

Explanation on FY2015 3rd Quarter

(10/1/2014 – 12/31/2014)



Gala Inc.
2015/2/12

Topics on Q3 (2014.10 – 2014.12)

[Business]

◆ Smartphone Apps

<Game Apps Released>

- **Puzzle Game Apps 「Supermagical」**
 - ⇒ All countries (regions) except mainland China on Google Play
- **Puzzle Game Apps “Flyff Puzmon,” “Mobile RPG “Flyff All Stars”**
 - ⇒ 130 countries of English-speaking world on Google Play
 - ⇒ 149 countries of English-speaking world on iTunes Store
- **Overseas support of card battle game apps “Kemono Collection” by Gala Pocket Inc. for Edia Inc.**

<New Company>

- **Gala Connect Inc. established in Korea**

[Finance]

- ◆ **Exercise of Stock Warrant by Oak Capital Inc. in the amount of JPY99,959,000**

I . Q3 Financial Statement

~Qtrly P/L (Summary) ~

(Unit: Thousand Yen)

	Q3 (2014/10-12)	FY2015 Q3 vs FY2015 Q2 (Oct. to Dec. 2014 vs. July to Sep. 2014)		FY2015Q3 vs. FY2014 Q3 (Oct. to Dec. 2014 vs. Oct. to Dec. 2013)	
			Change		Change
Sales	165,176	172,815	△4.4%	185,747	△11.1%
COS	39,914	46,136	△13.5%	58,698	△32.0%
Gross Profit	125,261	126,679	△1.1%	127,048	△1.4%
SGA	217,337	174,383	24.6%	228,431	△4.9%
Operating Profit	△92,076	△47,704	-	△101,383	-
Ordinary Profit	△77,262	△31,193	-	△57,105	-
Net Income	△77,970	△34,146	-	△60,487	-

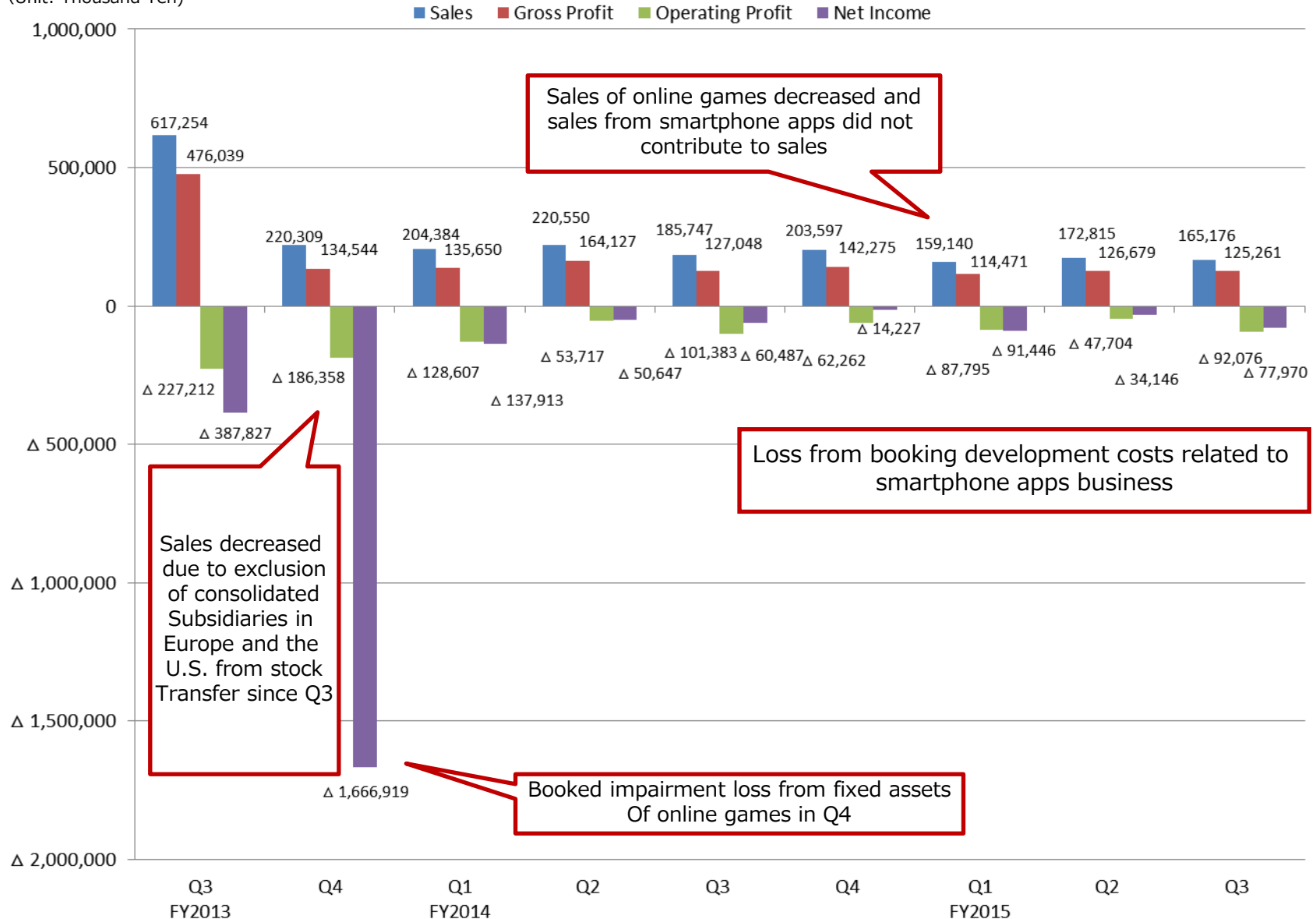
◆ Sales of PC online game “Rappelz” decreased relative to FY2015 Q2 and FY2014 Q3.

