



GREE, Inc.

FY2021 Second Quarter Financial Results

February 12, 2021

Financial Results Overview

- **Net Sales ¥13.7 billion, Operating Income ¥0.6 billion, EBITDA ¥0.8 billion**
 - Operating income was in line with our forecast

Business Overview

- **Released new title**
 - Started distribution of *Assault Lily: Last Bullet* in January 2021
- **Made progress with major title in China**
 - Started distribution of *Another Eden* of Chinese version in November 2020
- **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**

1. Financial Results Overview

2. Operational Overview

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1. Financial Results Overview

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1. Financial Results Overview (Consolidated)



FY21 2Q Financial Results Overview

Net sales ¥13.7 billion, Operating income ¥0.6 billion, EBITDA ¥0.8 billion. Net income ¥3.0 billion on profit from investment fund operation business, etc.

Billions of yen

	FY21	QoQ	YoY
	2Q		
Net sales	13.68	-1.56	-2.76
Operating income	0.56	-1.04	-0.26
Ordinary income	3.18	1.40	1.13
Net income	2.99	1.74	0.44

FY21	FY20
1Q	2Q
15.24	16.44
1.60	0.81
1.78	2.05
1.25	2.55

EBITDA	0.76	-1.08	-0.33
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1.84	1.09
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Notes:

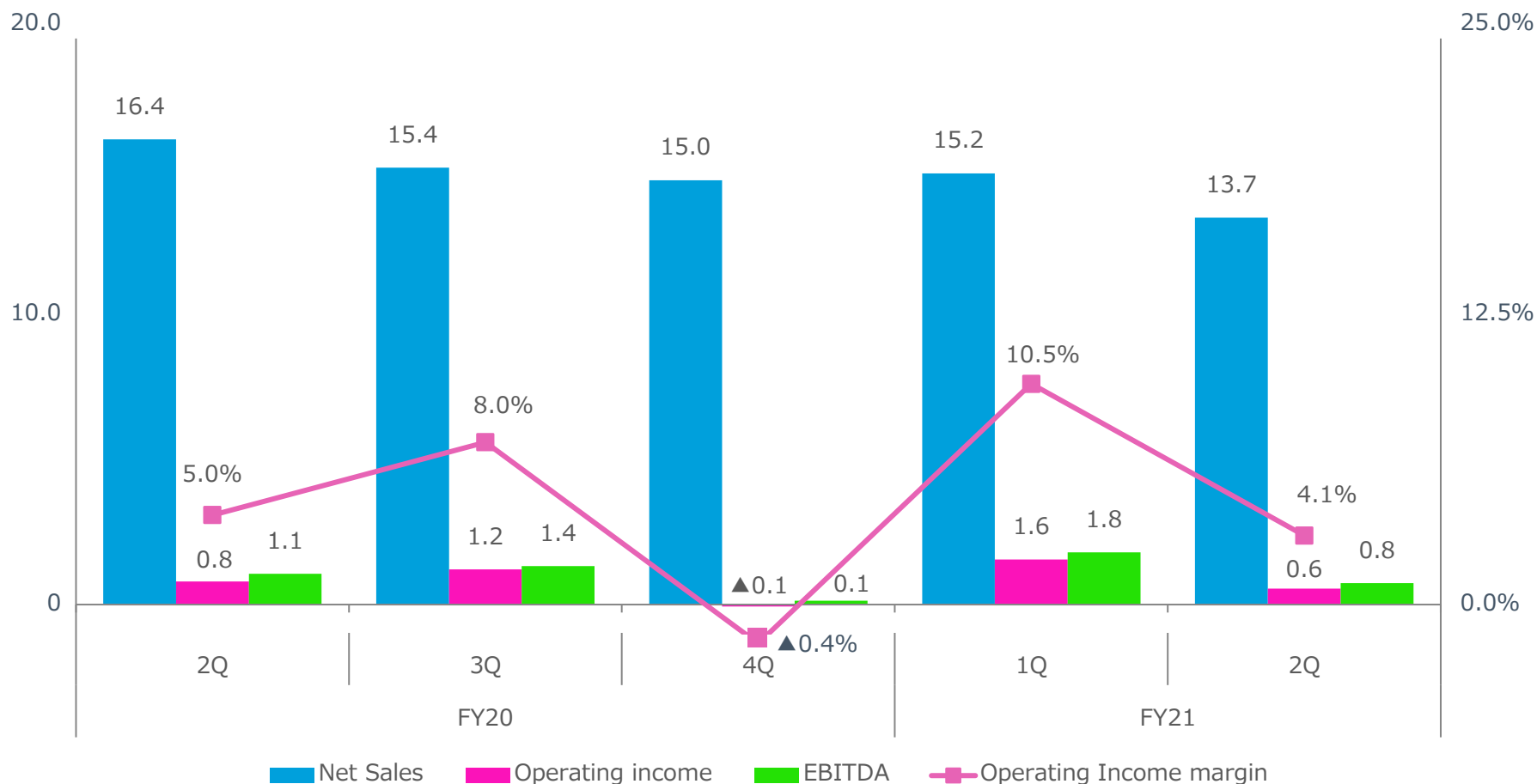
- Net income: Profit attributable to shareholders of parent
- EBITDA = Operating income/loss + depreciation costs + amortization of goodwill

