

Explanation on FY2015 Q1

(2014/4/1 – 2014/6/30)



Global Online Community

Gala Inc.

8/13/2014

(This is a translation. Original shall prevail.)

Topics of FY2015 Q1 (2014.04 – 2014.06)

【Business】

- ◆ **Smartphone Apps Business: Development focused on “moshikano moshimokanojyoga…,” “in love” simulation game apps and “Flyff Puzmon” puzzle game apps**

→ Expect sales contribution after FY2015 Q2

I . FY2015 Q1 Financial Statement

~Quarterly P/L (Summary)~



(Unit : Thousand JPY)

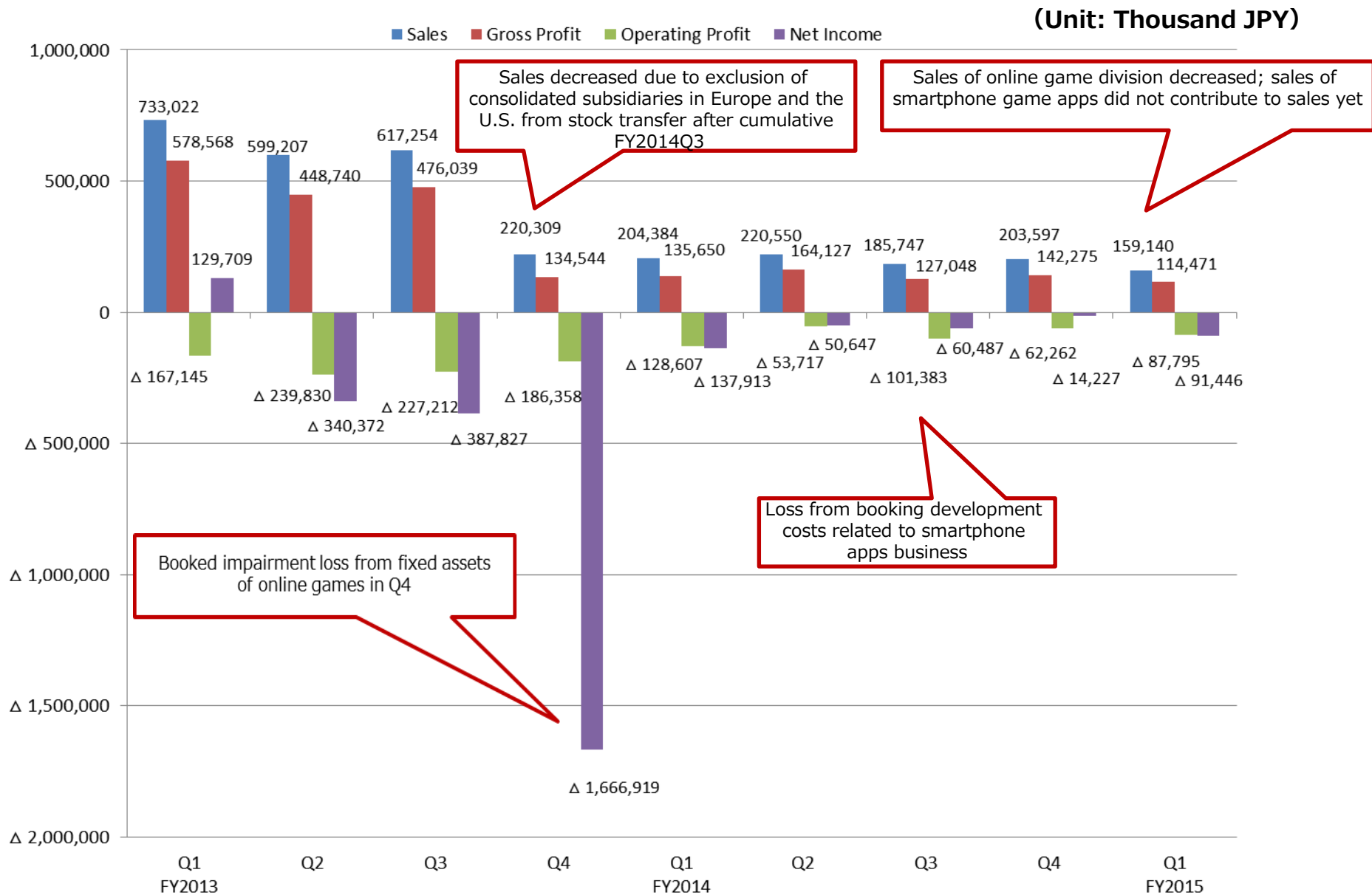
	FY2015 Q1 (2014/4~6)	Previous Qtr. (Q4) (2014/1~3) % Change (FY2015 Q1 vs. FY2014 Q4)		Same Qtr. in Previous FY (2013/4~6) % Change (FY2015 Q1 vs. FY2014 Q1)	
Sales	159,140	203,597	△21.8%	204,384	△22.1%
Cost of Sales	44,668	61,322	△27.2%	68,733	△35.0%
Gross Profit	114,471	142,275	△19.5%	135,650	△15.6%
SGA	202,266	204,538	△1.1%	264,258	△23.5%
Operating Profit	△87,795	△62,262	-	△128,607	-
Ordinary Profit	△89,079	△76,120	-	△110,148	-
Quarterly Net Income	△91,446	△14,227	-	△137,913	-

