

# Explanation on FY2014

(2013/4/1 – 2014/3/31)



Gala Inc.

2014/5/15

(This is a translation. Original shall prevail.)

- I . Q4 Financial Statement
- II . Annual Financial Statement
- III . Business Report

## Topics of FY2014 Q4 (2014.01 – 2014.03)

### **【Business】**

- ◆ **Smartphone Apps Business: "Dungeons & Golf" (Android, English) was released in March globally in 130 countries.**

**→ Expect sales contribution from FY2015**

### **【Finance】**

- ◆ **Third-party allotment on 2014/1/27, third-party allotment and stock warrant issued on 2014/3/31**

**→ Resolved negative net worth that resulted in Q3**

# I . FY2014 Q4 Financial Statement

~Quarterly P/L (Summary)~



(Unit : Thousand JPY)

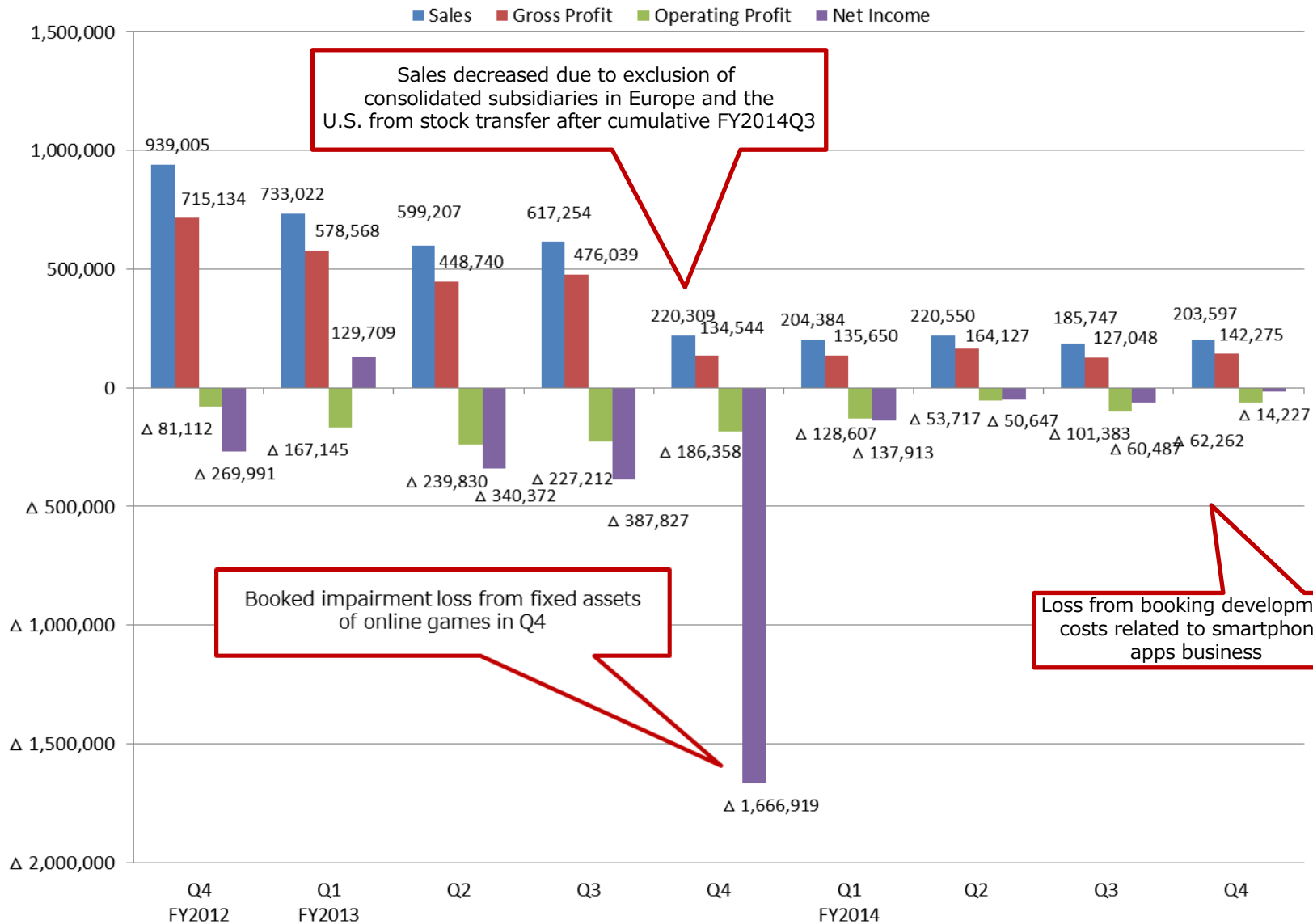
	Q4 (2014/1~3)	Previous Qtr. (Q3) (2013/10~12) % Change (FY2014 Q4 vs. FY2014 Q3)		Same Qtr. in Previous FY (2013/1~3) % Change (FY2014 Q4 vs. FY2013 Q4)	
Sales	203,597	185,747	9.6%	220,309	△7.6%
Cost of Sales	61,322	58,698	4.5%	85,765	△28.5%
Gross Profit	142,275	127,048	12.0%	134,544	5.7%
SGA	204,538	228,431	△10.5%	320,902	△36.3%
Operating Profit	△62,262	△101,383	-	△186,358	-
Ordinary Profit	△76,120	△57,105	-	△223,770	-
Quarterly Net Income	△14,228	△60,487	-	△1,666,919	-

