
Toshiki Oya, Senior Vice President, CFO:

Thank you for joining the FY2024 fourth quarter financial results briefing of GREE, Inc. I am Toshiki Oya.

Looking at the executive summary on page 2, in FY2024, we posted net sales of ¥61.3 billion, operating profit of ¥6.0 billion, and EBITDA of ¥6.3 billion. Looking at the Group as a whole, we improved our capacity to generate stable earnings, made progress with efforts to achieve medium- to long-term growth, and posted results in line with our expectations. Quarterly results were also in line with our expectations as we posted net sales of ¥14.1 billion, operating profit of ¥1.4 billion, and EBITDA of ¥1.5 billion in 4Q. Later, Sanku Shino will provide details regarding our plans and outlook for FY2025. In FY2025, we will make aggressive investments targeting medium- to long-term growth and expand our continuous growth businesses and we target operating profit of ¥3.8 billion excluding the Investment Business.

Page 3 covers changes to reportable segments. As DX Business and the Commerce Business are both B2B businesses and, based on the quantitative importance of these businesses, starting in FY2025, the Commerce Business has been integrated into the DX Business in order to more clearly reflect the positioning of these business in the Group. Sanku Shino will also provide details regarding the positioning of each of our business segments.

On page 6, we provide an overview of financial results for consolidated FY2024. Sales and operating profit declined both QoQ and YoY on a sizable reactive decline from anniversary events held in the Game and Anime Business for *Heaven Burns Red*. Ordinary profit was also impacted by foreign exchange losses resulting from yen depreciation.

On page 7, we provide an analysis of quarterly operating profit. Profit declined QoQ on a reactive decline from anniversary events held in the Game and Anime Business for *Heaven Burns Red*.

On page 8, we break down our cost structure for the 4Q. Variable costs declined on declining sales and fixed costs also declined, resulting in total costs declining by ¥2.0 billion to ¥12.7 billion.

Page 9 shows our year-end dividend. We announced a revision to our dividend policy alongside our 3Q results. In line with our revised policy of maintaining DOE of around 3% and a consolidated dividend payout ratio of 30% or higher, we raised our dividend distributions considerably to ¥16.5 per share in FY2024.

Sanku Shino, Senior Vice President, CSO:

Now Sanku Shino, who took on the role of Chief Strategy Officer last year and is in charge of formulating our growth strategy, will provide an explanation of the progress we have made toward achieving our management plan targets.

Page 12 shows our vision for long-term growth. The GREE Group has divided our businesses into two categories with the aim of achieving growth of the Group as a whole over the long term. The first category is continuous growth businesses and includes the Metaverse Business and the DX Business. Continuous growth businesses are positioned as a core earnings base within the Group and we target stable operating profit CAGR of 120–140% in these businesses. The second category, long-term investment businesses, includes the Game and Anime Business. Volatility is high in this business as it is content-focused and development periods for mobile phone games have been lengthening. We aim to transform the structure of long-term investment businesses in order to target cumulative growth.

Page 13 shows sales and operating profit excluding the Investment Business. Sales and profit declined QoQ, but this was in line with expectations.

Page 14 shows sales and operating profit of continuous growth businesses. While overall volume is still low, we will focus on achieving steady growth.

Page 15 shows business conditions. Sales and profit declined QoQ on a reactive decline from anniversary events held by the Game and Anime Business.

Page 16 shows the outlook for earnings in 1Q FY2025. We project sales of ¥12.9 billion and expect to break even at the operating level. With development of titles in the Game and Anime Business at a critical stage, we expect profit to decline due to a rise in development costs.

Page 17 shows our full-year FY2025 earnings forecast. We forecast FY2025 sales of ¥60.2 billion and operating profit of ¥3.8 billion. We expect sales to grow on strong growth in the Metaverse Business, but we also expect a decline in operating profit due to an increase in development costs for new titles in the Game and Anime Business.

On page 18, we present our medium-term targets. We have lowered our FY2026 sales and operating profit targets from their initial levels announced last year. The main reason for this is that we have adjusted our new title release schedule in the Game and Anime Business and now expect launches to be later than in our initial plan. We expect sales and operating profit to rise in FY2027 when titles are scheduled for release. We expect steady growth in continuous growth businesses.

Page 20 shows progress made in each business segment. We will provide more details later in the individual segment portions of this presentation.