◆ Expense preceded in development of smartphone game apps of “Flyff Online.” Promotional cost of “Flyff All Stars” was booked in which the apps was released on 2014/12/17. Operating loss decreased.

I. Q3 Financial Statement

~Qtrly Trend (Sales, Gross Profit, Operating Profit, Net Income)~

(Unit: Thousand Yen)



Sales of online games decreased and sales from smartphone apps did not contribute to sales

Sales decreased due to exclusion of consolidated Subsidiaries in Europe and the U.S. from stock Transfer since Q3

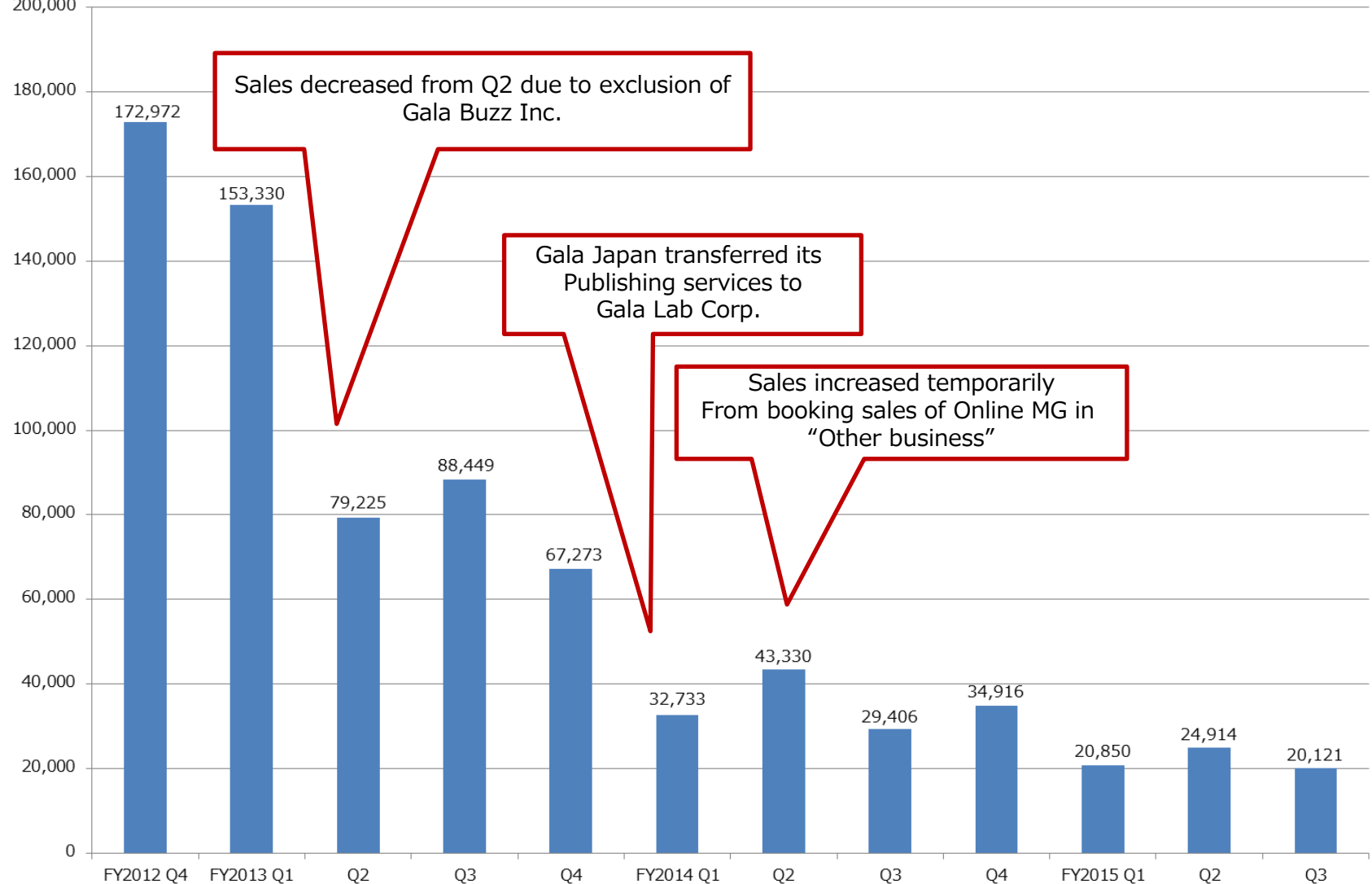
Loss from booking development costs related to smartphone apps business

