

Explanation on FY2015

(2014/4/1 – 2015/3/31)



Gala Inc.
2015/5/15

Topics on Q4 (2015.01 – 2015.03)

[Business]

◆ Smartphone Apps

<Game Apps Released>

- Mobile RPG "Flyff All Stars" English in France in iOS and Android
- Golf Game "Dungeons & Golf" English in Japan in iOS and Android

<Game Apps Terminated>

- "Moshikano moshimo kanojyoga," "Online Senryaku MG management game"
- Golf Game "Dungeons & Golf" Japanese (operated by Appprime Inc. , former AppBank Games Inc.)

I . Q4 Financial Statement

~Qtrly P/L (Summary) ~

(Unit: Thousand Yen)

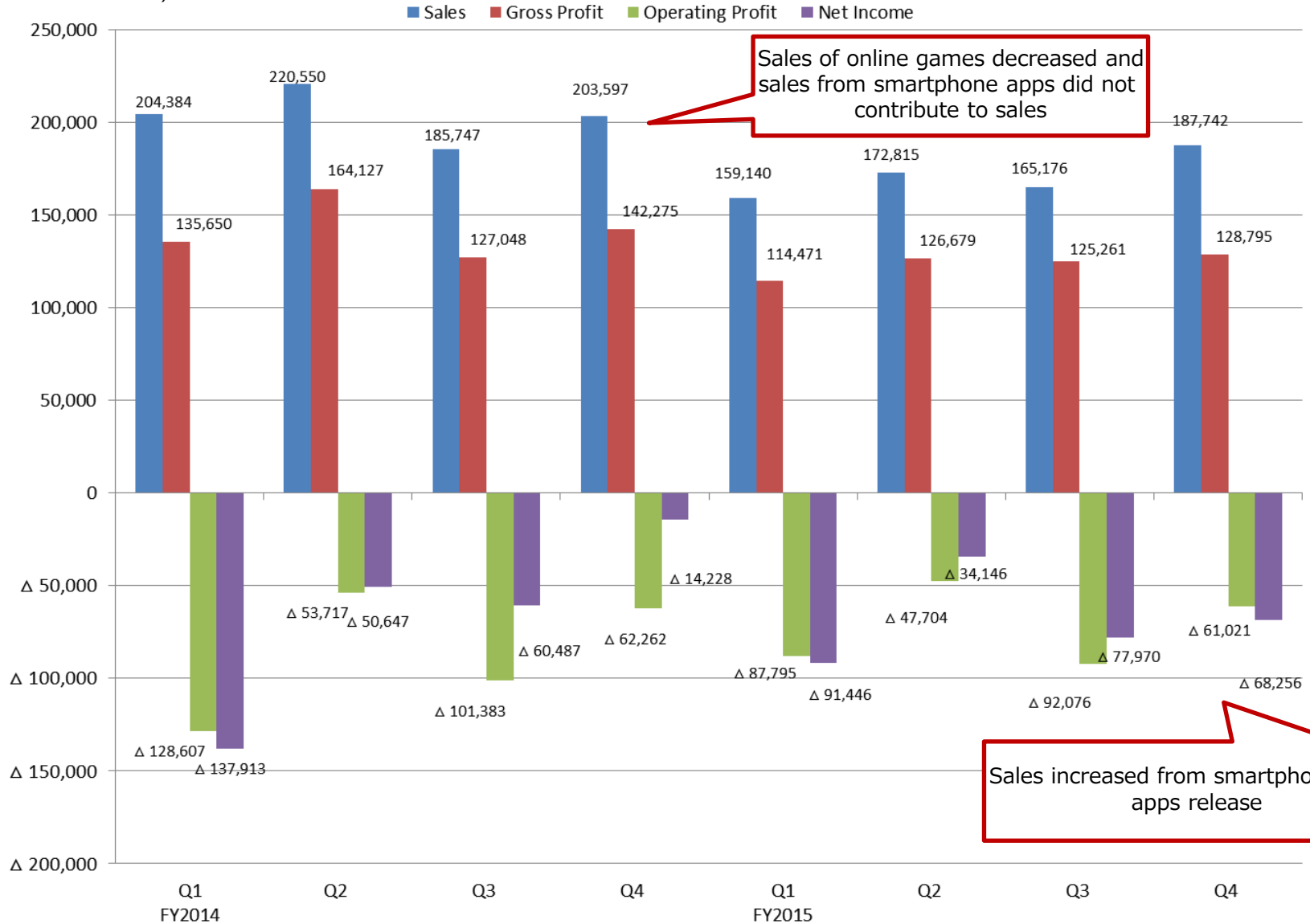
	Q4 (Jan. to Mar. 2015)	FY2015 Q4 vs FY2015 Q3 (Jan. to Mar. 2015 vs. Oct. to Dec. 2014)		FY2015 Q4 vs. FY2014 Q4 (Jan. to Mar. 2015 vs. Jan. to Mar. 2014)	
				Change	Change
Sales	187,742	165,176	13.7%	203,597	△7.8%
COS	58,947	39,914	47.7%	61,322	△3.9%
Gross Profit	128,795	125,261	2.8%	142,275	△9.5%
SGA	189,816	217,337	△12.7%	204,538	△7.2%
Operating Profit	△61,021	△92,076	-	△62,262	-
Ordinary Profit	△62,047	△77,262	-	△76,120	-
Net Income	△68,256	△77,970	-	△14,228	-