- ◆ Comparing sales in FY2014 Q4 vs FY2014 Q3, Flyff Online's royalty sales increased by 9.6%
- ◆ Comparing SGA in FY2014 Q4 vs FY2014 Q3, initial development cost incurred related to smartphone apps "Dungeons & Golf;" however, mathematical difference from retirement benefits was charged off such that SGA decreased by 10.5%
- ◆ Regarding quarterly net income, gain from reversal of stock options of JPY70,948 thousand and gain from change in equity of JPY42,750 thousand were booked as extraordinary profit. However, impairment loss of JPY43,006 thousand was booked yet quarterly net income comparing FY2014 Q4 vs FY2013 Q4 improved by JPY46,259 thousand.

# I . FY2014 Q4 Financial Statement

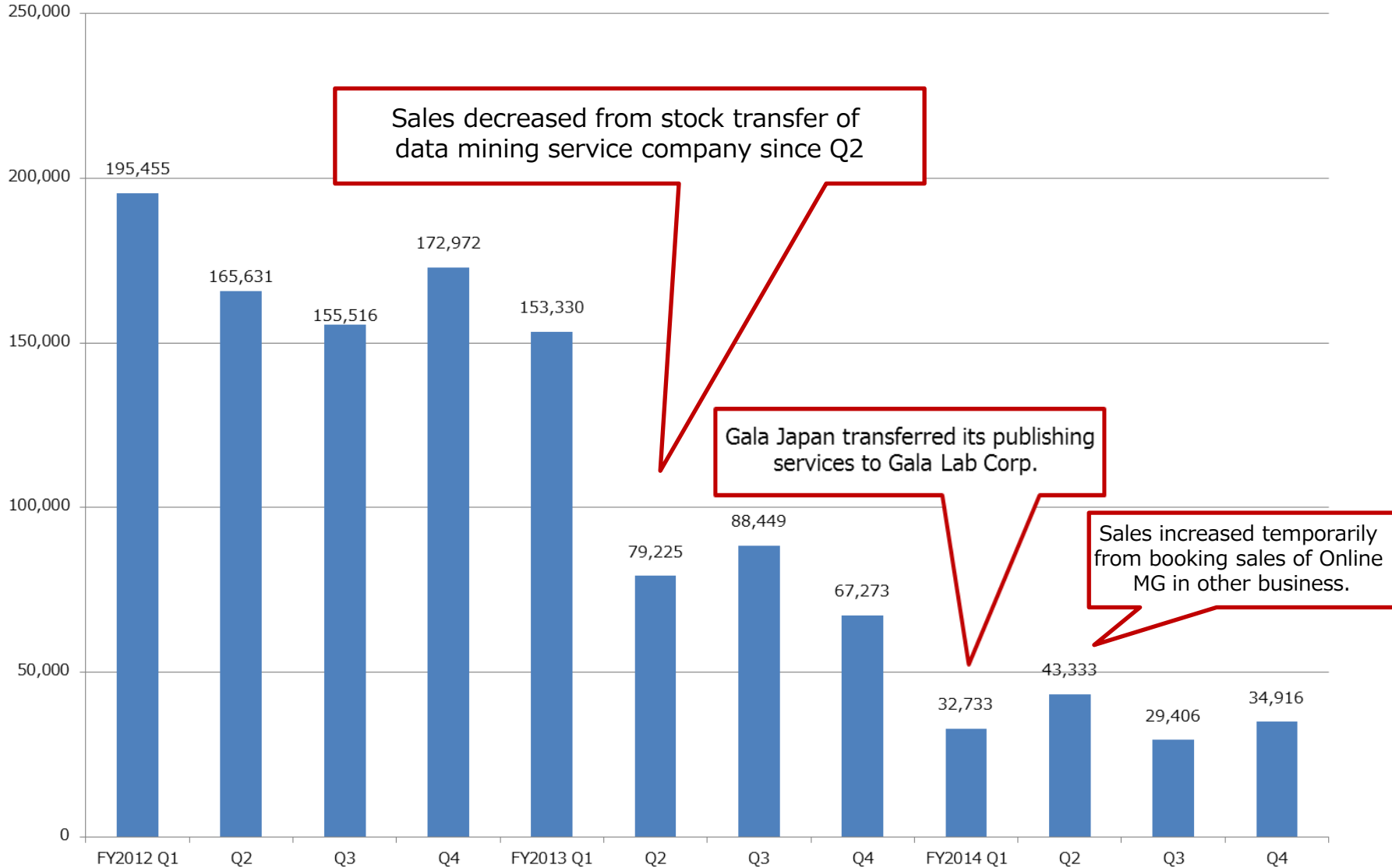
~PL Trend Line~

(Unit: Thousand JPY)