Booked impairment loss from fixed assets Of online games in Q4

~Sales by Segment (After Adjustment) ~

Japan Segment

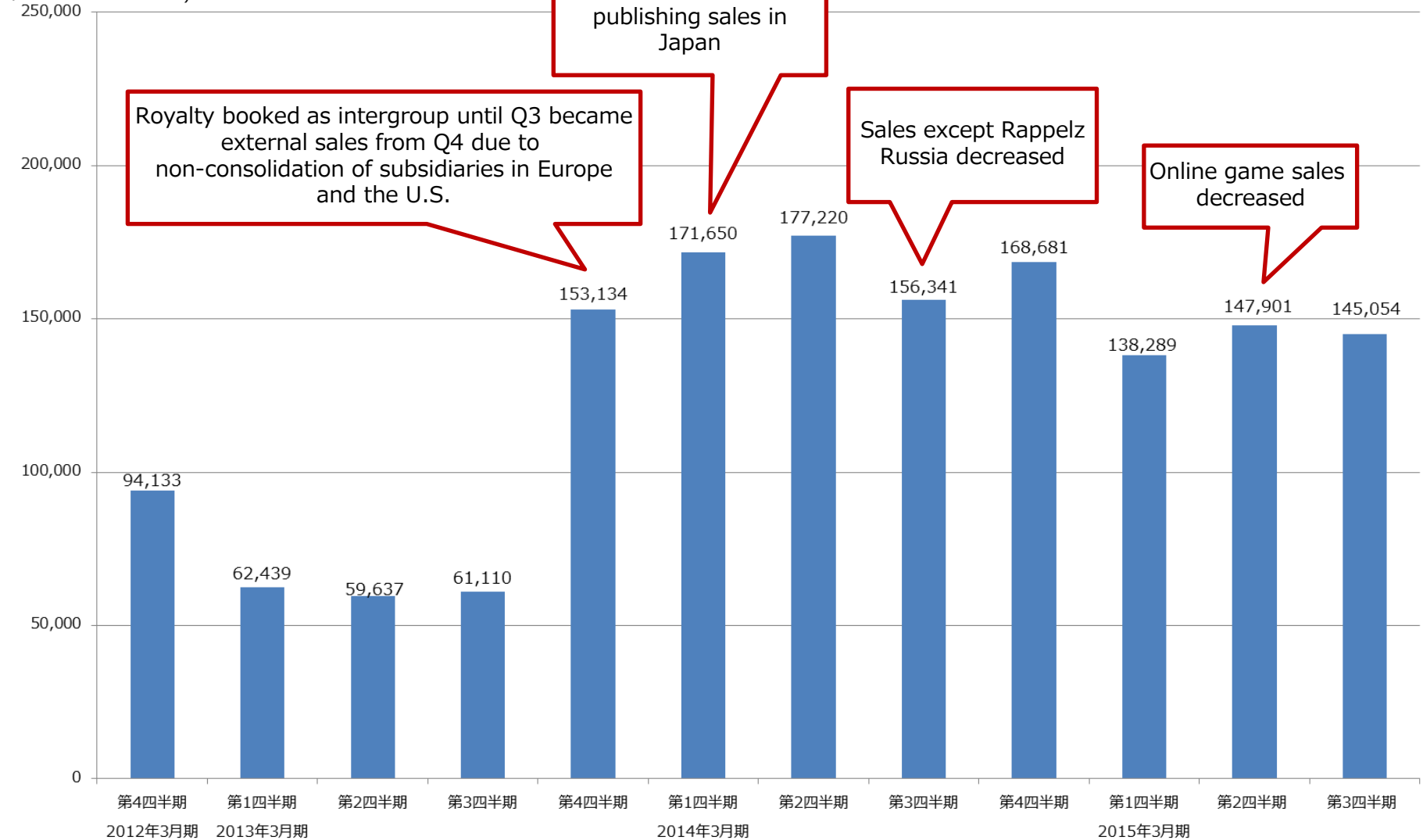
(Unit: Thousand Yen)
200,000



~Sales by Segment (After Adjustment) ~

Korea Segment

(Unit: Thousand Yen)



I. Q3 Financial Statement

~Qtrly SGA-other and HR Count (Consolidated) ~

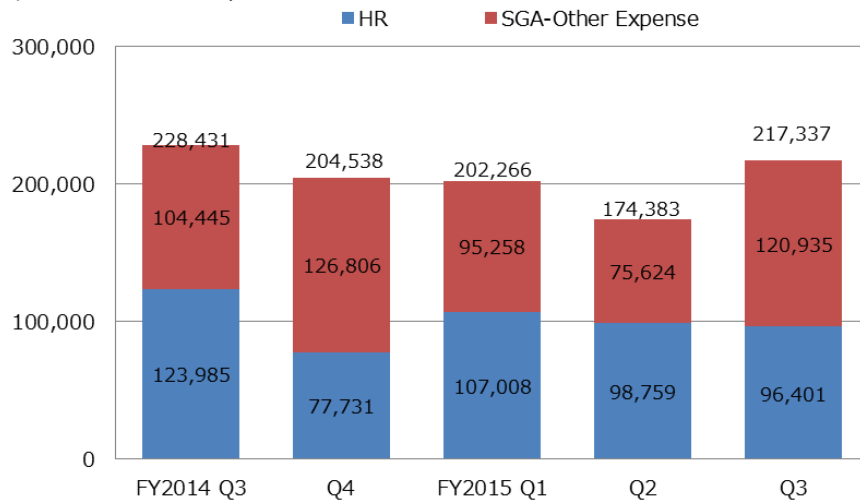


(Unit : Thousand Yen)

