©Pokelabo, Inc. ©bushiroad ©Tokyo Broadcasting System Television, Inc. © SHAFT
- © VISUAL ARTS / Key © WFS
- ©Tutomu Nihei • Kodansha/Toajukojuryokusai Uneikyoku © WFS
- © ONE, Yusuke Murata/SHUEISHA, Hero Association HQ

2. Operational Overview: Game business

Expanding and Energizing Fan Communities ①

Energizing users by adding main storylines

Another Eden

Added main storyline



- Began distribution of final part of Volume 2

SINoALICE

Added main storyline



- Began distribution of new storyline

2. Operational Overview: Game business

Expanding and Energizing Fan Communities ②

Energized users by adding storylines unique to the games

DanMachi

Added storyline unique to the game



- Added new major storyline drafted by original creator Fujino Omori

Notes:

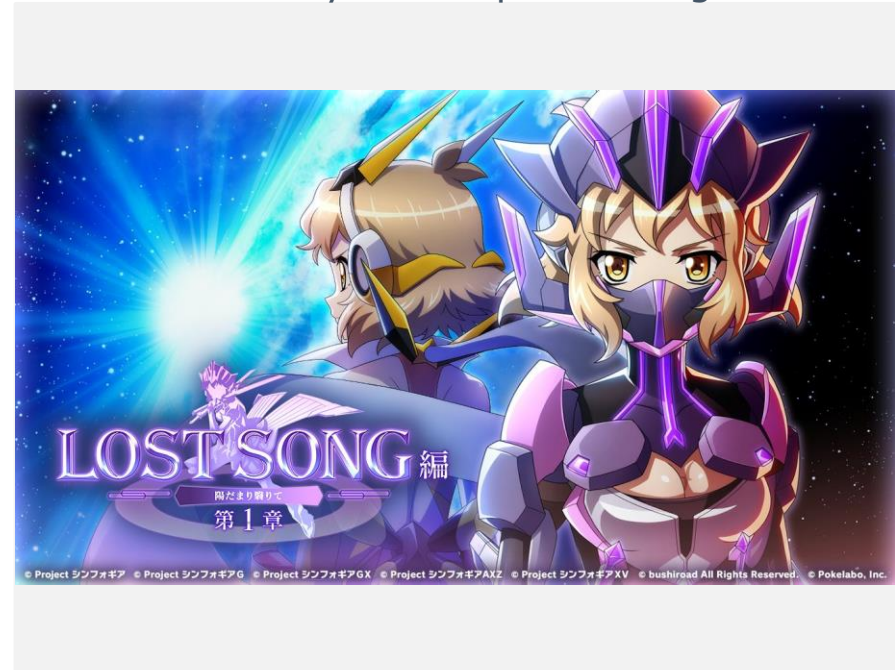
• *DanMachi* = *DanMachi* - MEMORIA FREESE

© 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

Added storyline unique to the game



- Added long storyline unique to the game

2. Operational Overview: Live Entertainment

Further develop platform

Expanded content on REALITY by adding original programs and new avatars

Original Program

REALITY Werewolf Party



- Aired special program featuring TV personalities

Avatar *gacha*

Summer Festival



- Expanded lineup of avatar variations

2. Operational Overview: Advertising and media

Strengthened Media Potential

Energized user communities through campaigns, etc.

aumo

Expanded user base

国内No.1 ローカルメディア aumo

月間
利用者 **1,000** 万人 &

アプリ **500** 万DL突破!

- Over 10 million monthly users and 5 million app downloads

LIMIA

Held photo posting contest

LIMIA PHOTO EVENT
ダイソーで
見つけたアイテム
フォト投稿コンテスト



期間: 2020年8月7日(金) 12:00~2020年9月4日(金) 11:59

- Energized user community through photo contest

1. Financial Results Overview



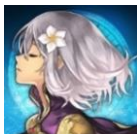
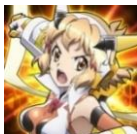
2. Operational Overview

3. Appendix

3. Appendix

Overseas Distribution

Distribution regions

	Japan	North America	Europe	Hong Kong, Taiwan, etc.	Mainland China
 DanMachi	Released	Released	Released	Released	Released 9/24
 SINoALICE	Released	Released 7/1		Released	Agreement signed
 Another Eden	Released	Released	Released	Released	Release scheduled 11/5
 SYMPHOGEAR	Released	Closed	-	Closed	-
Third-party distributed title	Released	Released	Released	Released	-

Notes:

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

© 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.