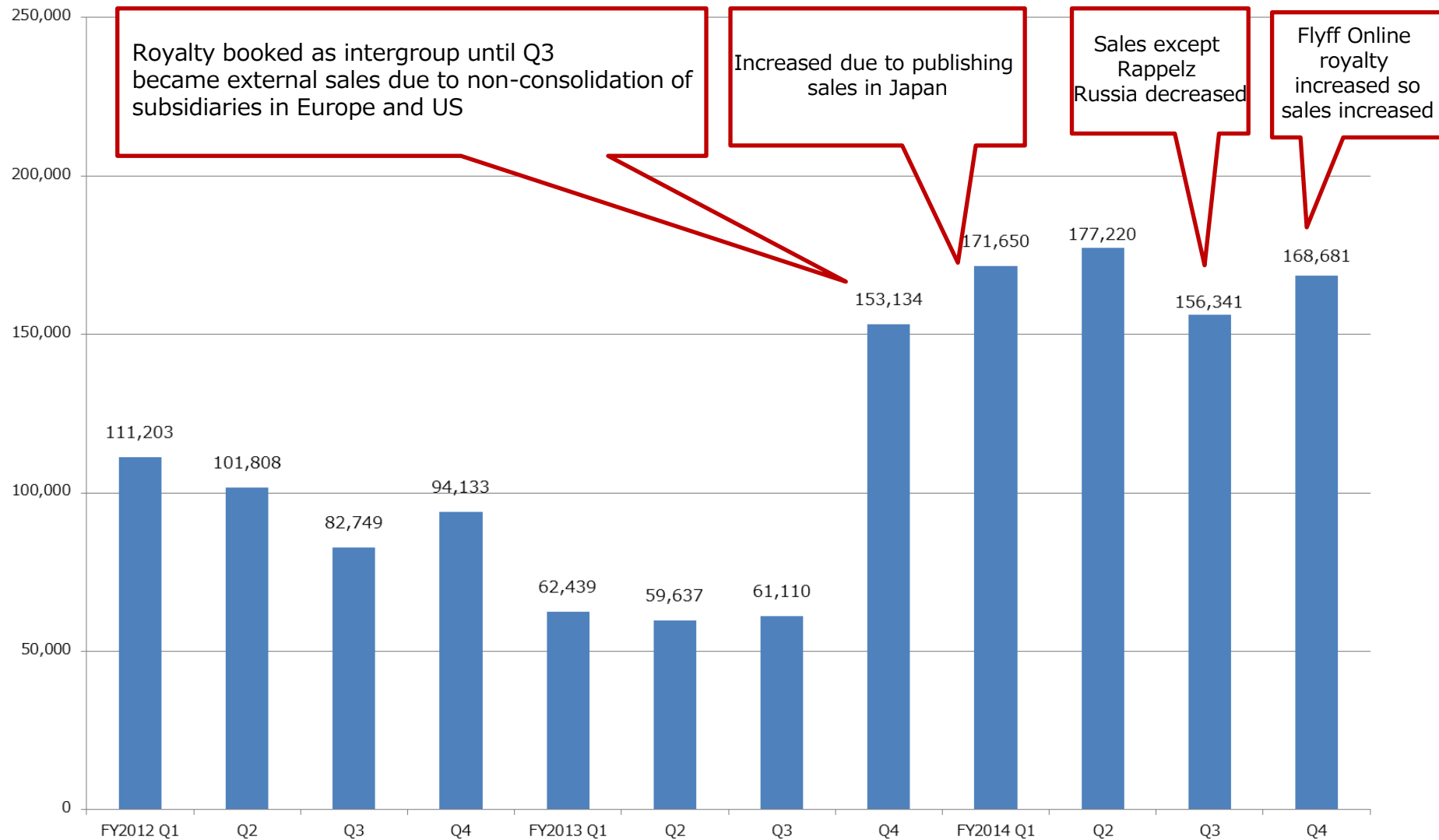
### Japan

(Unit: Thousand JPY)



### Korea

(Unit: Thousand JPY)



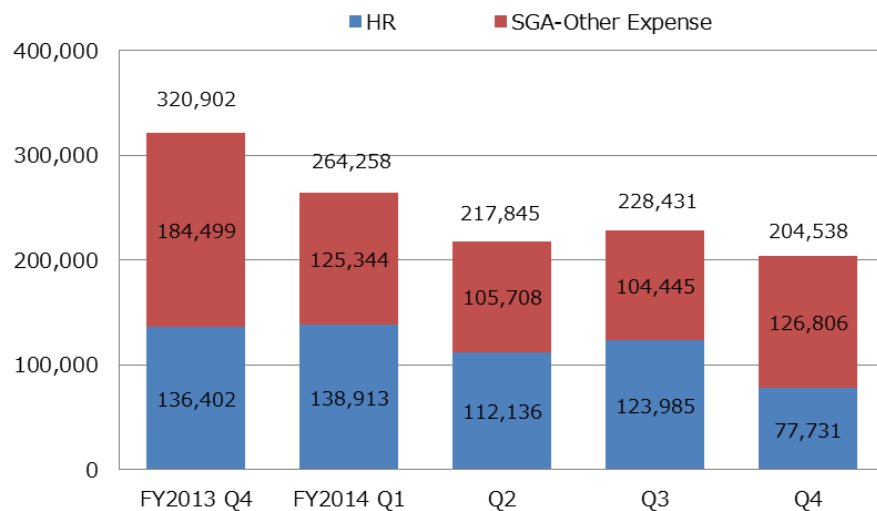
# I . FY2014 Q4 Financial Statement

~SGA~

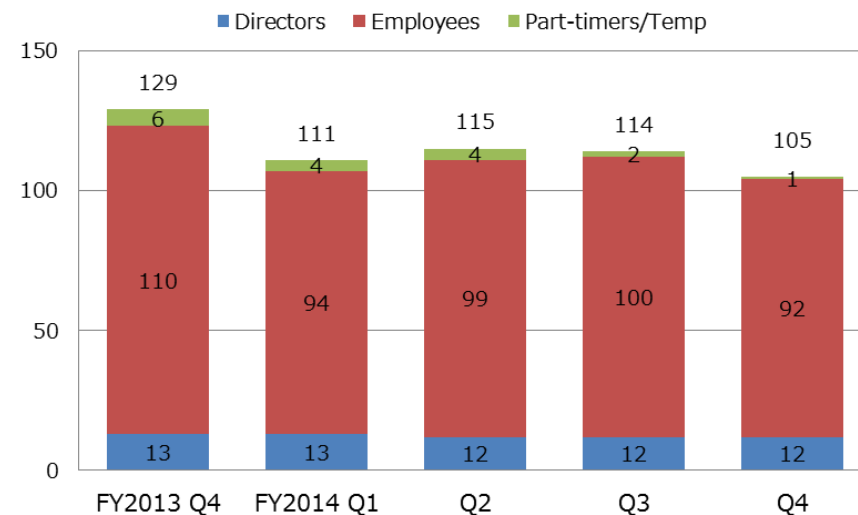
(Unit: Thousand JPY)

	Q4 (2014/1~3)	Previous Qtr. (Q3) (2013/10~12)		Same Qtr. in Previous FY (2013/1~3)	
				% Change (FY2014 Q4 vs. FY2014 Q3)	% Change (FY2014 Q4 vs. FY2013 Q4)
HR Cost	77,731	123,985	△37.3%	136,402	△43.0%
Other Cost	126,806	104,445	21.4%	184,499	△31.3%
Total SGA	204,538	228,431	△6.1%	320,902	△36.3%

(Unit: Thousand JPY)



(Unit : Person)





## II . Annual Financial Statement

## Topics of FY2014 (2013.04 – 2014.03)

### **【Business】**

- ◆ **Smartphone Apps Business: “Dungeons & Golf” (iOS English, Android Japanese, Android English) was developed.**  
Preparation for business related to otaku.

