
Toshiki Oya, Senior Vice President, CFO:

Thank you for joining the FY2022 fourth quarter financial results briefing of GREE, Inc. I am Toshiki Oya.

Please refer to the Executive Summary on page 2.

Starting with the FY22 full-year results, net sales was ¥74.9 billion, operating income was ¥11.5 billion, and EBITDA was ¥12.1 billion. We achieved year-on-year growth in sales and operating income. Key drivers of the results were multiple hits in the Game Business such as *Heaven Burns Red* and *That Time I Got Reincarnated as a Slime*. Also, we continued to invest aggressively in the Metaverse Business and made progress in developing it into a global business. In the Advertising and Media Business, we continued to strengthen the media potential and entered the SaaS Business.

Regarding the fourth quarter, net sales was ¥20.9 billion, operating income was ¥3.8 billion, and EBITDA was ¥4.0 billion. Again, we operated new hit titles successfully, surpassing our expectations.

This is our plan for FY23. We will continue to strengthen the three business pillars, targeting strong medium- and long-term growth. In the Game Business, we will continue to pursue our “game engine, IP and global” strategies, create IP and strengthen creative potential with the aim of increasing profitability over the medium-to-long term. In the Metaverse business, we will develop REALITY, aiming to expand the global user base to hundreds of millions of users over the medium-to-long term. As for the Commerce and DX Business, we will expand the business through linkage with media and SaaS. In addition, we will provide comprehensive support for corporate DX, mainly through advertising and marketing.

Now, let me give you an overview of our consolidated financial results on page 5.

Net sales and operating income are as shown on the slide, and you will see more details later. Ordinary income increased year on year to ¥14.1 billion due to the posting of a forex gain. On the other hand, net income declined year on year to ¥10.1 billion, following the high level of gains on the sale of investment securities in FY21.

Next, page 6 shows the trends in net sales and operating income. On the left is the Internet and Entertainment Business. Since the second quarter, the new hit titles, *Heaven Burns Red*

and *That Time I Got Reincarnated as a Slime* have contributed greatly. The foundation of the Internet and Entertainment Business was further strengthened in this fiscal year. On the right is the Investment and Incubation Business, which, despite some fluctuations, consistently contributed to profit.

Page 7 shows the analysis of operating income compared to the third quarter. Sales grew from the previous quarter on the successful operation of the new hit titles. On the cost side, variable costs slightly fell on the decline in advertising expenses which stayed high during the third quarter after the launch of new titles. As a result, operating income was ¥3.8 billion, both sales and operating income increased compared to the previous quarter.

Page 8 shows the cost structure for the fourth quarter. As I said, advertising expenses decreased by ¥0.68 billion from the previous quarter. On the other hand, commission fees increased due to higher sales. Total variable costs decreased by ¥0.24 billion. Fixed costs stayed flat. As a result, the total costs were down by ¥0.2 billion quarter on quarter to ¥17.0 billion.

Page 9 shows the fiscal year-end dividend. The dividend will be ¥11 per share. In FY22, we achieved growth in sales and income in the Internet and Entertainment Business, but there was some negative impact from the year-on-year decline in gains on sale of investment securities following the strong performance in FY21. Our dividend distribution policy is to maintain DOE of approximately 2.0% with consolidated payout ratio of roughly 20% or higher. According to the policy, the year-end dividend for FY22 will be ¥11 per share.

Now let me move on to the operational overview. Page 11, please. In summary, we continued to strengthen the three earnings pillars in FY22. Let me give you more details on each business from next page.

Page 12 is about new hit titles. As I said in the beginning, we generated two hit titles: *Heaven Burns Red* and *That Time I Got Reincarnated as a Slime*. *Heaven Burns Red* reached No.1 in App Store sales ranking multiple times. *That Time I Got Reincarnated as a Slime* also reached No. 4 in App Store sales ranking. After all those years in the app game business, we have blossomed greatly this year.

Page 13 is about existing titles. Our first-party title, *Another Eden* has reached its fifth anniversary and remains strong owing to the addition of high-quality content. This fiscal year, we continued to actively collaborate and add content, including a collaboration with *Chrono Cross* and a new initiative, *Apocrypha*. *Another Eden* has been enjoyed by many users. We will continue to strengthen our operations system and continuously release high-quality content in the current fiscal year so that users can enjoy the game for long years ahead. We also expanded earnings sources through aggressive overseas distribution and multi-platform distribution. In FY22, PC version was released, contributing to further expansion of the user base. Those comprehensive efforts have led to the long-term operation.

Page 14 is about the overseas distribution of our games. We achieved continued growth in overseas coin consumption through global releases of new titles. In FY22 there was the simultaneous global release of *That Time I Got Reincarnated as a Slime* in October 2021, and *Echoes of Mana* in April 2022. This is our potential for growth, and we will prepare for upcoming overseas distribution of new titles.