- ◆ Sales: “Flyff All Stars” English was released in mid-December which contributed to sales increase of 13.7% Relative to FY2014 Q4, smartphone apps sales increase did not exceed decrease in online game sales which resulted △7.8%
- ◆ SGA: Decrease in HR cost and fixed cost led to decrease by 12.7% relative to FY2015 Q3 and 7.2% relative to FY2014 Q4.
- ◆ Net Income: Relative to FY2014 Q4, decrease in extraordinary profit led to net loss of JPY68,256 thousand. Relative to FY2015 Q3, gain from reverse in stock option and extraordinary gain from change in equity decreased. Extraordinary loss of impairment loss decreased. Thus, net loss improved by JPY9,714 thousand.

I. Q4 Financial Statement

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

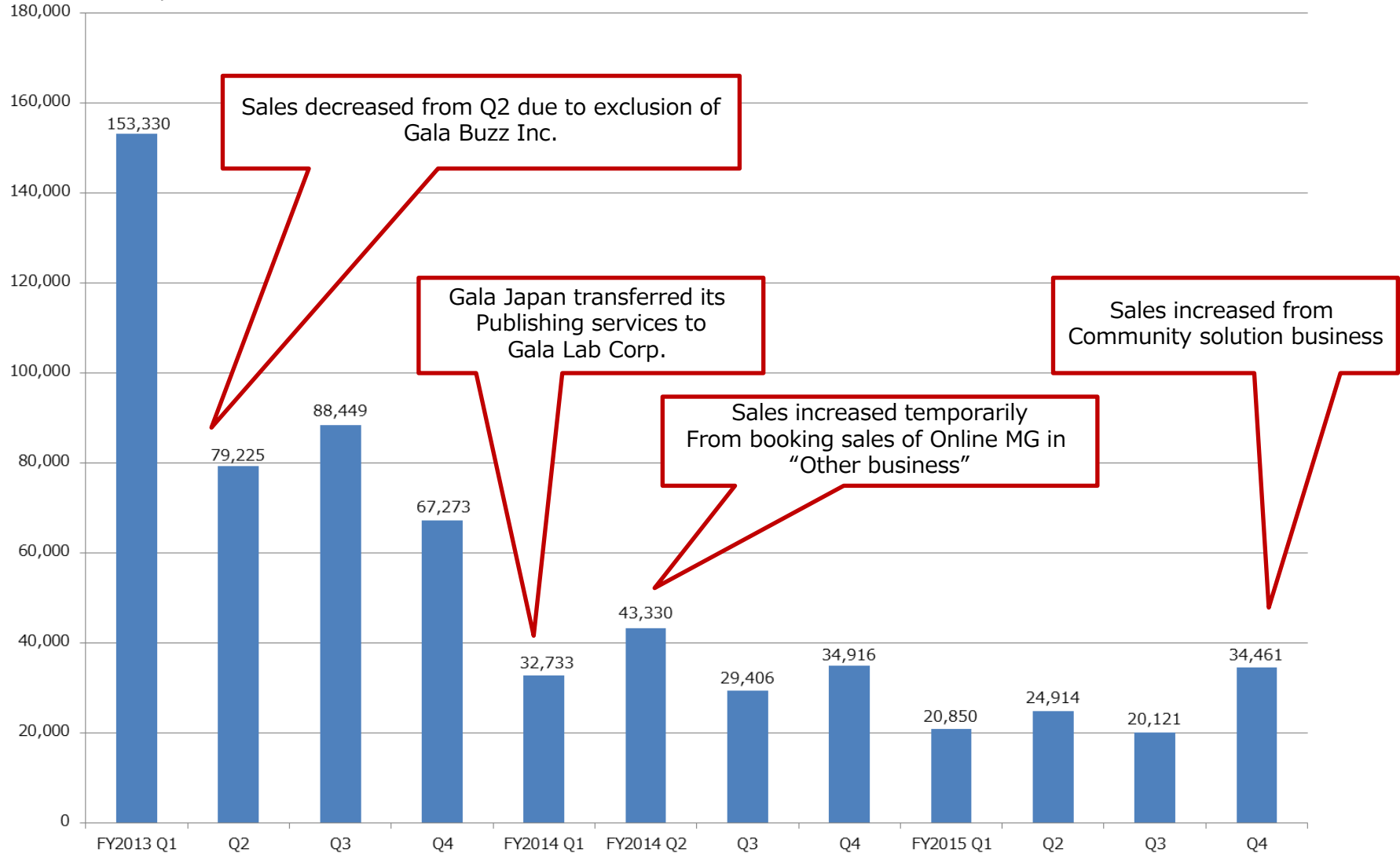
(Unit: Thousand Yen)