→ Expect sales contribution from FY2015

### **【Finance】**

- ◆ **Office Move**

→ Decrease fixed cost

- ◆ **Third-party allotment on 2014/1/27, third-party allotment and stock warrant issued on 2014/3/31**

→ Secure funds for smartphone apps business for the next two years (FY2015 & FY2016)

# II. FY2014 Annual Financial Statement

~P/L (Summary)~



(Unit : Thousand JPY)

	<b>FY2014</b>	<b>FY2013</b>	<b>Difference By Amount</b>	<b>Difference By Rate</b>
<b>Sales</b>	814,280	2,169,795	△1,355,515	△62.5%
<b>COS</b>	245,177	531,902	△286,725	△53.9%
<b>Gross Profit</b>	569,102	1,637,892	△1,068,789	△65.3%
<b>SGA</b>	915,073	2,458,440	△1,543,366	△62.8%
<b>Operating Profit</b>	△345,971	△820,547	474,576	-
<b>Ordinary Profit</b>	△277,615	△865,388	587,773	-
<b>Net Income</b>	△263,277	△2,268,566	2,005,289	-

◆ Decreasing factors of sales compared to last fiscal year

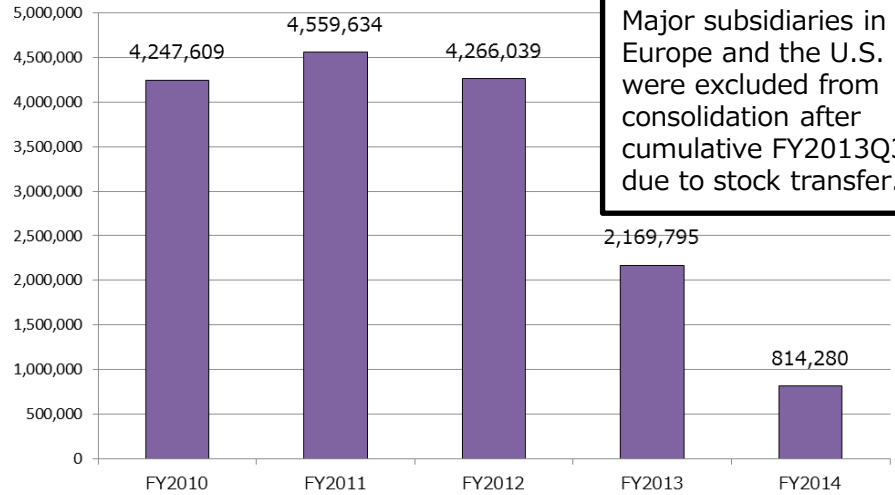
1. Major subsidiaries in Europe and the U.S. were excluded from consolidation after cumulative FY2013 Q3 due to stock transfer.
2. Consolidated subsidiary of data mining business was eliminated from consolidation due to stock transfer in FY2013 Q1.
3. Sales of major games in online game business decreased except China.
4. Sales of smartphone apps business was less; apps release was postponed.

# II. FY2014 Annual Financial Statement

~PL Trend~

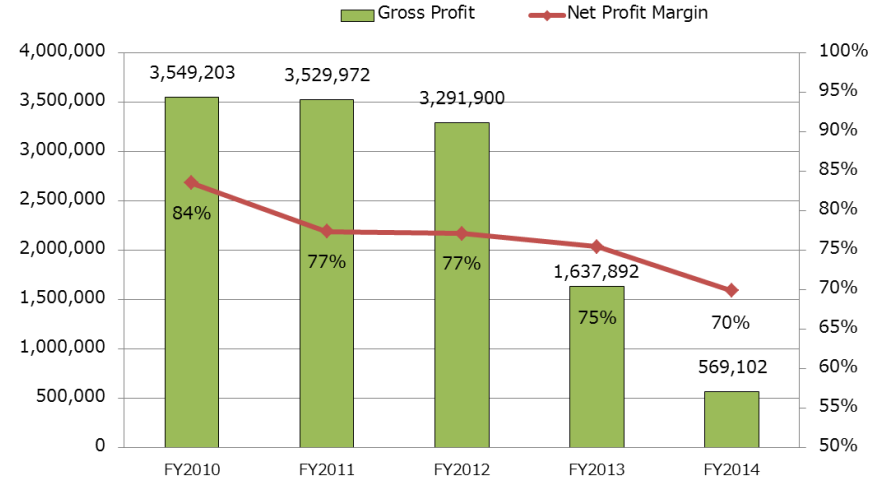
(Unit : Thousand JPY)