◆ Comparing sales in FY2015 Q1 vs FY2014 Q4 and FY2015 Q1 vs. FY2014 Q1, in both situations, sales of online games decreased and sales of smartphone apps division did not contribute to sales yet so overall sales decreased.

◆ Smartphone Apps Business: Updating “Dungeons and Golf” and development of smartphone game apps based on Flyff Online. Development cost preceded which resulted in operating loss.

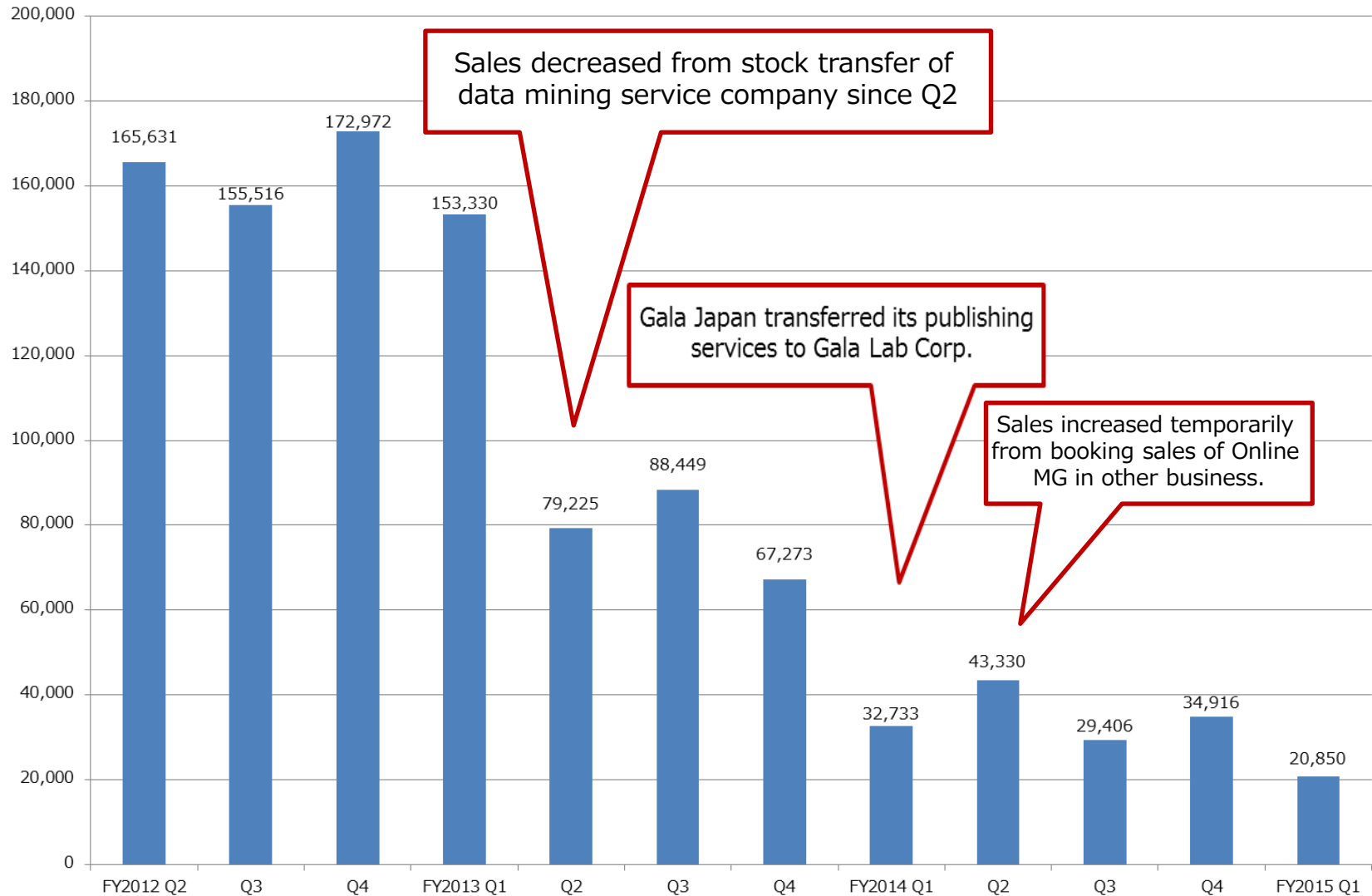
I. FY2015 Q1 Financial Statement