Page 21 shows progress made toward our full-year FY2024 targets.

On page 22, we show our 1Q FY2025 and full-year FY2025 earnings forecasts.

Yuta Maeda, Senior Vice President:

Yuta Maeda will cover the Game and Anime Business.

Page 24 shows sales and operating profit in the Game and Anime Business. We posted quarterly segment sales of ¥9.7 billion and operating profit of ¥1.4 billion.

On page 25, we present an overview of the Game and Anime Business. Profit declined on a reactive decline in sales related to 2-year anniversary events held for *Heaven Burns Red* in the previous quarter and an increase in development costs as multiple new titles are at a critical stage in terms of development.

Page 26 shows the live service game business. While sales and profit declined on a reactive decline from 2-year anniversary events held for *Heaven Burns Red*, results were generally in line with expectations. We are making steady progress on new titles under development for FY2026 and beyond.

Page 27 shows the licensed game business. Sales and profit declined QoQ mainly due to a decline in sales of *Saint Seiya: Legend of Justice*, released in January 2024, but results were generally in line with expectations.

Page 28 shows our development pipeline. Although we are making progress with the development of new titles, we have made adjustments to our development pipeline in line with the revision to our medium-term business plan.

On page 29, we present our future business plan. In FY2024, we made more progress in overseas expansion including the release of a simplified Chinese version of *Heaven Burns Red* and finalization of our plan for the release of an English version. In addition, we are encouraged by the fact that many of our currently operating titles posted YoY profit growth and are growing. We plan to build on this base and continue working toward the release of new titles in FY2025. In addition to making progress in the development of new titles, we will also work to strengthen our development system. We will create a development system based on multiregional and multiplatform development and prepare a system for full scale entry into the console game market.

On page 30, we show our earnings forecast for 1Q FY2025. We expect operating profit to decline in 1Q FY2025 on an increase in development costs for titles under development.

Page 31 shows our full-year FY2025 earnings forecast. We forecast sales of ¥43.3 billion and operating profit of ¥3.8 billion.

On page 32, we present our medium-term targets. We have lowered our medium term FY2026 targets owing to adjustments to our new title release schedule. We position the Game and Anime Business as a long term investment business, targeting long term growth. In line with this, until FY2027, we will focus on releasing new titles and preparing for full-scale entry into the console market.

Thank you for your kind attention.

Eiji Araki, Senior Vice President:

Next, Eiji Araki will explain the Metaverse Business.

Page 34 shows long-term trends over the past five years in the Metaverse Business. Sales increased YoY every quarter in FY2024 and we have created a structure capable of consistently generating profit at the operating level.

On page 35, we show an overview of the Metaverse Business. Both the platform business and the VTuber business are growing. Although we are aggressively ramping up investment in the VTuber business, the Metaverse Business still achieved QoQ growth in sales and profit due to rising profit in the platform business.

Page 36 shows the platform business. Gifting sales were strong as we strengthened alliances with livestreaming talent agencies. This resulted in QoQ growth in sales and profit and we have developed this business into one capable of generating operating margin of roughly 25%.

Page 37 shows the VTuber business. We continued to debut new talents and we currently have roughly 60 talents registered with our VTuber talent agencies. This has resulted in increased sales of merchandise, etc. and sales rose approximately 190% YoY. We plan to continue aggressive investment in this business.

Page 38 shows yearly results in the platform business over the past five years. As you can see, viewed independently, the platform business reached the black on a full-year basis in FY2024, posting sales of ¥6.5 billion and operating profit of ¥1.3 billion. We have successfully created a business structure wherein the platform business generates profit and we invest aggressively in the VTuber business whilst generating positive profit in the Metaverse Business as a whole.

Page 39 shows progress made and results posted in FY2024 and our plan for FY2025. In the platform business, we will continue to focus our efforts on expanding our share of the domestic livestreaming market. We also aim for continued growth from avatars and the room feature as these have high profit margins and we hope to increase our ratio of overseas sales owing to the considerable potential for sales growth in these markets. In the VTuber business, we aim to expand our talent pool and work to improve per-talent earnings potential. By strengthening monetization points including merchandise and IRL events, we aim to enhance per-talent earnings potential.