Sales

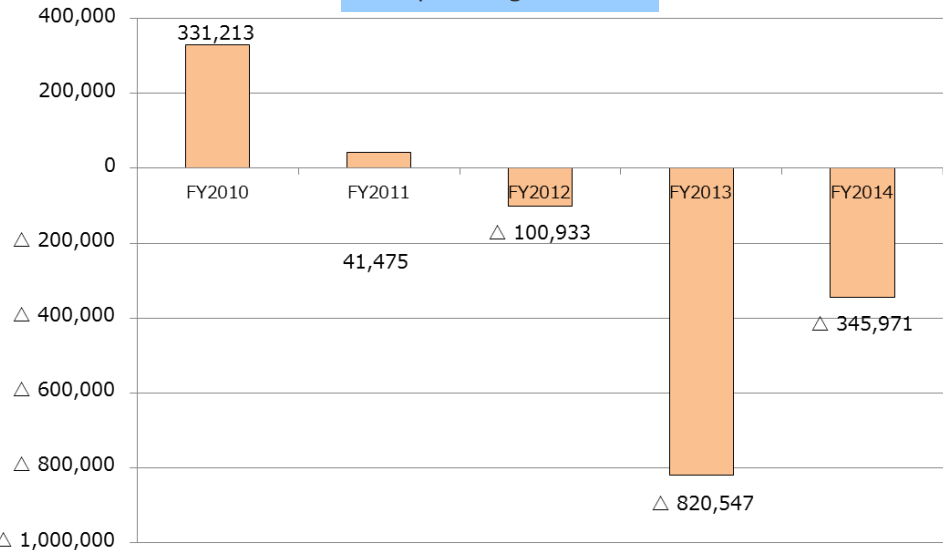


Major subsidiaries in Europe and the U.S. were excluded from consolidation after cumulative FY2013Q3 due to stock transfer.

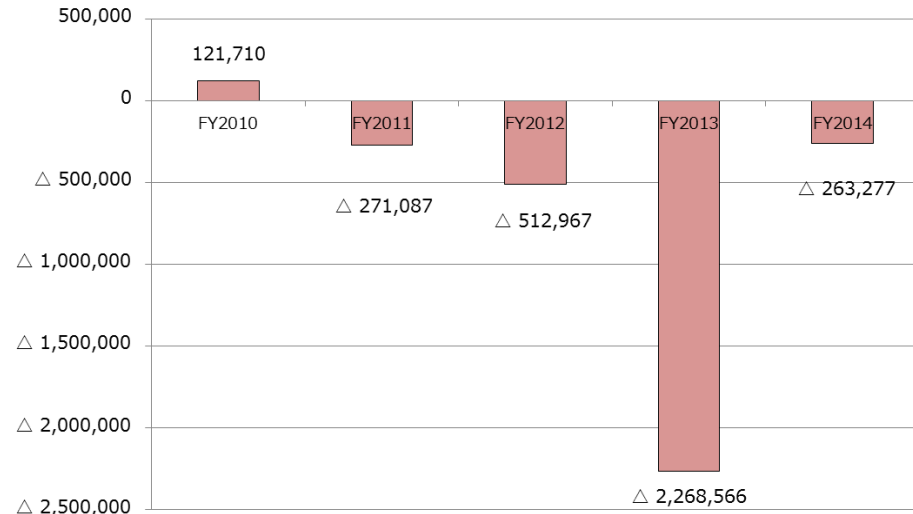
Gross Operating Profit and Profit Ratio



Operating Profit



Net Income



(Unit: Thousand JPY)