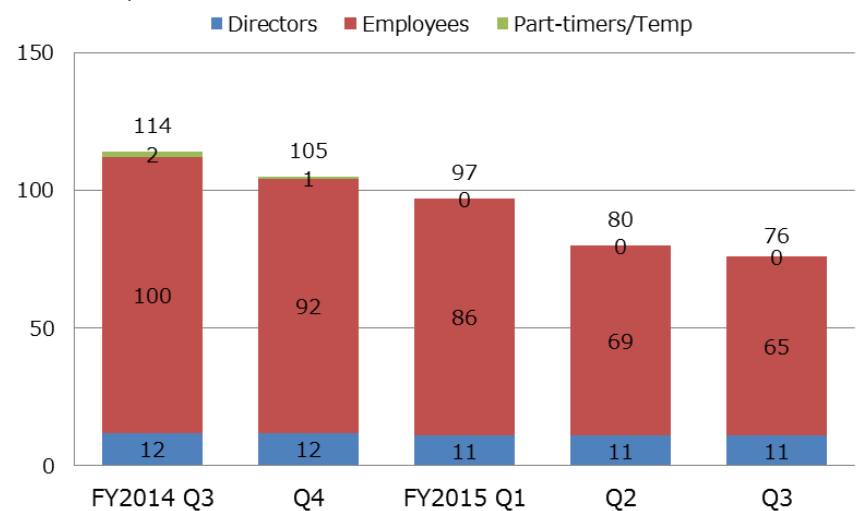
	Q3 (2014/10-12)	FY2015 Q3 vs FY2015 Q2 (Oct. to Dec. 2014 vs. July to Sep. 2014)		FY2015Q3 vs. FY2014 Q3 (Oct. to Dec. 2014 vs. Oct. to Dec. 2013)	
			Change		Change
HR Cost	96,401	98,759	△2.4%	123,985	△22.2%
SGA-Other	120,935	75,624	59.9%	104,445	15.8%
Total SGA	217,337	174,383	24.6%	228,431	△4.9%

※Increase in SGA-other due to promotion cost

(Unit: Thousand Yen)



(Unit : Person)



「Flyff Puzmon」

「Flyff All Stars」

「Flyff StompRun」

<iOS and Android Game Apps>

- Game Apps based on 「Flyff Online」

「Flyff Online」 recorded monthly maximum sales of KRW4,000,000,000 and as of 2014/8/31, download users are 50,000,000

- Developed by Gala Lab Corp.

「Flyff Puzmon」

- Android English version Test marketing in 8 countries in SE Asia on 2014/7/24
- iOS English version 2014/11/12 released in the Philippines