~PL Trend Line~



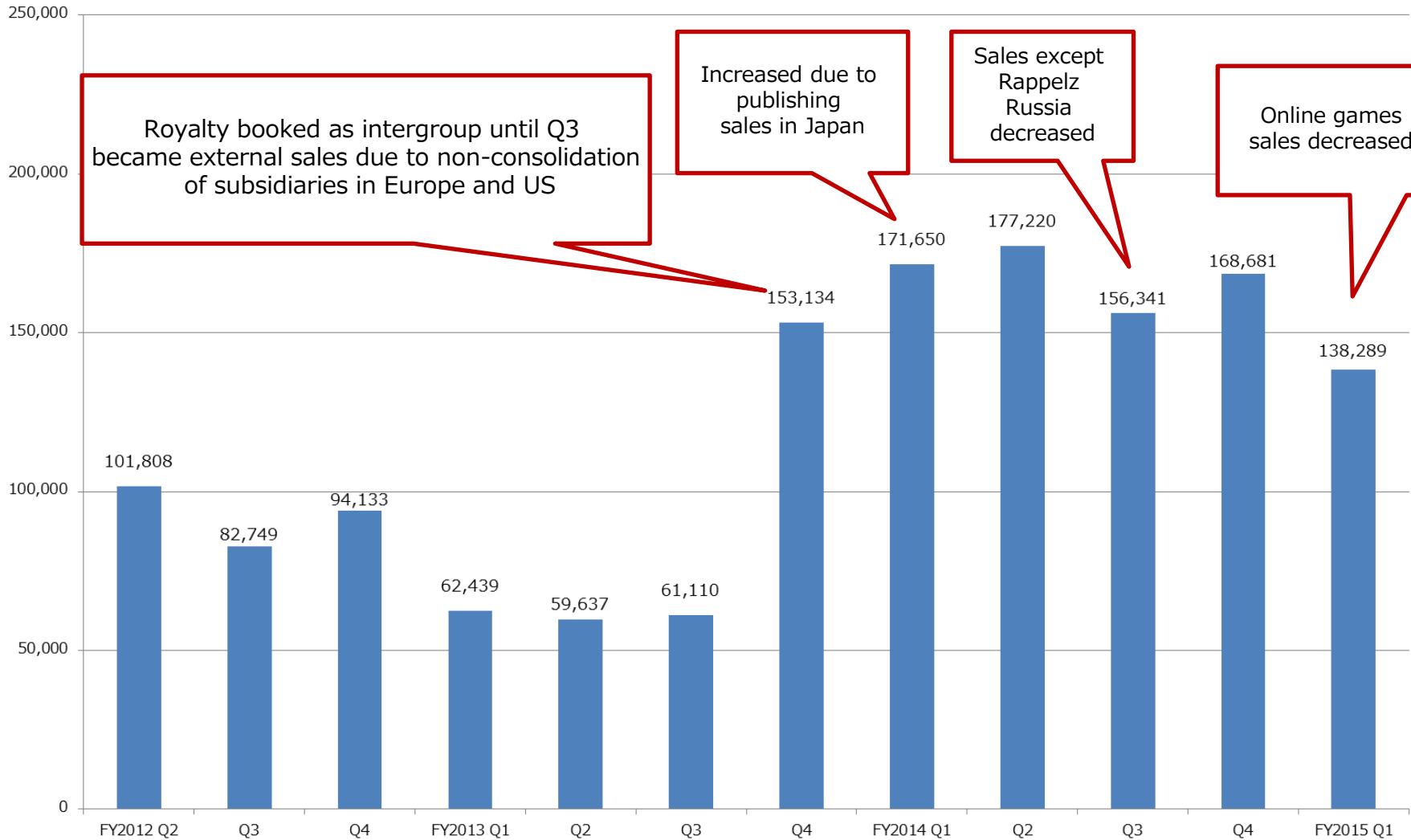
Japan

(Unit: Thousand JPY)



Korea

(Unit: Thousand JPY)



I . FY2015 Q1 Financial Statement

~SGA~

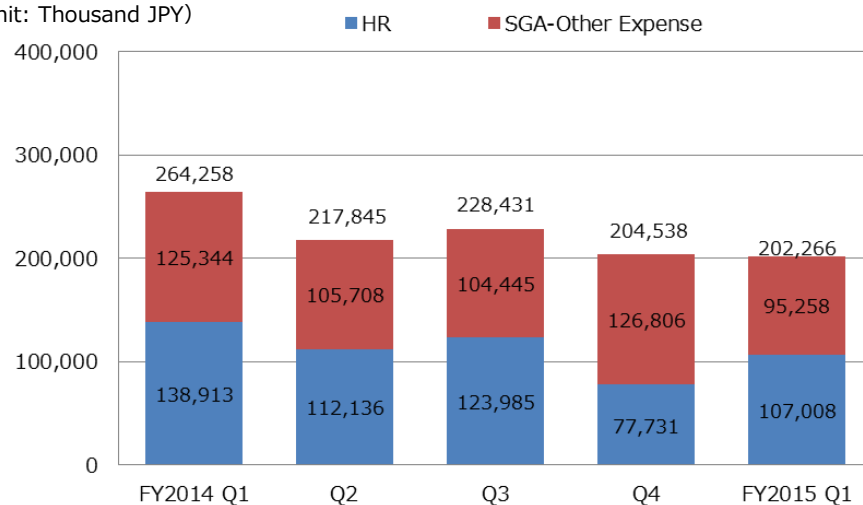


(Unit: Thousand JPY)