~Sales by Segment (After Adjustment) ~

Japan Segment

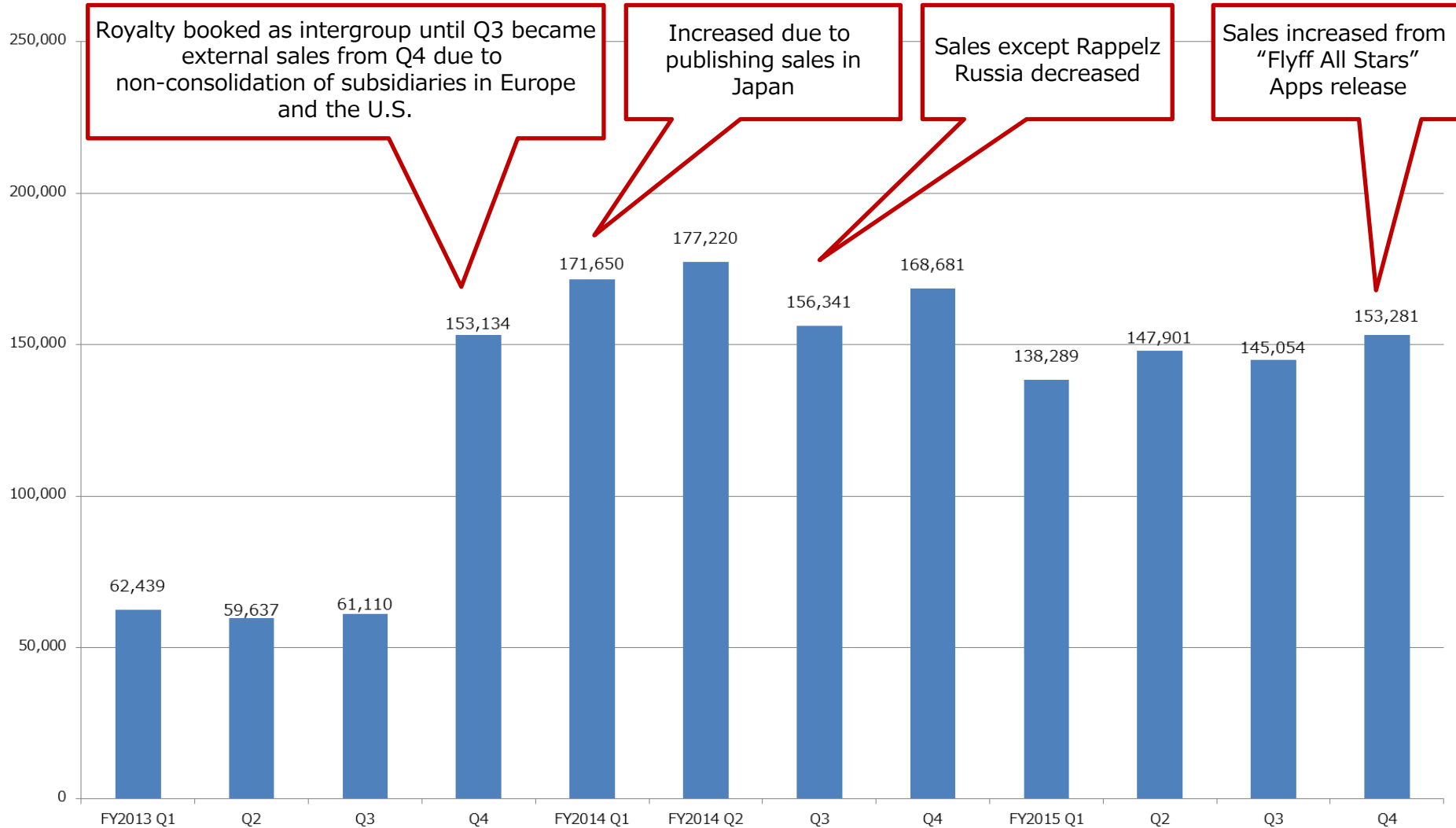
(Unit: Thousand Yen)