1. Financial Results Overview (Consolidated)

Net Sales, EBITDA, and Operating Income

Operating income remained firm despite seasonal decline in game business sales

Billions of yen

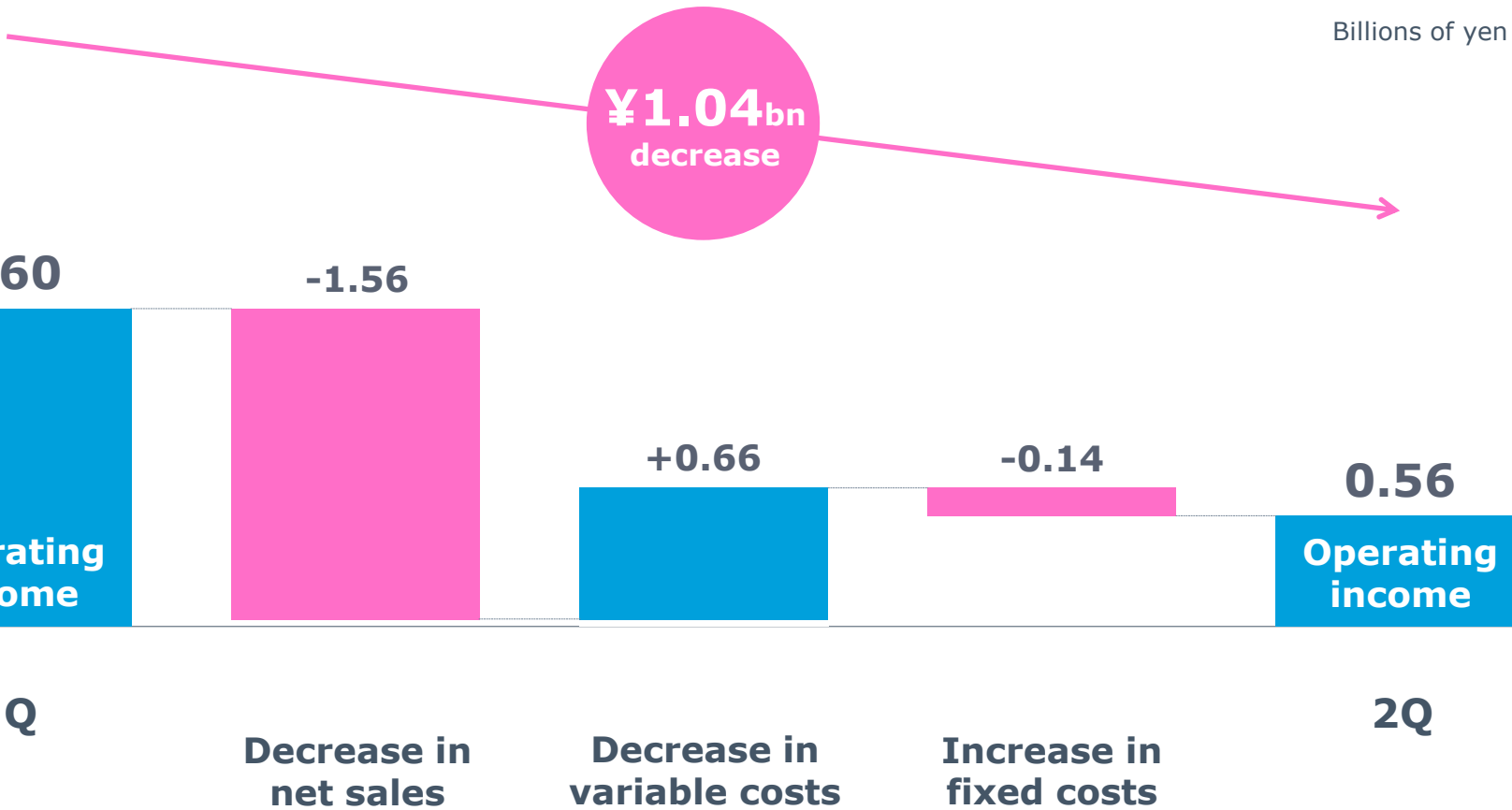


Note:

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

2Q Operating Income Analysis

Operating income down ¥1.0 billion QoQ on net sales decline



1. Financial Results Overview (Consolidated)

FY21 2Q Cost Structure

Total costs down ¥0.5 billion QoQ, to ¥13.1 billion

						Billions of yen	
		FY21 2Q	QoQ	YoY	Factors in change (QoQ)	FY21 1Q	FY20 2Q
	Advertising	0.69	0.24	-0.06	Increase on higher ad costs for game apps including new title	0.45	0.76
	Commission Fees, etc.	4.36	-0.85	-0.99	Decrease due to lower sales	5.21	5.35
	Other	0.42	-0.05	-0.70	-	0.47	1.12
Total variable costs		5.47	-0.66	-1.76		6.14	7.23
	Labor costs	3.36	0.03	-0.14	-	3.33	3.49
	Rental costs	0.52	-0.03	-0.06	-	0.55	0.58
	Depreciation	0.18	-0.05	-0.07	-	0.22	0.25
	Goodwill amortization	0.02	0.00	0.00	-	0.02	0.02
	Other	3.57	0.18	-0.47	Increase due to higher outsourcing costs	3.38	4.04
Total fixed costs		7.64	0.14	-0.75		7.51	8.39
Total costs		13.12	-0.53	-2.51		13.64	15.62

Note:

- Breakdown of 2Q FY21 commission fees, etc.: commission fees: ¥2.78 billion, royalties: ¥1.57 billion