	FY2014	FY2013	Difference By Amount	Difference By rate
<b>Current Assets</b>	569,085	515,948	53,137	10.3%
<b>Fixed Assets</b>	2,940	2,027	913	45.1%
<b>Intangible Fixed Assets</b>	286	25,222	△24,936	△98.9%
<b>Investment and other Assets</b>	108,402	179,692	△71,290	△39.7%
<b>Current Liabilities</b>	259,129	301,096	△41,966	△13.9%
<b>Long-Term Liabilities</b>	198,683	233,019	△34,335	△14.7%
<b>Net Assets</b>	222,902	188,775	34,126	18.1%
<b>Liabilities and Net Assets</b>	680,715	722,890	△42,175	△5.8%

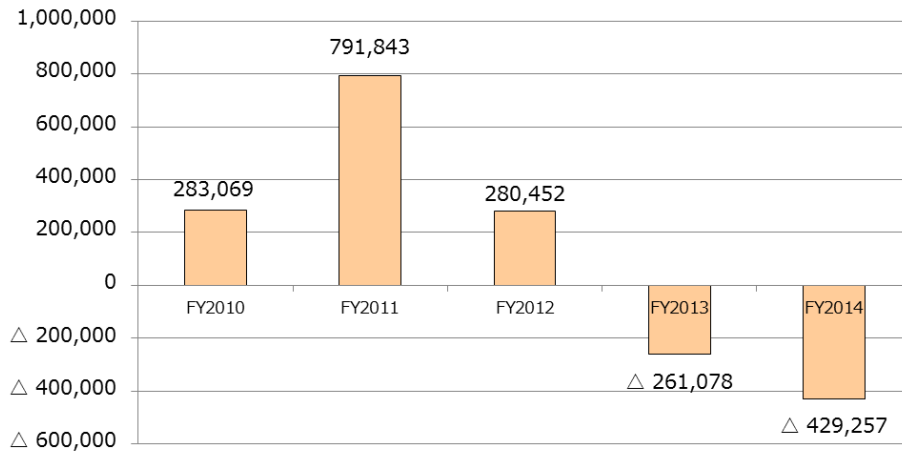
- ◆ Current Assets and Net Assets increased due to third-party allotment in fiscal year-end.
- ◆ Fixed Assets and Net Assets decreased due to impairment loss booked related to online game business and smartphone apps business.
- ◆ Net Assets decreased due to net loss.

# II. FY2014 Annual Financial Statement

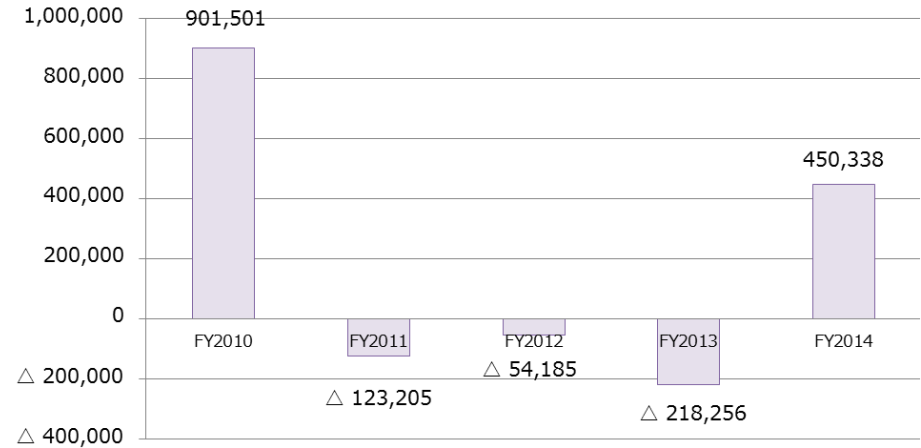
~CF Trend~

(Unit : Thousand JPY)

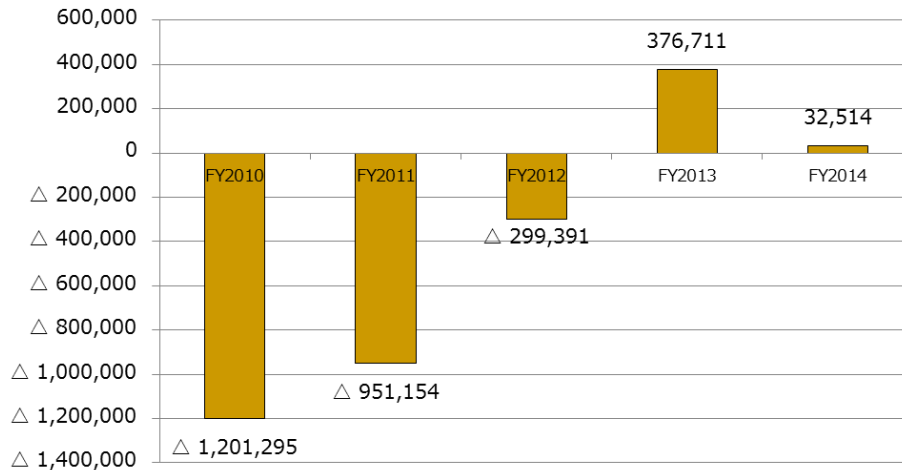
Cash flow trend from operating activities