On page 40, we show our earnings forecast for 1Q FY2025. We expect operating profit to temporarily enter negative territory as we invest even more aggressively in the VTuber business, but we expect to remain in the black on a full-year basis.

Page 41 shows our full-year FY2025 earnings forecast. We forecast YoY sales growth of 26% to ¥9.1 billion and operating profit growth of 128% to ¥0.5 billion. We expect operating profit of roughly ¥1.5 billion in the platform business to be partially offset by an operating loss of approximately ¥1.0 billion in the VTuber business as we continue to invest aggressively in that business. We forecast that this will result in Metaverse Business segment operating profit of ¥0.5 billion. We plan to maintain the current business structure wherein profit from the platform business is invested in the VTuber business.

On page 42, we present our medium-term targets. In FY2024, the B2B metaverse business was transferred to the DX Business segment and we therefore lowered our FY2026 forecast for the Metaverse Business. However, adjusted for this factor, we expect strong growth.

Thank you for your attention.

Kazuhisa Adachi, Vice President:

Next, Kazuhisa Adachi explains the DX Business.

Page 44 shows sales and operating profit trends in the DX Business. Results trended up on a YoY basis but declined on a QoQ basis.

On page 45, we provide an overview of the DX Business. Results are presented on a post-restructuring basis with the commerce business integrated into the DX Business. 4Q sales were ¥1.75 billion and operating profit was ¥0.22 billion.

On page 46, we have the marketing DX business. Results were basically flat QoQ with sales of ¥0.84 billion and operating profit of ¥0.19 billion.

Page 47 shows the social DX business. Results were basically unchanged QoQ with sales of ¥0.41 billion and operating profit of ¥0.04 billion. On July 1, social marketing company GREE Lifestyle, Inc. was integrated with influencer marketing company QUANT, Inc. to create a new business structure that can provide one stop social DX support.

Page 48 shows aumo, Inc. This business slipped into the red as the media business faced a very challenging environment. Going forward, we will implement restructuring aimed at strengthening the SaaS business.

On page 49, we present our future business plan. Regarding the business domain covered by the former commerce business segment, conditions faced by companies in the media business look unfavorable and we have therefore begun restructuring the entire DX Business segment.

Page 50 shows progress made and results posted in FY2024 and our plan for FY2025. In the past, this business focused on accumulating outsourced projects and increasing per-customer transaction value. However, because the outsourcing business is labor intensive, we think it will be difficult to achieve growth in the future based on this model. For this reason, we plan to develop SaaS solutions and transform our business structure into one that can leverage these solutions to generate recurring earnings.

On page 51, we show our earnings forecast for 1Q FY2025. We expect sales of ¥1.72 billion and operating profit of ¥0.14 billion.

Page 52 shows our full-year FY2025 earnings forecast. We target sales of ¥7.5 billion and operating profit of ¥0.7 billion.

On page 53, we present our medium-term targets. In FY2025 and FY2026, we will invest in the development of products such as SaaS solutions and work to transform our business structure in order to achieve growth from FY2027 onward.

Toshiki Oya, Senior Vice President, CFO:

Finally, Toshiki Oya explains the Investment Business.

On page 55, we provide an overview of the Investment Business. While we received sizable dividend distributions from investment funds in which we made investments in FY2023, the dividends we received in FY2024 were of a more moderate scale. We posted ¥0.15 billion in profit in 4Q.

Page 56 shows the fund management business. The Investment Business consists of two subsegments, one that operates and manages investment funds and another that makes investments. The former derives income mainly from management fees and incentive fees. This slide shows focuses on management fees, which provide a more stable source of income. We expect to secure stable sales based on management fees through continuous formation of investment funds.

Page 57 shows assets under management. AUM has increased due to capital calls and revaluation. "Total AUM of Fund Investment Management Business" refers to the total commitment value on which management fees are based.

Page 58 shows quarterly trends in operational investment securities. Investment valuation has risen from ¥33.0 billion to ¥35.3 billion owing to revaluation and progress made with investments.

Page 59 shows the status of our investment results. While the dividends we received in FY2024 were of a moderate scale, results are trending above the domestic VC performance benchmark.

On page 60, we present our future business plan. Investee valuation increased from ¥31.9 billion in 4Q FY2023 to ¥35.3 billion in 4Q FY2024. We plan to continue investing in major Japanese and overseas VC funds and startups.

Thank you for your attention.