1. Financial Results Overview (Consolidated)

Stock Repurchase

Implemented the stock repurchase to increase shareholder returns and to implement a flexible capital policy
(up to 20 million shares worth up to ¥12.0 billion)

Cumulative repurchases (as of January 31, 2021)

Total number of shares repurchased	Roughly 7.14 million shares
Total repurchased price of shares	Roughly 4.1 billion JPY

For reference:

Details of share repurchase(as decided at Board of Directors meeting held on September 29, 2020)

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

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2. Operational Overview: Summary

Review and Summary of 2Q

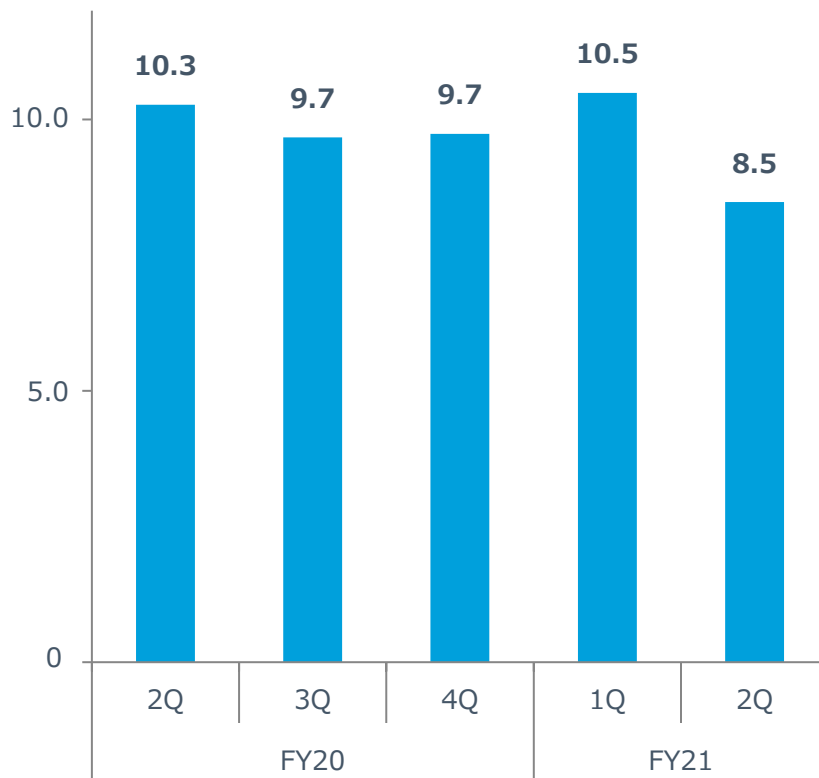
		FY21 Business Plan	Review
Overall		Continue to strengthen 3 earnings pillars	- In the game business, developed new titles and made progress in overseas distribution
Game/entertainment	Game	"Game engine, IP, and global" strategies	<ul style="list-style-type: none"> - Made progress in development of <i>Assault Lily: Last Bullet</i>, started distribution in January 2021 - Started distribution of <i>One-Punch Man Ichigeki Maji Fight</i> in October 2020 - Started distribution of <i>Another Eden</i> of Chinese version in November 2020
	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

