

Explanation on FY2015 Q2

(2014/7/1 – 2014/9/30)



Global Online Community

Gala Inc.

11/13/2014

(This is a translation. Original shall prevail.)

Topics of FY2015 Q2 (2014.07– 2014.09)

【Business】

◆ Smartphone Apps Business:

- “moshikano moshimokanojyoga…,” “in love” simulation game apps released in Japan
- “Flyff Puzmon” puzzle game apps released in SE Asia (test marketing)
- “Supermagical” puzzle game apps released in Australia and Canada
- (test marketing) and Japan

【Finance】

- Stock warrant exercised by Oak Capital in the amount of JPY200,032,000

I . FY2015 Q2 Financial Statement

~Quarterly P/L (Summary)~

(Unit : Thousand JPY)

	FY2015 Q2 (2014/7~9)	Previous Qtr. (Q1) (2014/4~6)		Same Qtr. in Previous FY (2013/7~9)	
			% Change (FY2015 Q2 vs. FY2015 Q1)		% Change (FY2015 Q2 vs. FY2014 Q2)
Sales	172,815	159,140	8.6%	220,550	△21.6%
Cost of Sales	46,136	44,668	3.3%	56,423	△18.2%
Gross Profit	126,679	114,471	10.7%	164,127	△22.8%
SGA	174,383	202,266	△13.8%	217,845	△20.0%
Operating Profit	△47,704	△87,795	-	△53,717	-
Ordinary Profit	△31,193	△89,079	-	△34,241	-
Quarterly Net Income	△34,146	△91,446	-	△50,647	-

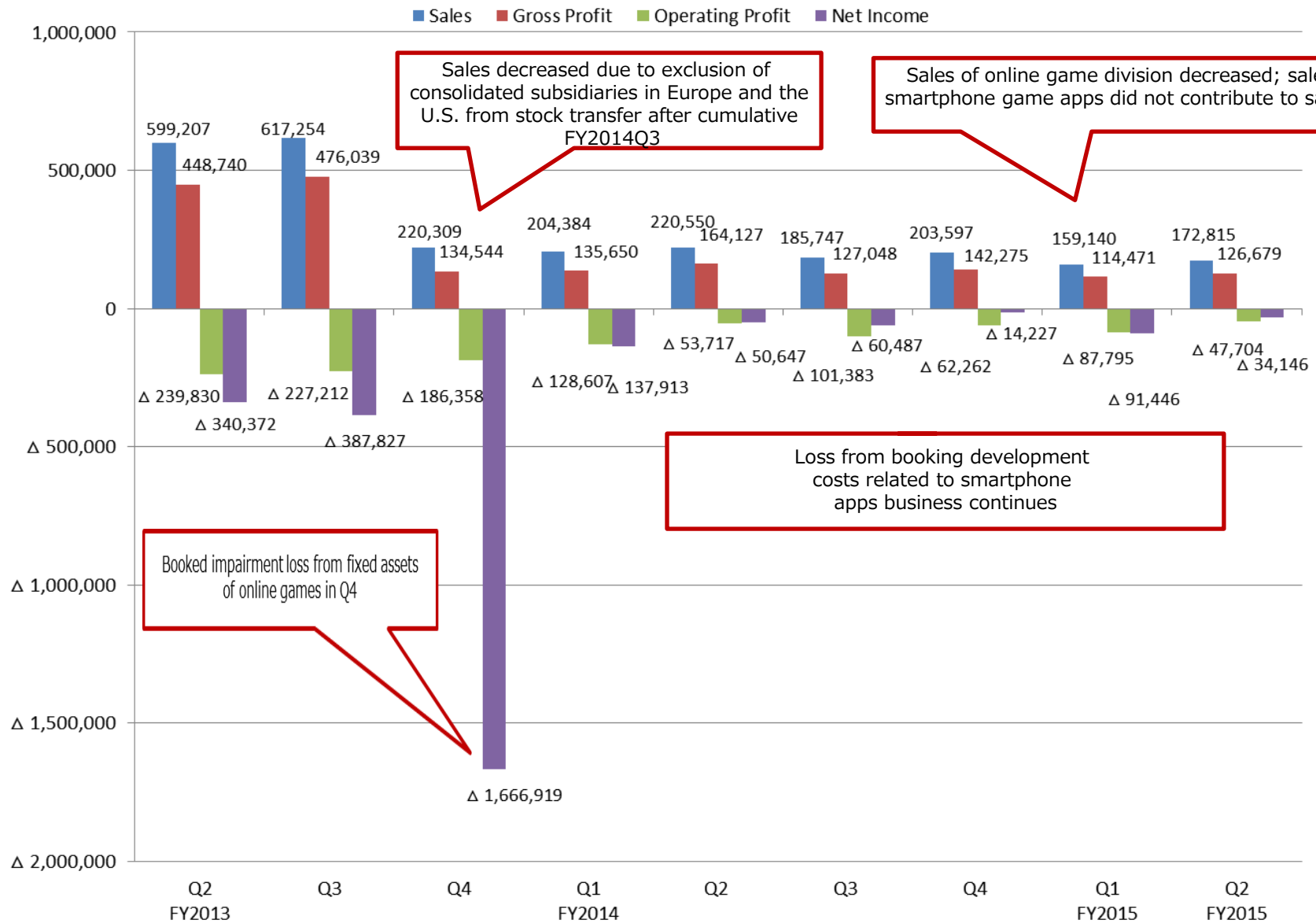
◆ Comparing sales in FY2015 Q1 vs FY2015 Q1, sales increased by 8.6% due to website development, operation and online community-related services categorized as “other business” in business by segment and PC online game “Rappelz” update. Operating Loss also improved.