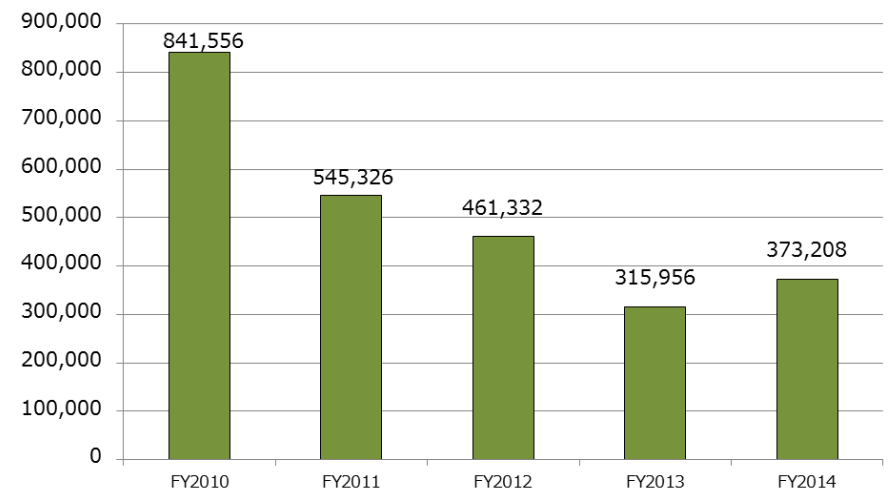
Cash flow trend from financing activities



Cash flow trend from investment activities



Trend of cash and cash equivalents



# III. Business Report

### 「Dungeons&Golf」

<available in iOS and Android>

- Engaged in contract with the developer App Bank Games Inc. for license outside of Japan.

- Develop Android version and multi-lingualisation and iOS version's multi-lingualisation by Gala Lab Corp., Korean-based subsidiary

【Q3】 iOS English : Service Began on 2013/12/11

【Q4】 Android Japanese : Service Began on 2014/1/14

(Developed by Gala Lab Corp., Published by AppBankGames)

Android English : Service Began on 2014/3/3

Plan : multi-lingual iOS and Android development

(Android Japan Logo)





### 「Supermagical」

<available in iOS>

- Reached 1 million downloads on 2014/1/29 at iTunes Store

Plan to publish Android in FY2015



### 「Simulation Game」

<Plan to publish in Android>

- License in 4Q by Mobilebus Inc.
- In Korea, achieved 1.1 million downloads and achieved sales of KRW700,000,000 in 6 months

Plan to publish in Japan in FY2015





### 「Rappelz」

- Q4
  - ◆ Upgraded Version in Russia, Japan, Middle East, France, Germany, Poland, Turkey, Italy, and the U.S.

### 「Zenobian」

- Q4
  - ◆ Channeling service began in Malaysia, Singapore, and the Philippines.

# III. Business Report

## Online Game Business



### In-house Games Published (as of 2014/3/31)

Game Title	Publisher																
	Europe							Asia							Arabic		
	English	Germany	France	Turkey	Poland	Italy	Russia	Japan	Korea	Philippines	Thailand	Malaysia	Singapore	Indonesia		China	Taiwan
<b>Flyff Online</b>	Webzen Dublin							Gala Lab	Gala Lab		Level up	INI3			Net Ease	Macrowell	
<b>Rappelz</b>	Webzen Dublin						FUN FACTORY	Gala Lab	Gala Lab		Eaglegame International		Eaglegame (M) Sdn. Bhd			Game Assasin Entertainment	Game Power7
<b>Eternal Blade</b>								GAULE REVOLUTION	Gala Lab					Wave Game			
<b>Masquerade</b>								Gala Lab	Gala Lab								
<b>Zenobian</b>							FUN FACTORY	Gala Lab	Gala Lab		Eaglegame International		Eaglegame (M) Sdn. Bhd				

. . . Commercialization
  . . . Preparation
  . . . Gala Group