2. Operational Overview: Game business

Progress Made

Coin consumption (App games)

Billions of coins



Topics

- Decline coin consumption of *SINoALICE* after strong growth following global launch
- Maintained stable coin consumption despite slightly weaker performance from existing titles owing to seasonal factors
- Started distribution of *Assault Lily: Last Bullet* on January 20, 2021 (FY21 3Q)

Note:

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

2. Operational Overview: Game business

Released new title (In-house developed)

Started distribution of *Assault Lily: Last Bullet*; off to a strong start



- Collaborative title with Bushiroad, TBS, and SHAFT, launched on January 20, 2021
- Developing a variety of media mix plans including TV anime story integration

2. Operational Overview: Game business

Released new title (Licensed title)

Domestic launched of *One-Punch Man Ichigeki Maji Fight* off to a smooth start



- Developed by GREE and Ourpalm Co. Ltd. of China, launched on October 29, 2020

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



- Released January 20, 2021

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



- Released 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
- © Tsutomu Nihei • Kodansha/Toajukojuryokusai Uneikyoku © WFS
- © ONE, Yusuke Murata/SHUEISHA, Hero Association HQ

2. Operational Overview: Game business

Overseas Distribution: China

Started distribution of *Another Eden* of Chinese version

Distribution of major titles in China

Chinese distribution partners

Preparing



- bilibili
Operator of largest Chinese youth culture and subculture community, *Bilibili*

Released



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

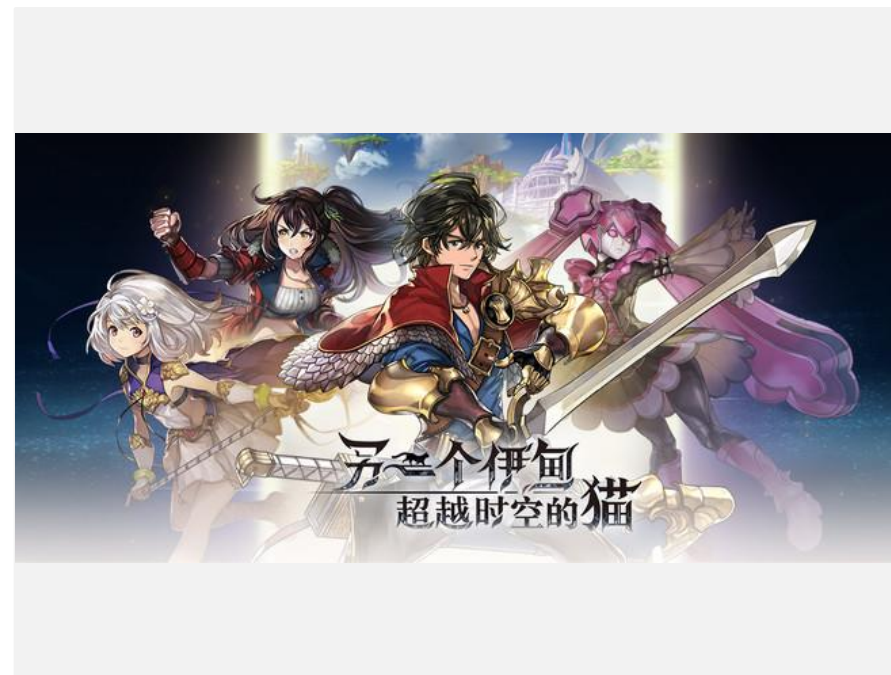
Released



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

- Leveraging operational knowhow accumulated over many years and working with our Chinese distribution partners to strengthen earnings