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

I . FY2015 Q2 Financial Statement

~PL Trend Line~

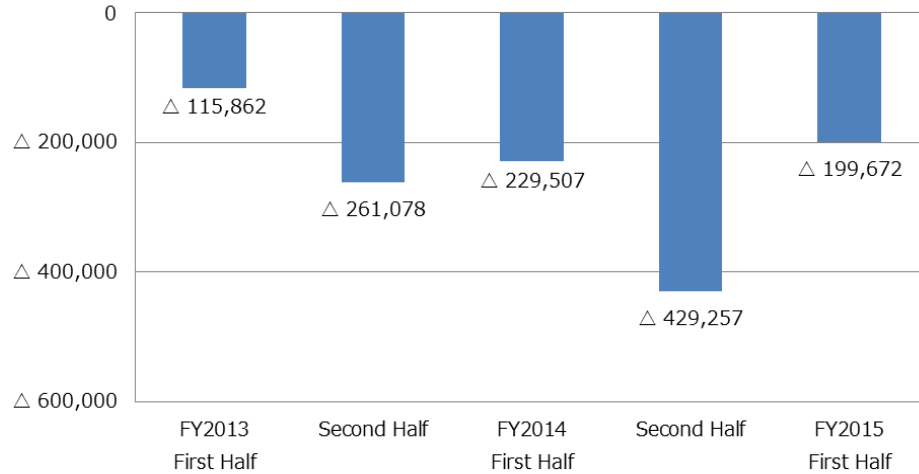
(Unit: Thousand JPY)



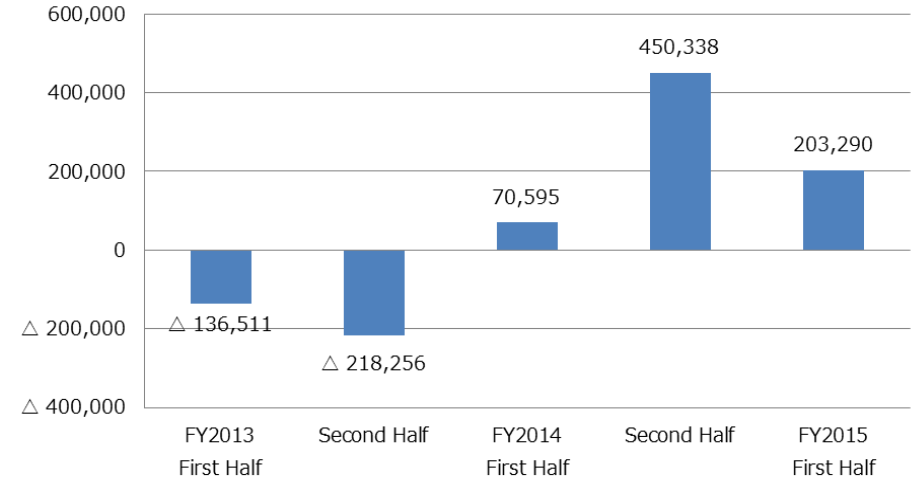
I. FY2015 Q2 Financial Statement

~Consolidated CF Trend~ (Unit: Thousand JPY)