Next is the Metaverse Business on page 15. Throughout FY22, we made progress with REALITY, moving forward with global distribution and adding features. On the left are some simple figures which show the progress we made globally. With 80% of our users from overseas, 63 countries and territories covered, and 12 languages supported, the service has truly become a globally accepted service. In addition, we strengthened functionality releasing the video chat and "World" functions to further enrich avatar communication.

Page 16 is about the Advertising and Media Business. In FY22, we continued to strengthen our media potential by expanding content and entered the SaaS Business, as explained on the left side. As you heard last time, we launched aumo My Business, which leverages the media potential of aumo to provide one stop marketing service for physical stores. It has been very well received, and the number of participating stores topped 30,000. We aim for further growth.

Please turn to page 17, the Investment and Incubation Business. In FY22, we invested in 28 VC funds and 34 startups. the valuation of investments reached ¥31.4 billion and made stable contribution to profit, albeit with some degree of volatility from quarter to quarter.

Page 18 is our image of growth that we have been showing for some time. It is made of three parts: continuous growth of the Commerce and DX Business, gradual but steady growth of the Game and Anime Business, albeit with some degree of volatility, and strong global growth of the Metaverse Business, which will together create corporate value.

From page 19, let me share our FY23 business plan. Overall, there are no major change. We will continue to strengthen the three earnings pillars.

Page 20, please. The business previously called the Game Business has been renamed the Game and Anime Business. The “Game engine, IP and global” strategies will not change, but to increase earnings potential over the medium-to-long term, it is crucial to create IP and strengthen our growth potential. That is what “Game and Anime” means. We have already been making anime based on our first-party IP titles as well as investing in anime production committees. We unified our game-related organizations under Yuta Maeda as per the news release, and IP creation and development will also be centralized in a dedicated department. It is a long-term initiative to leverage IP we create and develop to generate hit titles and boost earnings potential. We made the first step forward in this journey.

Page 21 shows the pipeline. We will leverage knowhow gained from producing hit titles in FY22 to plan and develop strong titles. We are planning and developing multiple new titles based on first-party and third-party IP, while aggressively distributing existing titles in overseas markets to further enhance earnings potential. Since several titles were released in FY22, we consider the current fiscal year to be a year of preparation to prepare for releases in FY24 and onward.

Page 22 is about the Metaverse Business. Our target is to expand our global user base to hundreds of millions of users. In FY23 we will continue to strengthen REALITY functions. Five core experiences, namely, livestreaming, communication, avatars, games and “World”, will be our focus to grow our service into a leading global metaverse service. GREE was founded as a social media company and has long been involved in avatar and game business. Based on this experience, we would like to create a communication service for our times.

Page 23, the Commerce and DX Business. This business used to be known as the Advertising and Media Business and has been renamed. As for the Commerce Business, the

basic strategy is to operate four media and SaaS, and to expand the business scale by integrating them together. Currently, the combined total monthly active users of the four media is approximately 30 million. In the future, we aim to grow it to 100 million monthly active users and ¥100 billion in gross transaction volume. In the DX Business, we have been providing advertising and marketing services for corporate clients through several group companies. For further growth, those services have recently been consolidated under one leader, Kazuhisa Adachi, to provide comprehensive, one-stop support for corporate DX.

Page 24, please. The Investment and Incubation Business. The goal of this business is to generate stable profits over the long term through continuous and staggered investment. In FY23, we will continue to invest in Japanese and overseas VC funds and startups.

Finally, page 25 shows our earnings outlook. For the medium-term, we expect to leverage discontinuous growth of the Metaverse Business to drive growth in corporate value. Through a service that is accepted by hundreds of millions of users globally, we aim to shift from continuous growth to viral growth. In the Game and Anime Business, we will leverage the knowhow gained from producing hit titles in FY22 to prepare titles in FY23 and again release hits from FY24 onward. In the Commerce and DX Business, we will achieve stable, continuous growth through expansion of our customer base. In addition to those three pillars, we will develop new businesses and thereby create new earnings pillars. In the Investment and Incubation Business, we aim to achieve stable profit. Regarding the financial policy, we continue to target ROE of 10% or higher for the medium- to long-term, leveraging the growth of the Metaverse.

Now, let's look at the outlook for FY23. Although we expect stable profit from our global game operation system, we forecast a decline in operating income owing to a decline following the strong performance from hit titles in FY22. What does not change is that we will aggressively distribute existing titles in overseas markets and strengthen our earnings potential. Despite a decline in profit when viewed over the short term, we will work and invest to strengthen our systems to achieve growth targets over the medium- to long-term. Regarding the first quarter of FY23, we expect operating income of between roughly ¥1.0 billion and ¥1.5 billion.

Thank you very much for your kind attention.