Another Eden of Chinese version



- Started distribution on November 5, 2020

2. Operational Overview: Game business

Expanding and Energizing Fan Communities ①

Energized users by collaborating with popular IP

Another Eden

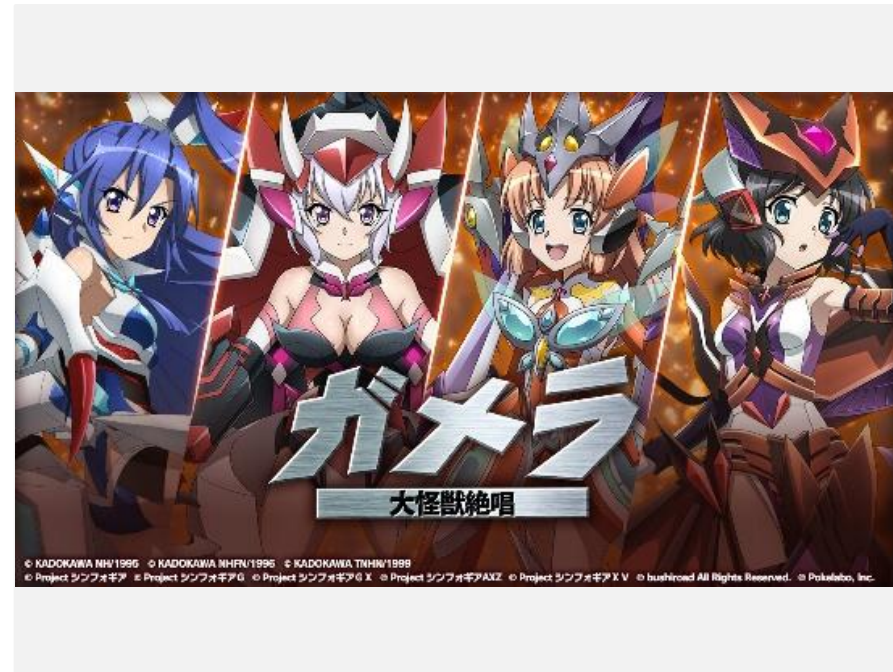
IP collaboration



- Collaboration with *Tales of* series

Senki Zesshou SYMPHOGEAR XD UNLIMITED

IP collaboration



- Collaboration with *Gamera*

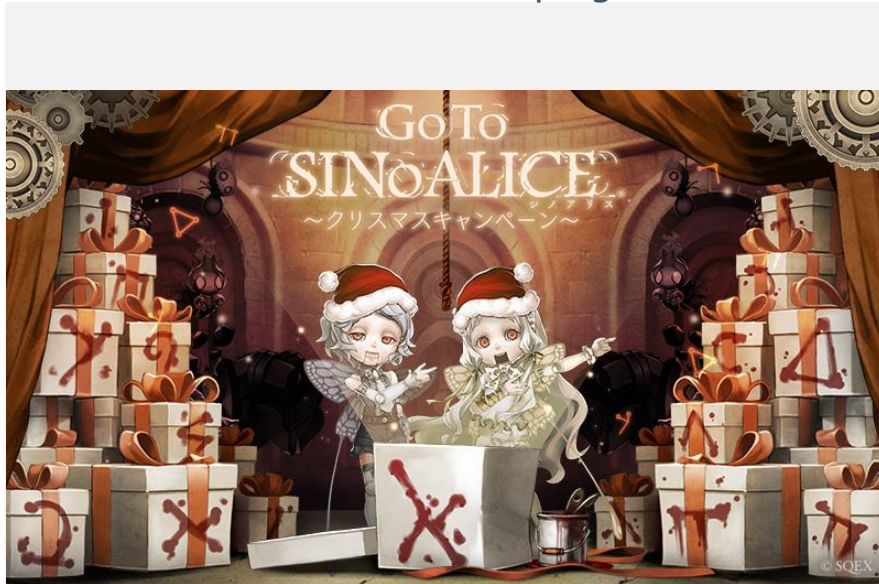
2. Operational Overview: Game business