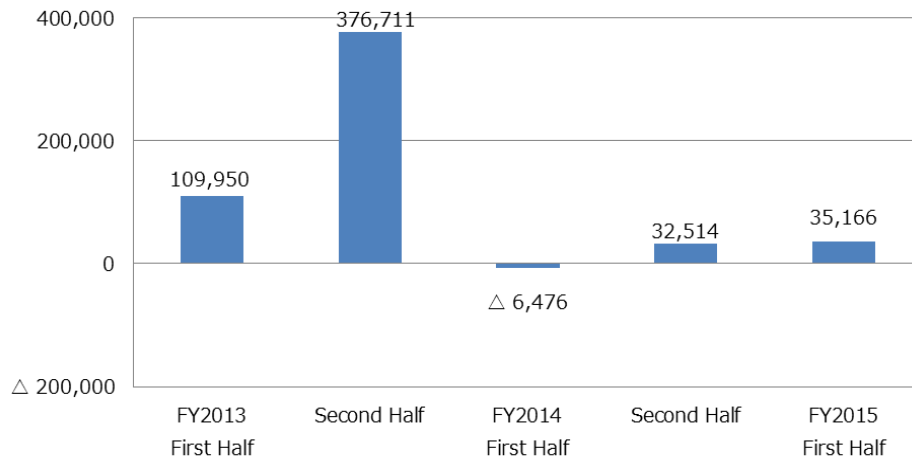
CF from operating activities



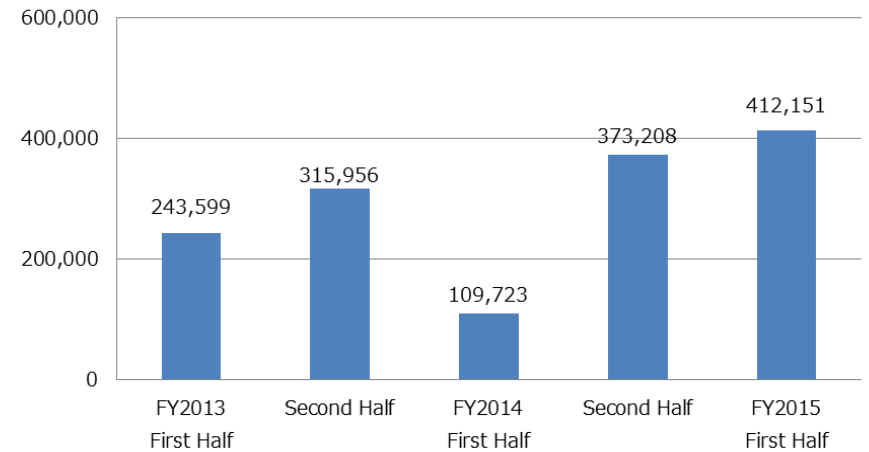
CF from financing activities