~Sales by Segment (After Adjustment) ~

Korea Segment

(Unit: Thousand Yen)



I. Q4 Financial Statement

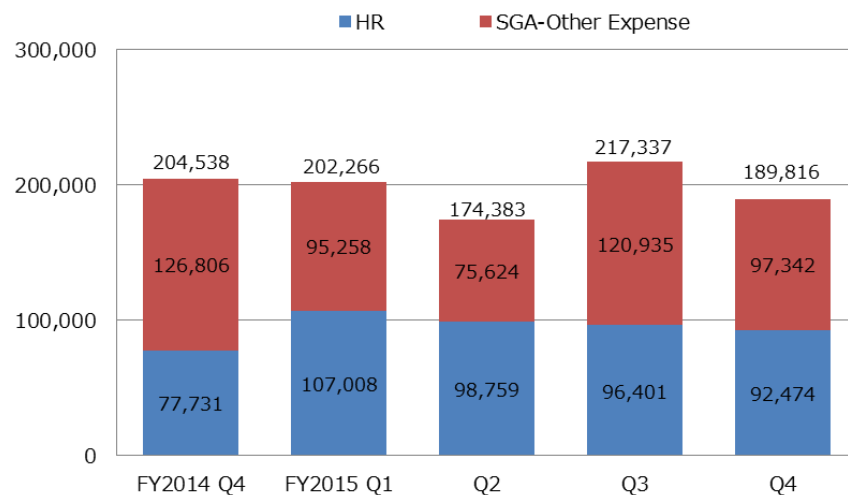
~Qtrly SGA-other and HR Count (Consolidated) ~

(Unit : Thousand Yen)

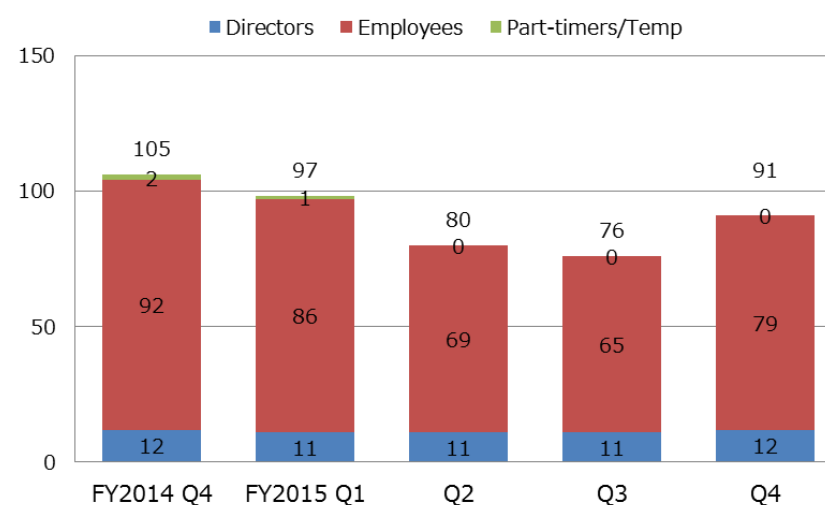
	Q4 (Jan. to Mar. 2015)	FY2015 Q4 vs FY2015 Q3 (Jan. to Mar. 2015 vs. Oct. to Dec. 2014)		FY2015 Q4 vs. FY2014 Q4 (Jan. to Mar. 2015 vs. Jan. to Mar. 2014)	
			Change		Change
HR Cost	92,474	96,401	△4.1%	77,731	19.0%
SGA-Other	97,342	120,935	△19.5%	126,806	△23.2%
Total SGA	189,816	217,337	△12.7%	204,538	△7.2%

※Increase in HR Cost relative to FY2014 Q4 and decrease in FY2015 Q3 is due to difference in processing expense that arises from actuarial gain or loss.