Expanding and Energizing Fan Communities ②

Energized users through major campaigns

SINoALICE

Christmas campaign



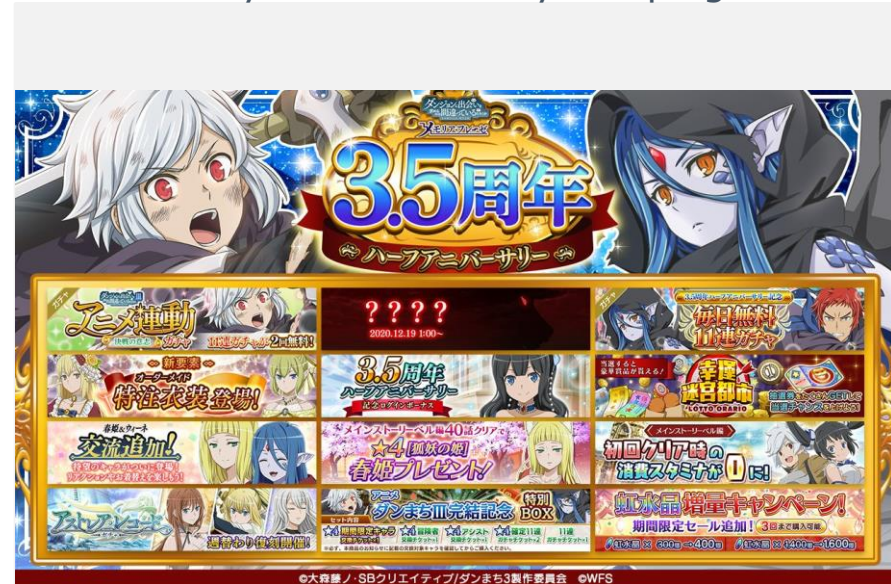
- Held major campaign and SNS with events

Note:

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

3.5-year anniversary campaign



- Anime tie-in and revival of popular *gacha* offering

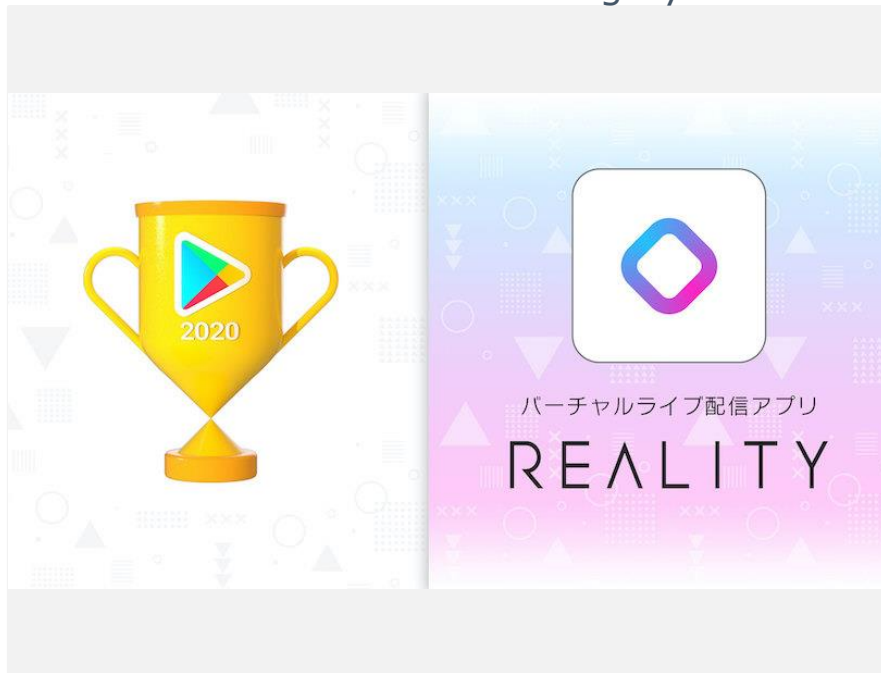
2. Operational Overview: Live Entertainment

Further develop platform

Expanded contents on REALITY by adding avatar *gacha* offerings etc.