CF from investing activities

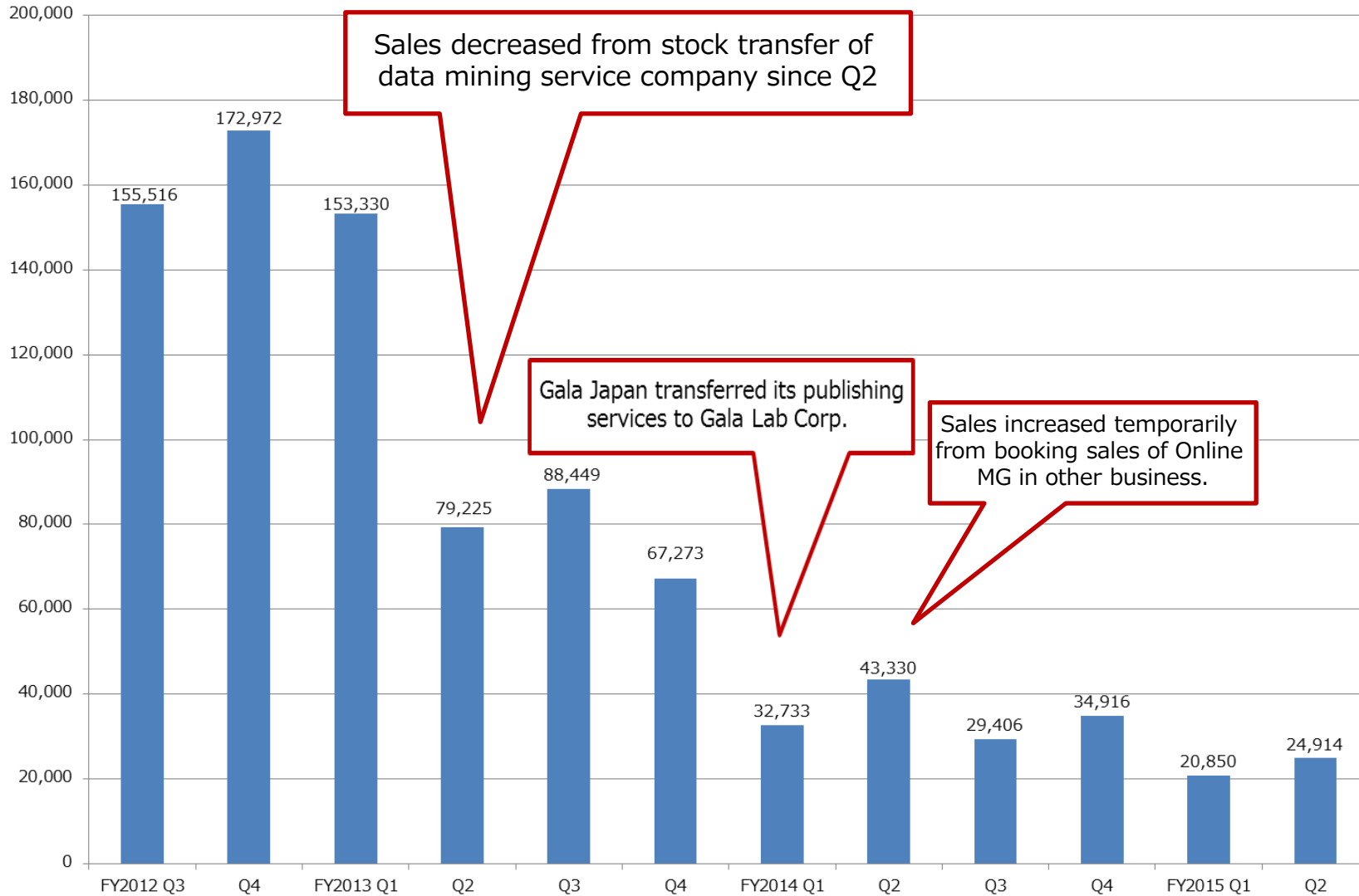


Cash and cash equivalents



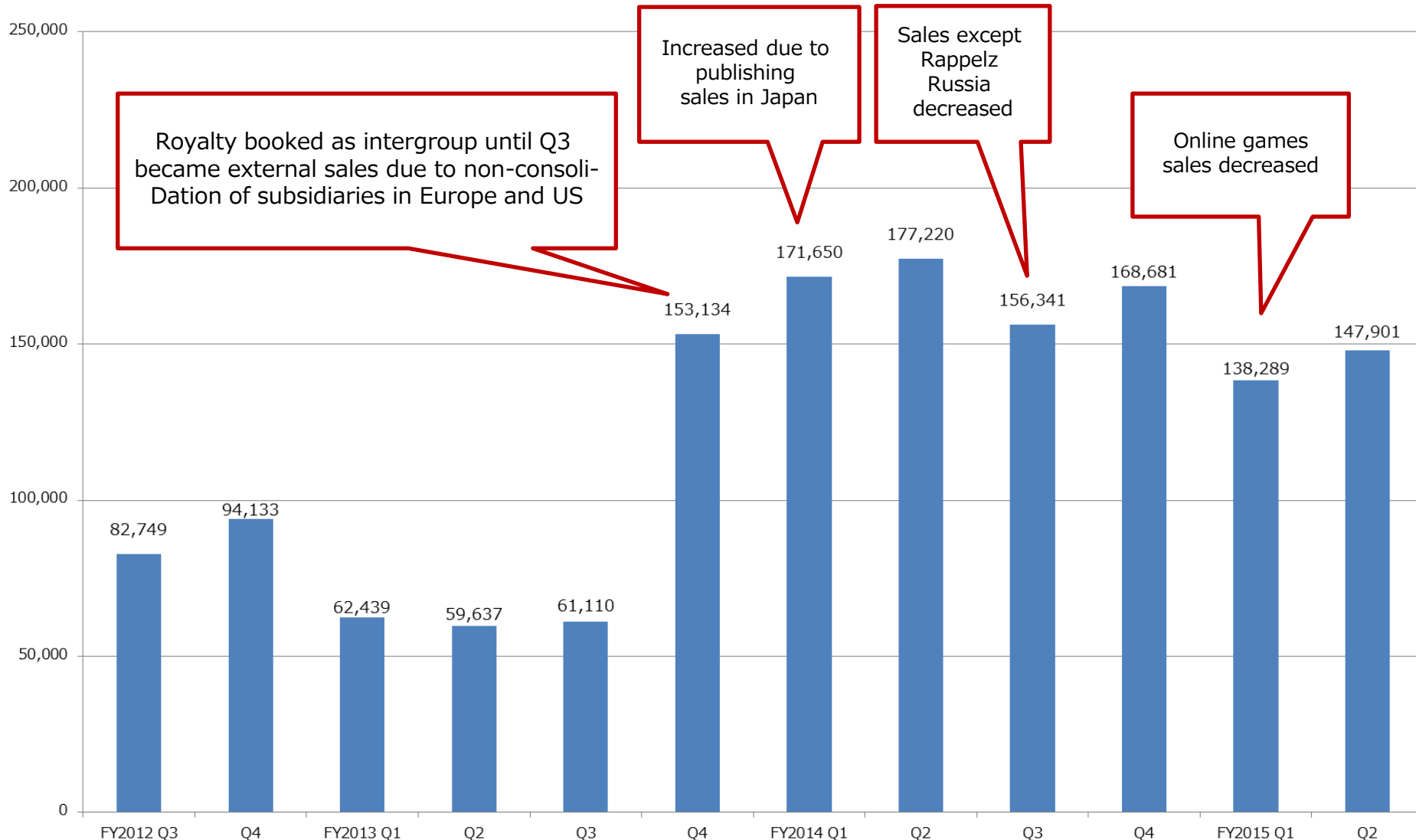
Japan