(Unit: Thousand Yen)



(Unit : Person)



Annual Financial Statement

Topics on FY2015 (2014.04 – 2015.03)

[Business]

◆ Smartphone Apps

<Game Apps Released>

- Puzzle Game Apps “Flyff Puzmon” English, Mobile RPG “Flyff All Stars” English in English-speaking countries(regions). 130 countries and France in Android. 149 countries and France in iOS.
- Puzzle Game Apps “Supermagical” English in all countries (regions) in Google Play except China.
- Overseas support by Gala Pocket Inc. on card battle game apps “Kemono Collection” by Edia Inc.

<New Company>

- Gala Connect Inc. established in Korea

<Finance>

- Stock warrant exercise by Oak Capital Inc. in the amount of JPY299,991,000

(Unit : Thousand JPY)

	FY2015	FY2014	Difference By Amount	Difference By Rate
Sales	684,875	814,280	△129,405	△15.9%
COS	189,666	245,177	△55,510	△22.6%
Gross Profit	495,208	569,102	△73,894	△13.0%
SGA	783,805	915,073	△131,268	△14.3%
Operating Profit	△288,596	△345,971	57,374	-
Ordinary Profit	△259,541	△277,615	18,073	-
Net Income	△271,820	△263,277	△8,543	-

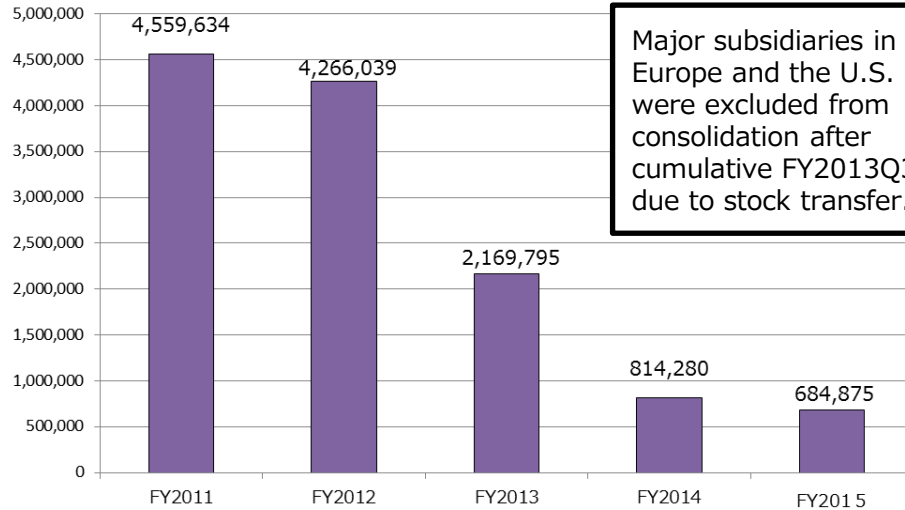
- ◆ Smartphone Apps: “Flyff All Stars” and “Dungeons & Golf” did not contribute as much to sales as originally forecasted. Decrease in online games sales exceeded increase in smart phone apps. Sales decreased by 15.9% relative to FY2014.
- ◆ Cost-cutting measure resulted in operating loss of JPY288,596 thousand. Gain/Loss from foreign currency translation booked in non-operating gain/loss decreased that resulted in ordinary loss of JPY259,541 thousand. Gain from reverse in stock option and extraordinary gain from change in equity decreased. Extraordinary loss of impairment loss decreased. Thus, net loss of JPY271,820 thousand was booked.