Coin Consumption

Billions of coins



■ Game apps ■ Browser games (smartphones) ■ Browser games (feature phones)

Note:

- Excludes coin consumption from licensed titles and mainstay titles in China

1Q FY21 Cost Structure

Billions of yen

		FY21 1Q	QoQ	YoY	FY20 4Q	FY20 1Q
	Rental charges	0.55	0.00	0.01	0.55	0.54
	Labor costs	2.19	-0.19	-0.12	2.38	2.31
	Others	3.87	-0.05	-0.38	3.92	4.25
	Cost of sales	6.61	-0.24	-0.49	6.85	7.11
	Advertising	0.45	-0.17	-0.20	0.62	0.65
	Commission fees	3.34	0.22	0.24	3.12	3.10
	Labor costs	1.14	-0.20	-0.13	1.33	1.26
	Others	2.11	-1.03	-0.40	3.14	2.51
	SG&A	7.03	-1.18	-0.49	8.21	7.52
	Total costs	13.64	-1.42	-0.98	15.06	14.62

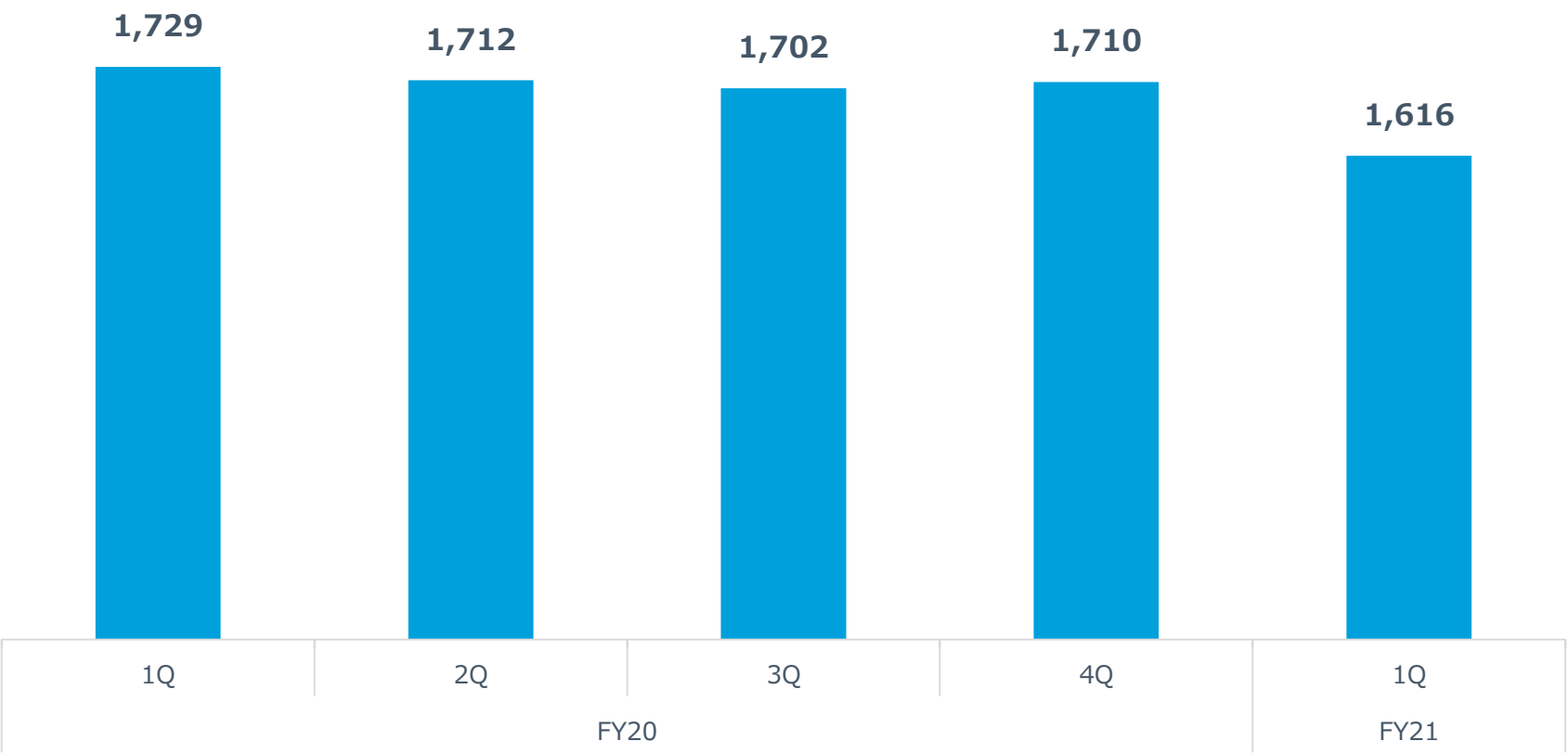
1Q FY21 Balance Sheet

Billions of yen

		FY21 1Q	QoQ	YoY	FY20 4Q	FY20 1Q
	Current assets	95.3	-3.7	0.6	99.0	94.7
	Fixed assets	28.5	1.0	-0.5	27.5	29.0
	Total assets	123.8	-2.7	0.1	126.5	123.7
	Current liabilities	10.1	-2.0	-0.9	12.1	11.0
	Fixed liabilities	1.3	0.3	0.4	1.0	0.9
	Total liabilities	11.4	-1.7	-0.5	13.1	11.9
Total net assets		112.4	-1.0	0.6	113.4	111.8
Cash and cash equivalents		85.9	-1.1	1.0	87.0	84.9
Goodwill		0.1	-0.0	-0.1	0.2	0.2

Group Headcount

Number of employees



Notes:

- Includes non-consolidated group companies; as of the end of each quarter
- Headcount declined by 94 QoQ in 1Q FY21 owing to restructuring of some businesses



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.