(Unit: Thousand JPY)



Korea

(Unit: Thousand JPY)



I . FY2015 Q2 Financial Statement

~SGA~

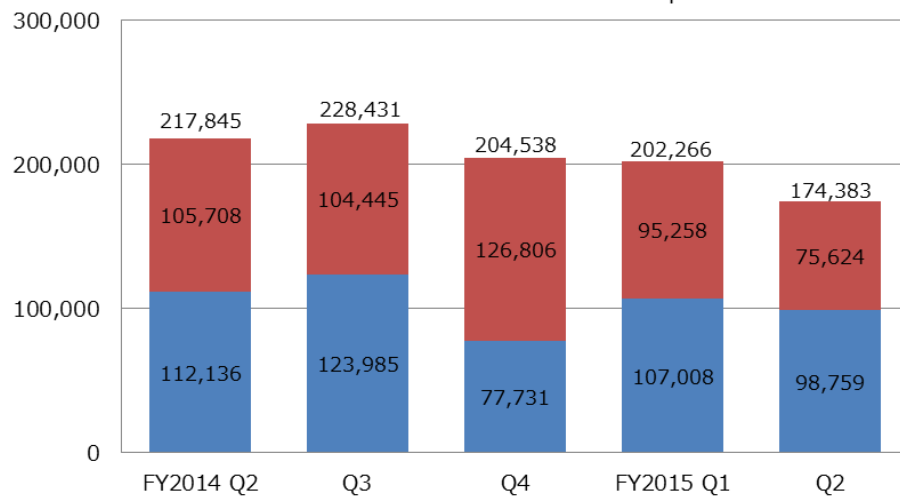


(Unit: Thousand JPY)