II. FY2015 Annual Financial Statement

~PL Trend~

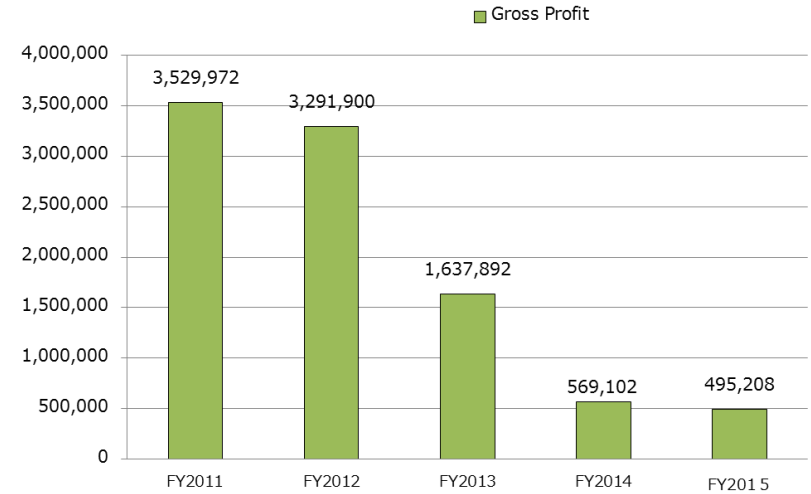
(Unit : Thousand JPY)

Sales

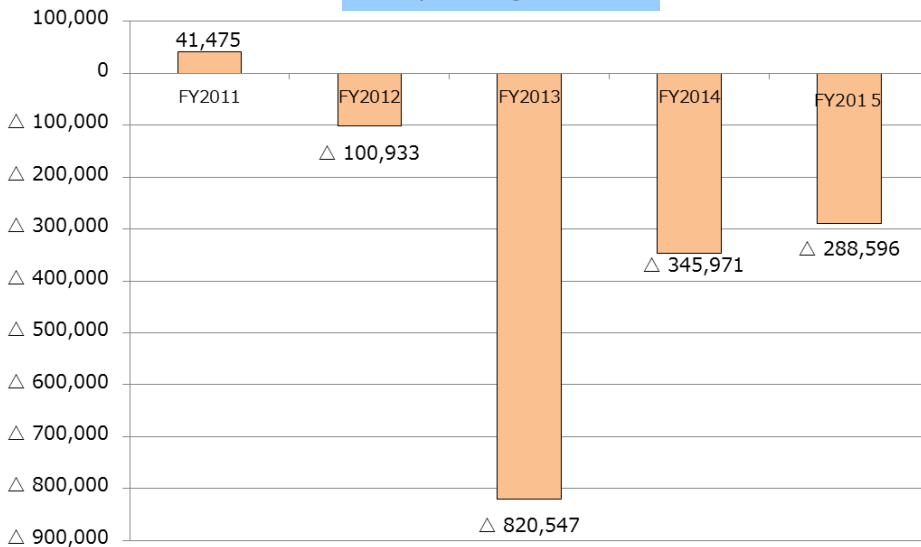


Major subsidiaries in Europe and the U.S. were excluded from consolidation after cumulative FY2013Q3 due to stock transfer.

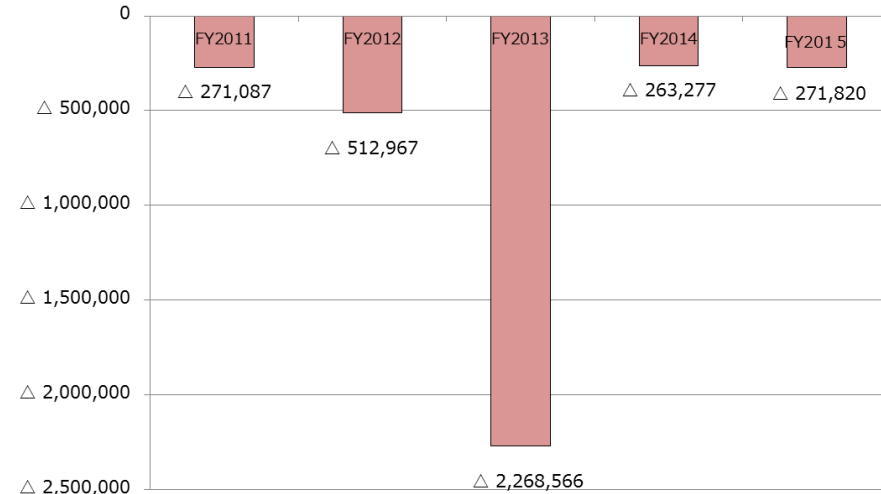
Gross Operating Profit



Operating Profit



Net Income



(Unit: Thousand JPY)