Selected for Google Play Best of 2020

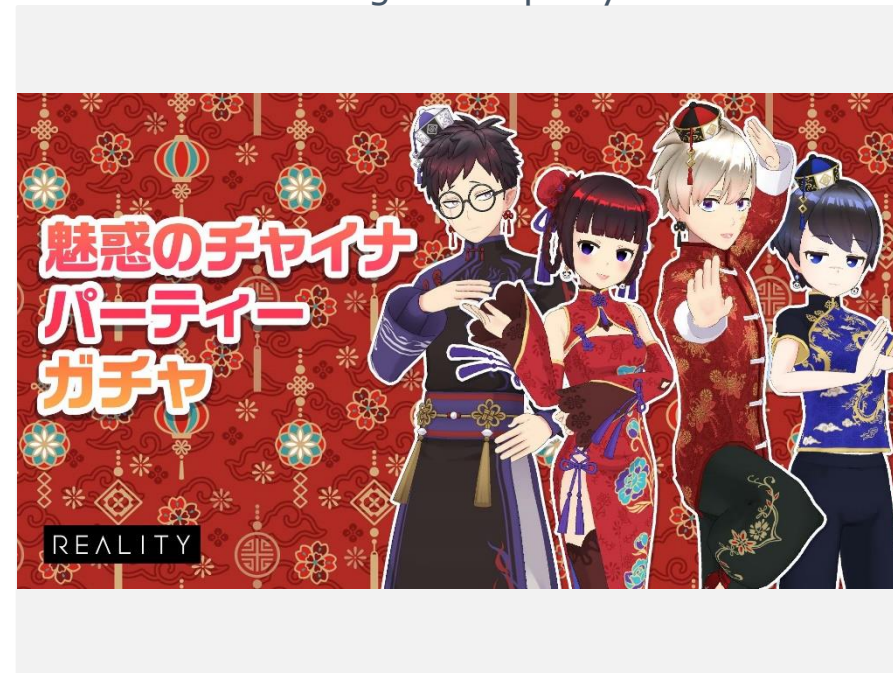
Entertainment category



- REALITY app was selected in the entertainment category

Avatar *gacha*

Enchanting China party attire



- Expanded lineup of avatar variations

2. Operational Overview: Advertising and media

Strengthened Media Potential

Expanded contents to meet user needs

aumo

Special GoTo campaign issue



- Strengthened media potential by presenting articles explaining the GoTo campaign

LIMIA

Held photo posting contest



- Energized user community through photo contest with a "spending time at home" theme

1. Financial Results Overview



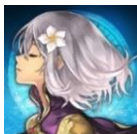
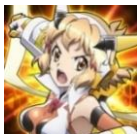
2. Operational Overview

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Overseas Distribution

Distribution regions

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

Notes:

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- SYMPHOGEAR = Senki Zesshou SYMPHOGEAR XD UNLIMITED

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Coin Consumption

Billions of coins



Note:
• Excludes coin consumption from licensed titles and mainstay titles in China

2Q FY21 Cost Structure

Billions of yen

		FY21 2Q	QoQ	YoY	FY21 1Q	FY20 2Q
	Rental charges	0.52	-0.03	-0.07	0.55	0.59
	Labor costs	2.29	0.10	0.09	2.19	2.20
	Others	3.67	-0.20	-1.11	3.87	4.78
	Cost of sales	6.48	-0.13	-1.08	6.61	7.56
	Advertising	0.69	0.24	-0.06	0.45	0.76
	Commission fees	2.78	-0.55	-0.48	3.34	3.27
	Labor costs	1.07	-0.07	-0.23	1.14	1.29
	Others	2.09	-0.02	-0.65	2.11	2.74
	SG&A	6.64	-0.39	-1.42	7.03	8.06
	Total costs	13.12	-0.53	-2.51	13.64	15.62