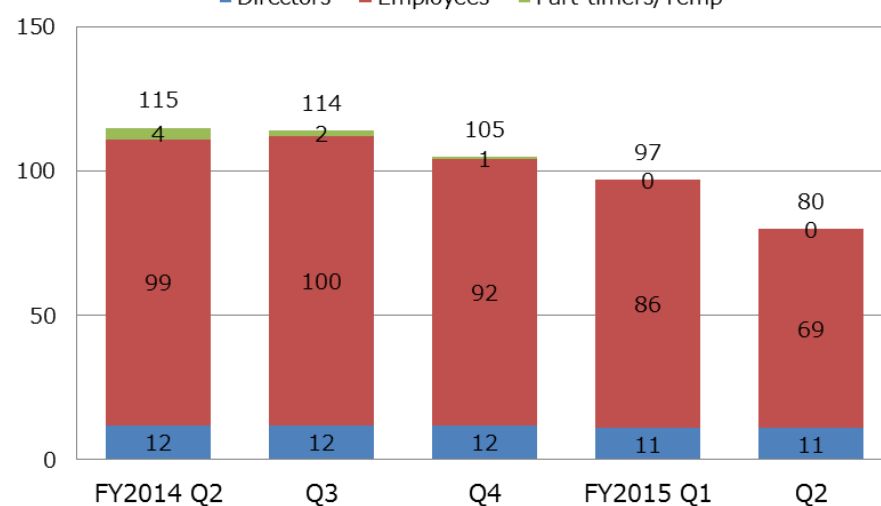
	FY2015 Q2 (2014/7~9)	Previous Qtr. (Q1) (2014/4~6) % Change (FY2015 Q2 vs. FY2015 Q1)		Same Qtr. in Previous FY (2013/7~9) % Change (FY2015 Q2 vs. FY2014 Q2)	
HR Cost	98,759	107,008	△7.7%	112,136	△11.9%
Other Cost	75,624	95,258	△20.6%	105,708	△28.5%
Total SGA	174,383	202,266	△13.8%	217,845	△20.0%

Other HR cost decreased from reduction of office rent and charges (trust bank).

(Unit: Thousand JPY)



(Unit : Person)



「Flyff Puzmon」

「Flyff All Stars」

「StompRun」 formerly 「Flyff Runners」

<iOS and Android Game Apps>

- Game Apps based on 「Flyff Online」

「Flyff Online」 : Monthly Maximum Sales of KRW40,000,000. Users of 50,000,000 as of 2014/8/31

- Development by Gala Lab Corp.

【2Q】 「Flyff Puzmon」 : Android English ver. in SE Asia on 2014/7/24 as test marketing



Flyff Puzmon



「moshikano moshimo kanojyoga...」

<Android Game Apps, love simulation>

- Service by Gala Pocket Inc. (consolidated subsidiary)
- Service Released on 2014/8/14
- Promotional activities :
 CM: 9/18-10/5 「MONDO TV」 、
 「Family Gekijyo」 及び 「FujiTV ONE」
 Newspaper: 5 types of newspaper in August



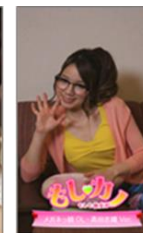
Hobo san (Moyoko S.)



Sister (Shoko T.)



Fushigi (Kanakano H.)



Megane OL (Shiori T.)



Kokosei (Natsuki S.)

「Supermagical」

<iOS and Android game apps, puzzle game>

- Service by Gala Pocket Inc.
- iOS Serviced in 147 countries
- iOS reached 1 million downloads (January 2014)

【2Q】 Android English ver. in Canada and Australia in 2014/9/3
as test marketing
Android Japanese ver. from 2014/9/18



「Kitty Rush」

<iOS and Android game apps, running game>

- Developed by Ragtime Co., Ltd (Korea)
- Publishing rights in Europe, North, South and Central America and Australia
Currently prepared by Gala Lab Corp.




II. Business Report

Online Games Division

In-house online games (as of 2014.9.30)

Game Title	Publisher															
	E n g l i s h	Europe					Asia					A r a b i c				
		G e r m a n y	F r a n c e	T u r k e y	P o l a n d	I t a l y	R u s s i a	j a p a n	K o r e a	P h i l i p p i n	T h a i		M a l a y s i a	S i n g a p o r e	I n d o n e s i a	C h i n a
Flyff Online	Webzen Dublin						Gala Lab	Gala Lab	Level up	INI3				Net Ease	Macrowell	
Rappelz	Webzen Dublin					FUN FACTORY	Gala Lab	Gala Lab	Eaglegame International		Eaglegame (M) Sdn. Bhd					Game Power7
Zenobian						FUN FACTORY			Eaglegame International		Eaglegame (M) Sdn. Bhd					

 . . . Commercialization

 . . . Gala Group