	FY2015	FY2014	Difference By Amount	Difference By rate
Current Assets	540,559	569,085	△28,526	△5.0%
Fixed Assets	5,325	2,940	2,384	81.1%
Intangible Fixed Assets	254	286	△32	△11.2%
Investment and other Assets	130,558	108,402	22,156	20.4%
Current Liabilities	201,317	259,129	△57,812	△22.3%
Long-Term Liabilities	235,349	198,683	36,666	18.5%
Net Assets	240,030	222,902	17,128	7.7%
Liabilities and Net Assets	676,697	680,715	△4,017	△0.6%

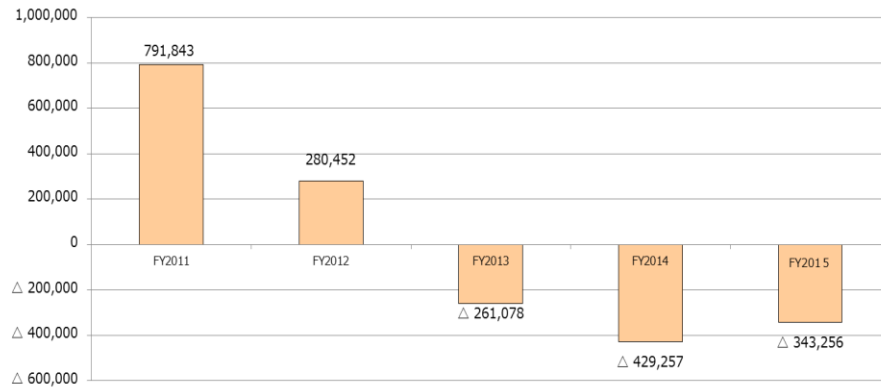
- ◆ Account Payable in current liabilities decreased.
- ◆ Long-term deferred revenue in fixed liabilities increased.

II. FY2015 Annual Financial Statement

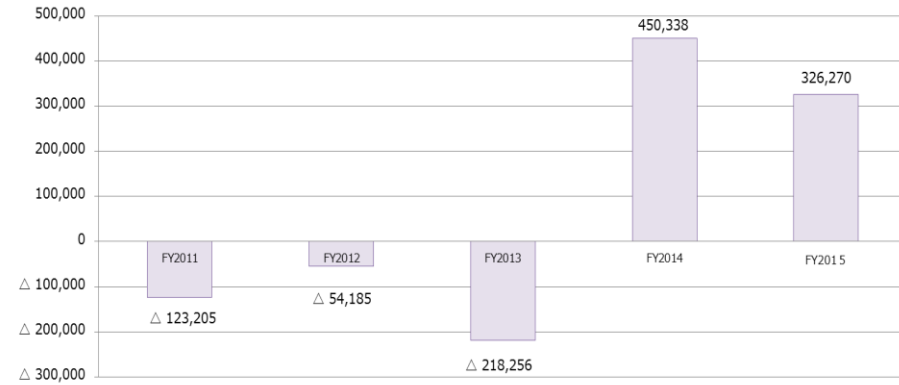
~CF Trend~

(Unit : Thousand JPY)

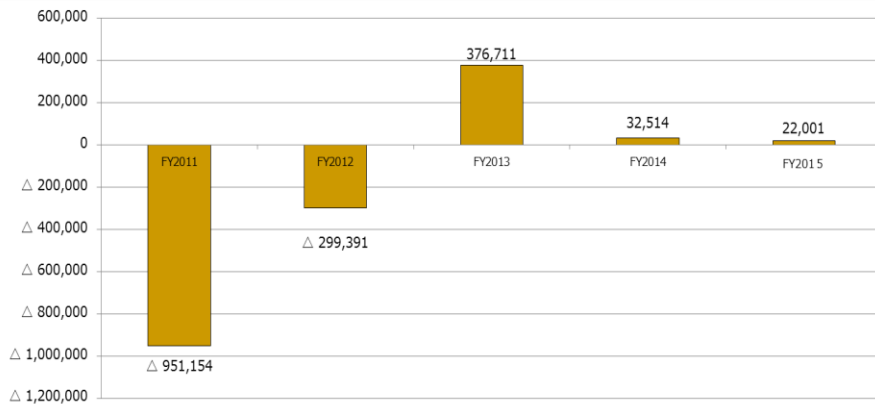
Cash flow trend from operating activities