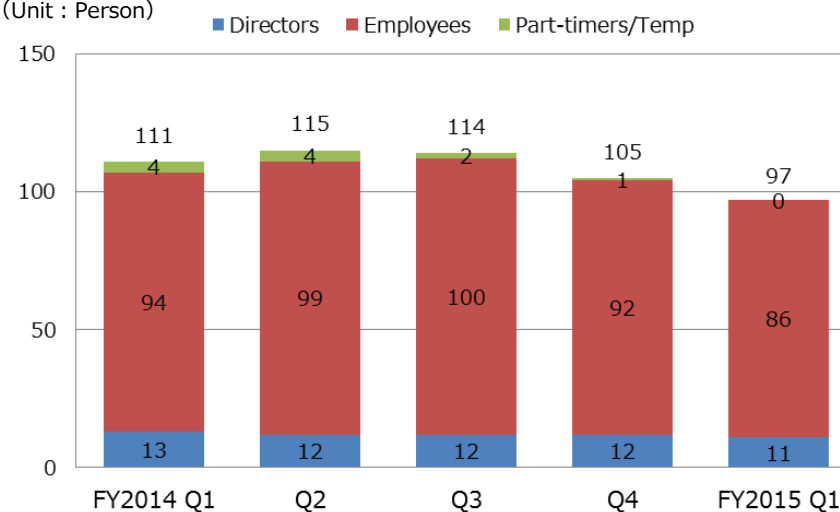
	FY2015 Q1 (2014/4~6)	Previous Qtr. (Q3) (2014/1~3) % Change (FY2015 Q1 vs. FY2014 Q4)		Same Qtr. in Previous FY (2013/4~6) % Change (FY2015 Q1 vs. FY2014 Q1)	
HR Cost	107,008	77,731	37.7%	138,913	△23.0%
Other Cost	95,258	126,806	△24.9%	125,344	△24.0%
Total SGA	202,266	204,538	△1.1%	264,258	△23.5%

HR cost increased due to application of accounting of retirement benefits in FY2014 Q4 which resulted in temporary decrease. Other HR cost decreased from reduction of compensations and charges.

(Unit: Thousand JPY)



(Unit : Person)



「moshikano moshimo kanojyoga」

<Android Game Apps>

●Gala Pocket Inc. (consolidated subsidiary) created the content of the apps

【2Q】Android Japanese : Preregister began on 8/1/2014. Official apps is planned to be released in August.



Hobo san
(Moyoko S.)



Sister
(Shoko T.)



Fushigi
(Kanao H.)



Megane OL
(Shiori T.)



Kokosei
(Natsuki S.)



Increase Love Level by enhancing her condition.

「Flyff Puzmon」 「Flyff All Stars」 「Flyff Runners」

<Android Game Apps>

- Based on PC online game “Flyff Online”
- Gala Lab Corp. (Korean subsidiary) developed Android

[2Q] 「Flyff Puzmon」 : Android English released in SE Asia on 7/24/2014.
iOS in development.



Flyff Puzmon



Flyff All stars



Flyff Runners

「Supermagical」

<iOS Puzzle Game Apps>

- Released in 147 countries
- 1,000,000 DL achieved in January 2014
- Android in development

Plan to release Android in FY2015 2Q~3Q



Gala Pocket Inc. (Japan)

「Dungeons & Golf」

<iOS and Android Golf Game Apps>

- Released iOS in 149 countries
- Released Android in 130 countries
- Featured in Google in Hong Kong and Taiwan on 6/27/2014

Currently updating the game.



Gala Lab Corp. (Korea)

II. Business Report


Online Game Division

Published regions of In house development of online games (as of 6/30/2014)

Game Title	Publisher																
	Europe							Asia									
	English	Germany	France	Turkey	Poland	Italy	Russia	Japan	Korea	Philippines	Thailand	Malaysia	Singapore	Indonesia	China	Taiwan	Arabic
Flyff Online	Webzen Dublin							Gala Lab	Gala Lab	Level up	IN13				Net Ease	Macrowell	
Rappelz	Webzen Dublin					FUN FACTORY					Eaglegame International		Eaglegame (M) Sdn. Bhd				Game Assassin Entertainment
Eternal Blade								GAULE REVOLUTION						Wave Game			
Zenobian							FUN FACTORY			Eaglegame International		Eaglegame (M) Sdn. Bhd					

 . . . Commercialization

 . . . Preparation

 . . . Gala Group