【3Q】 Android English 2014/12/10 in 130 countries

iOS English 2014/12/10 in 149 countries



「Flyff All Stars」

【3Q】 Pre-registration campaign 2014/12/4 – 2014/12/16

Android English 2014/12/17 in 130 countries

iOS English 2014 /12/17 in 149 countries



「Flyff StompRun」

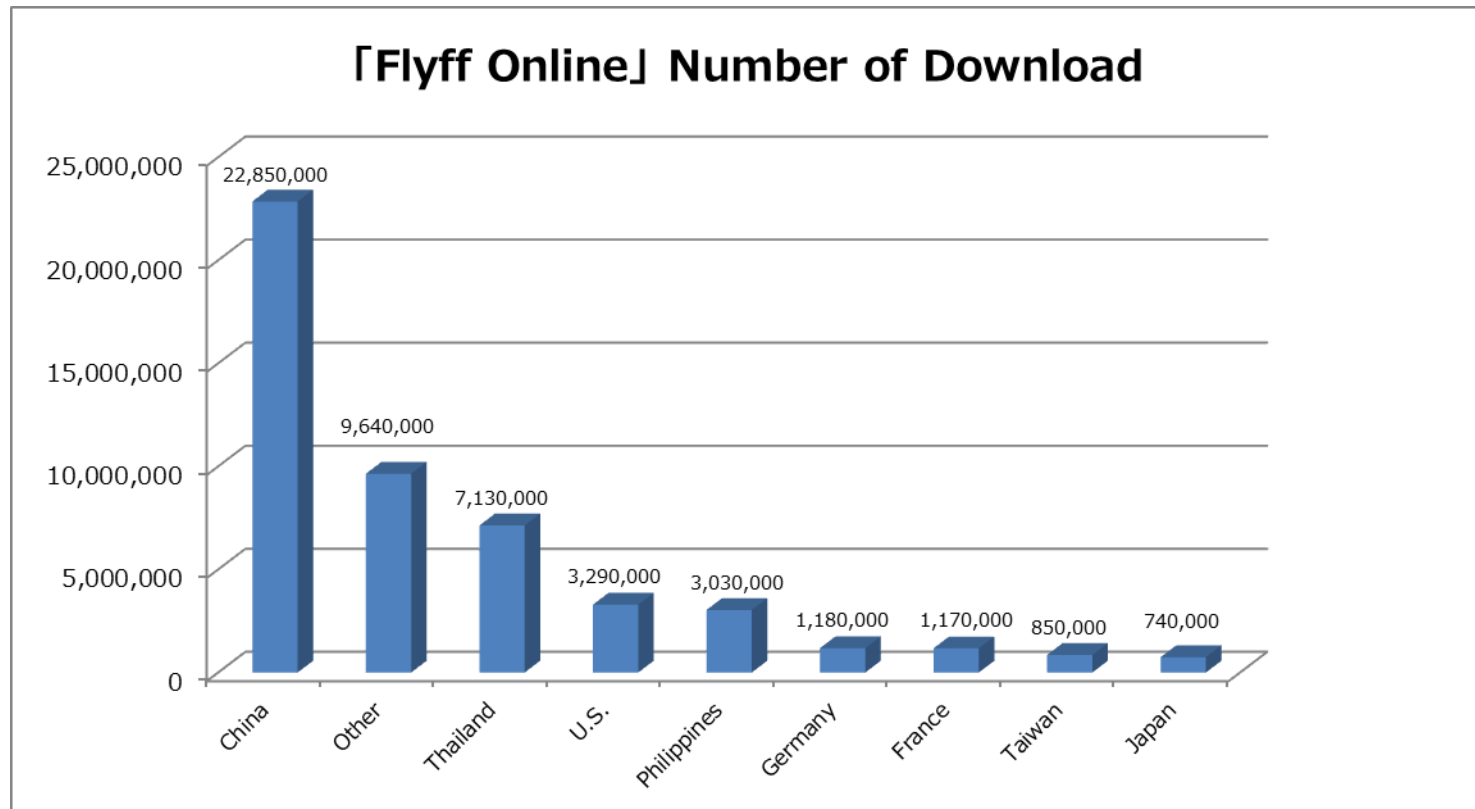
【3Q】 License Agreement on the above three game apps with a game company in Taiwan (Net Publishing Co., Ltd.) in Traditional Chinese globally except mainland China



「Flyff All Stars」 Global Strategy

1. All languages will be provided globally not limited to its domestic language.
2. Flyff All Stars will be released using the data below as reference.

※as of 2014/8/31



「Supermagical」

<Puzzle Game Apps on iOS and Android>

- Released by Gala Pocket Inc.
- 147 countries globally on iOS
- Achieved 1,000,000 Download in January 2014
- Android English Test marketing in Canada and Australia on 2014/9/3
- Android Japanese Released on 2014/9/18

[3Q] Android English, Korean: Released globally to all countries (regions) on 「Google Play」 except mainland China



「Kemono Collection」

<Card battle game apps on Android>

- Edia Inc. developed and released the game
- Gala Pocket Inc.'s overseas support: translation service, PR to media for free of charge
- Business Model : Revenue Share on Game Apps

[3Q] Android English Released in 130 countries (regions) except Russia, Hong Kong, Taiwan, Korea and Japan




II. Business Report

Online Game Business

In-house Game Released in Following Regions (as of 2014/12/31)

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		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

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