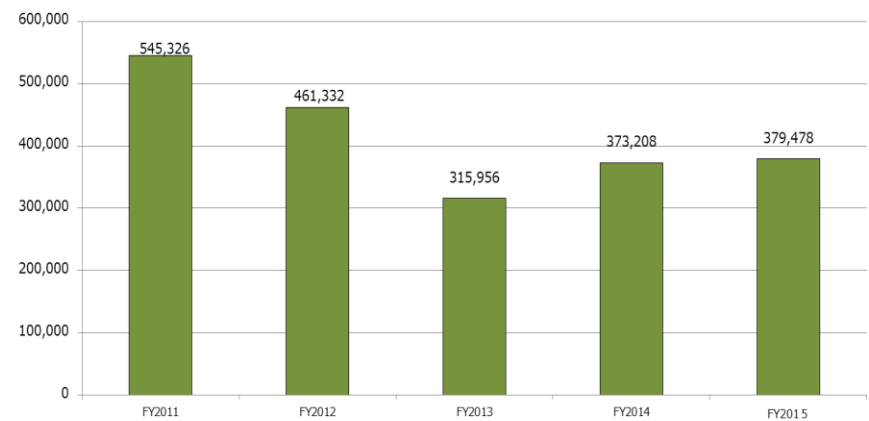
Cash flow trend from financing activities



Cash flow trend from investment activities



Trend of cash and cash equivalents



III. Business Report

「Flyff Puzmon」

「Flyff All Stars」

「Flyff StompRun」

<iOS and Android Game Apps>

- Game Apps based on “Flyff Online,” PC online game

“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

【4Q】 2015/2/16 iOS and Android in France



“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


III. Business Report

Online Game Business

In-house online game as of 2015/3/31

Game Title	Publisher																		
	Europe						Asia								A r a b i c				
	E n g l i s h	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 e s	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	T a i w a n		
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 (M) Sdn. Bhd				

 . . . Commercialization

 . . . Gala Group

Beyond FY2016 March



Flyff All Stars Japanese

- Pre-registration campaign (April 2015)
- Release Planned (May – June 2015)
- Japanese version to be released other than Japan
- TV Commercial and Event with AKB48



Multi-language version

- Traditional Chinese (2014/12/12 PR)
- Vietnamese (2015/4/27 PR)
- Arabic (2015/4/27 PR)
- Languages in Europe (Germany, France, Spain, Portugal, Italian) , Simplified Chinese, Korean

Download will begin directly by the Group company or by apps store.

Conduct marketing activities and promotion activities in U.S. and Europe to bring awareness



Smartphone game apps development of PC online game "Rappelz"

"Rappelz" as PC online game

- "Rappelz" is "European MMORPG" with high-quality graphics
- English, Korean, and Japanese version were released in 2006 and German and French version were released in 2008
- Traditional Chinese, Arabic, and Russian versions were also released
- Maximum monthly sales of KRW2,855,000,000 (about JPY300,000,000 in current exchange rate). 59,000,000 downloads as of 2015/3/31.

"Rappelz" as smartphone game apps

- Target development of smartphone game apps within few years
- Plan marketing and promotional activities with various media for global expansion

For these business activities, we have financed the following :

New share issuance by third-party allotment and the third stock warrant
(Expected financing amount: JPY1,500,000,000)

- Summary of New Stock Issuance :
 - Number of New Shares to be Issued : 299,800
 - Issue price : JPY1,001 per share
 - Finance Amount : JPY300,099,800 (After deducting various fees JPY298,499,800)
 - Purpose : Marketing activity for "Flyff All Stars" in Japan
- Summary of Stock Warrant :
 - Stock Warrant in Unit Count : 10,910
 - Number of Dilutive Shares : 1,091,000 (Stock Warrant)
 - Finance Amount : JPY1,213,868,420 (After deducting various fees JPY1,211,238,420)
 - Exercise Price : JPY1,100 per share
 - Exercise Period : 2015/5/11 – 2017/5/10
 - Finance Amount :
 - "Flyff All Stars" U.S. and Europe marketing activities
 - "Rappelz" development fee for smartphone apps
 - "Rappelz" marketing activities