3. Appendix

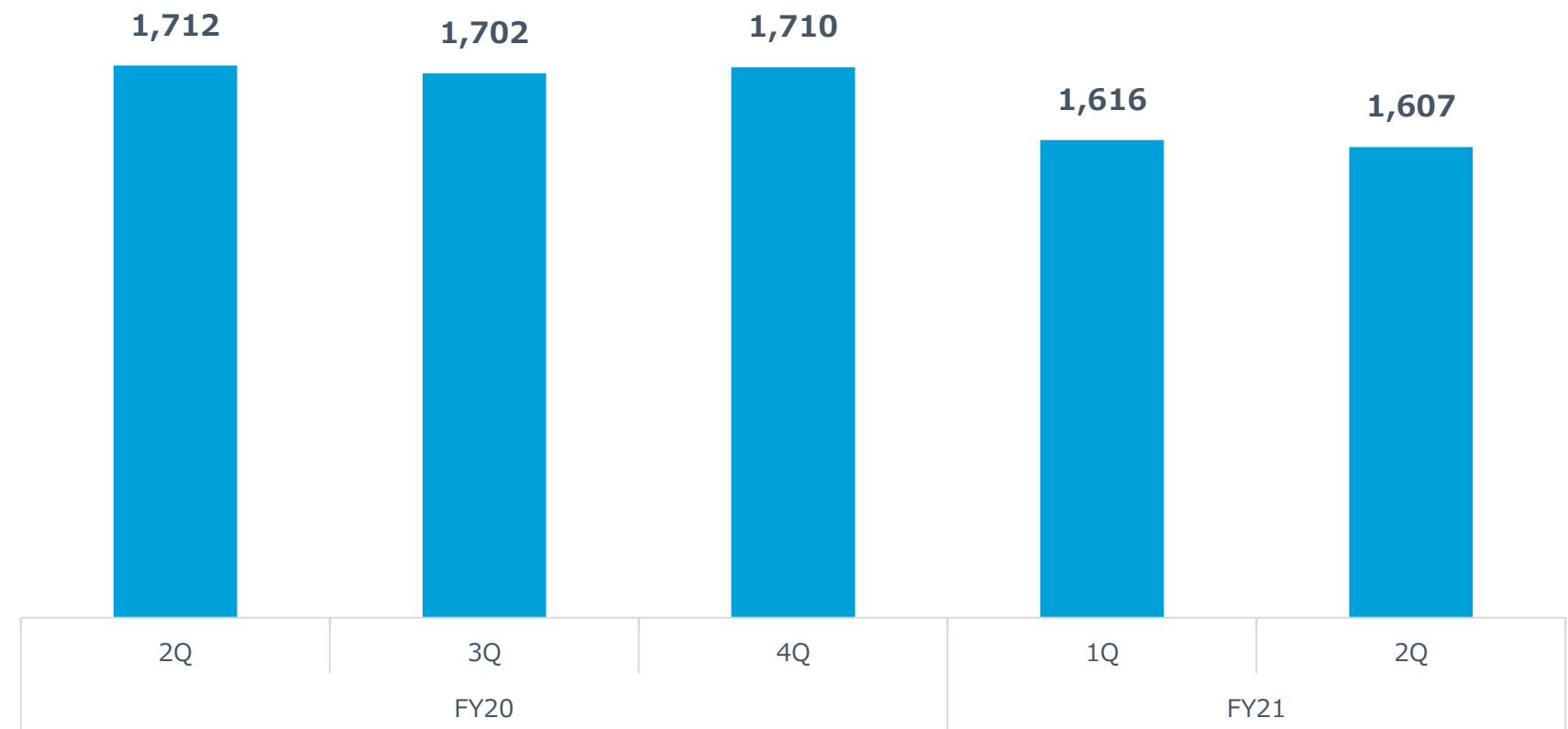
2Q FY21 Balance Sheet

Billions of yen

	FY21 2Q	QoQ	YoY	FY21 1Q	FY20 2Q
Current assets	104.0	8.7	5.6	95.3	98.4
Fixed assets	30.9	2.4	1.2	28.5	29.7
Total assets	134.9	11.1	6.8	123.8	128.1
Current liabilities	10.5	0.4	-2.0	10.1	12.6
Fixed liabilities	10.3	9.0	9.4	1.3	0.9
Total liabilities	20.9	9.5	7.4	11.4	13.5
Total net assets	114.0	1.6	-0.6	112.4	114.6
Cash and cash equivalents	89.1	3.2	0.3	85.9	88.8
interest-bearing debt (-)	8.0	8.0	8.0	-	-
Net cash	8.11	-4.8	-7.7	85.9	88.8
Goodwill	0.1	-0.0	-0.1	0.1	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



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