

Explanation on FY2016 Q1

(2015/4/1 – 2015/6/30)



Gala Inc.

2015/8/13

This is a translation.

Topics on Q1 (2015.04 – 2015.06)

[Business]

◆ Smartphone Apps

<Game Apps Download Began>

- Mobile RPG “Flyff All Stars” in Japanese globally in iOS and Android
- Golf Game “Dungeons & Golf” in English in Japan in iOS and Android

<Game Apps Terminated>

- “Supermagical”
- “Zenobian” in Japanese

[Others]

- 2015/4/1 Gala Japan Inc. and Gala Pocket Inc. absorption-type merger
- 2015/4/23 Stock transfer of Gala Web Inc.
- 2015/5/11 Third-party allotment to Oak Capital Inc. on May 11, 2015

Total amount to be financed: JPY1,500,000,000. (2/3 was exercised in FY2016 Q1)

I. Q1 Financial Statement

~Qtrly P/L (Summary) ~

(Unit: Thousand Yen)

	Q1 (2015/4/1 - 2015/6/30)	FY2016 Q1 vs FY2015 Q4 (2015/4/1 - 2015/6/30 vs 2015/1/1-2015/3/31)		FY2016 Q1 vs. FY2015 Q1 (2015/4/1 - 2015/6/30 vs 2015/4/1-2015/6/30)	
			Change		Change
Sales	131,885	187,742	△29.8%	159,140	△17.1%
COS	35,099	58,947	△40.5%	44,668	△21.4%
Gross Profit	96,785	128,795	△24.9%	114,471	△15.5%
SGA	336,032	189,816	77.0%	202,266	66.1%
Operating Profit	△239,246	△61,021	-	△87,795	-
Ordinary Profit	△237,869	△62,047	-	△89,079	-
Net Income	△234,792	△70,424	-	△91,446	-
Net Income attributable to the non-controlling interests	△2,462	△2,167		-	
Net Income attributable to parent company	△232,329	△68,256		△91,446	

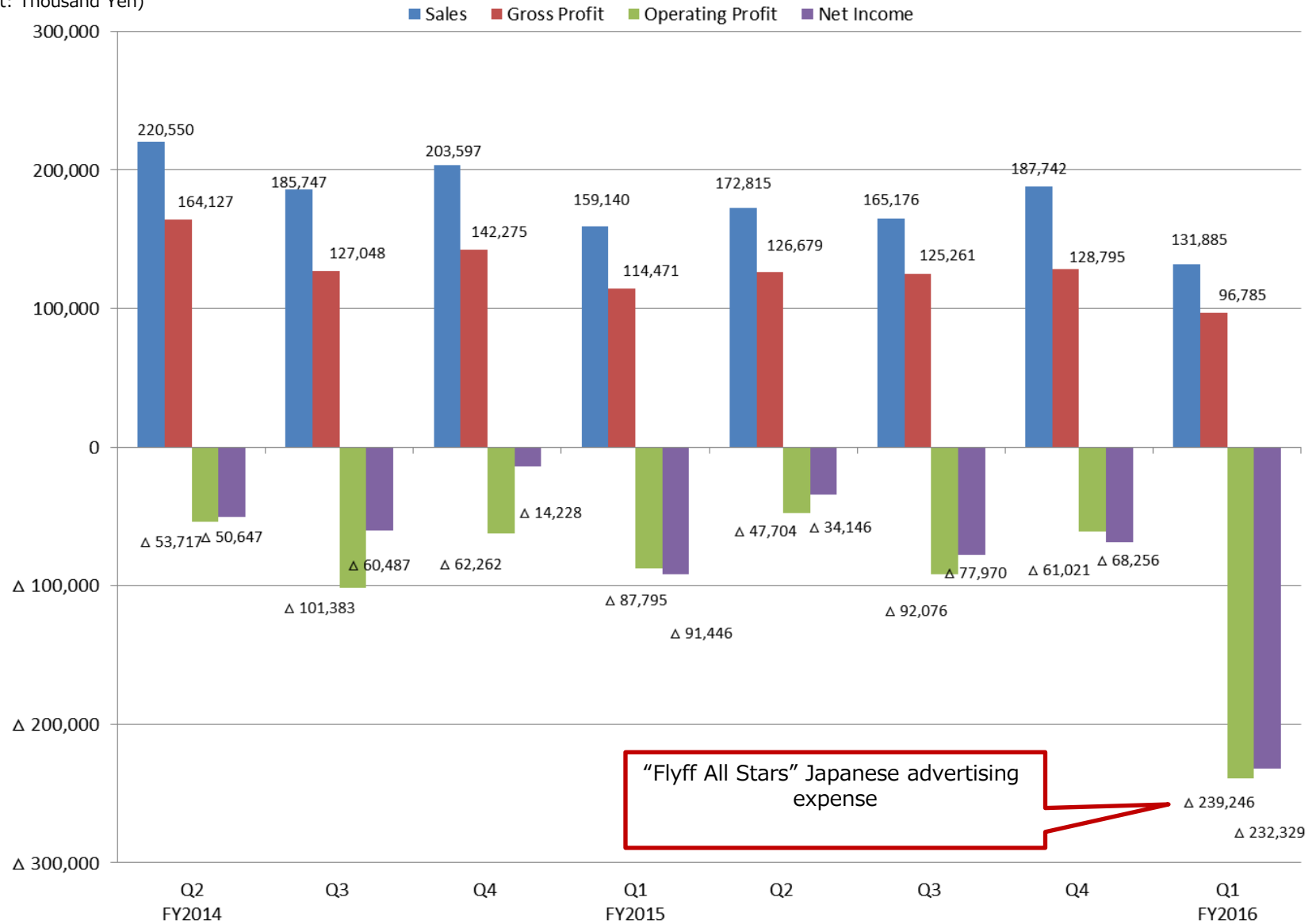
◆ Sales: “Flyff All Stars” Japanese download began in June 2015 and grew steadily but the decrease of online game sales exceeded the sales growth of smartphone apps. Also, sales from “other business” which was sales of Gala Web Inc. is no longer consolidated due to the stock transfer of this consolidated company. This also led to sales decrease.

◆ SGA: “Flyff All Stars” Japanese TVCM and promotional costs booked in SGA led to increase of 77% in SGA relative to FY2016 Q1 vs. FY2015 Q4 and 66.1% in FY2016 Q1 vs. FY2015 Q1.

I. Q1 Financial Statement

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

(Unit: Thousand Yen)

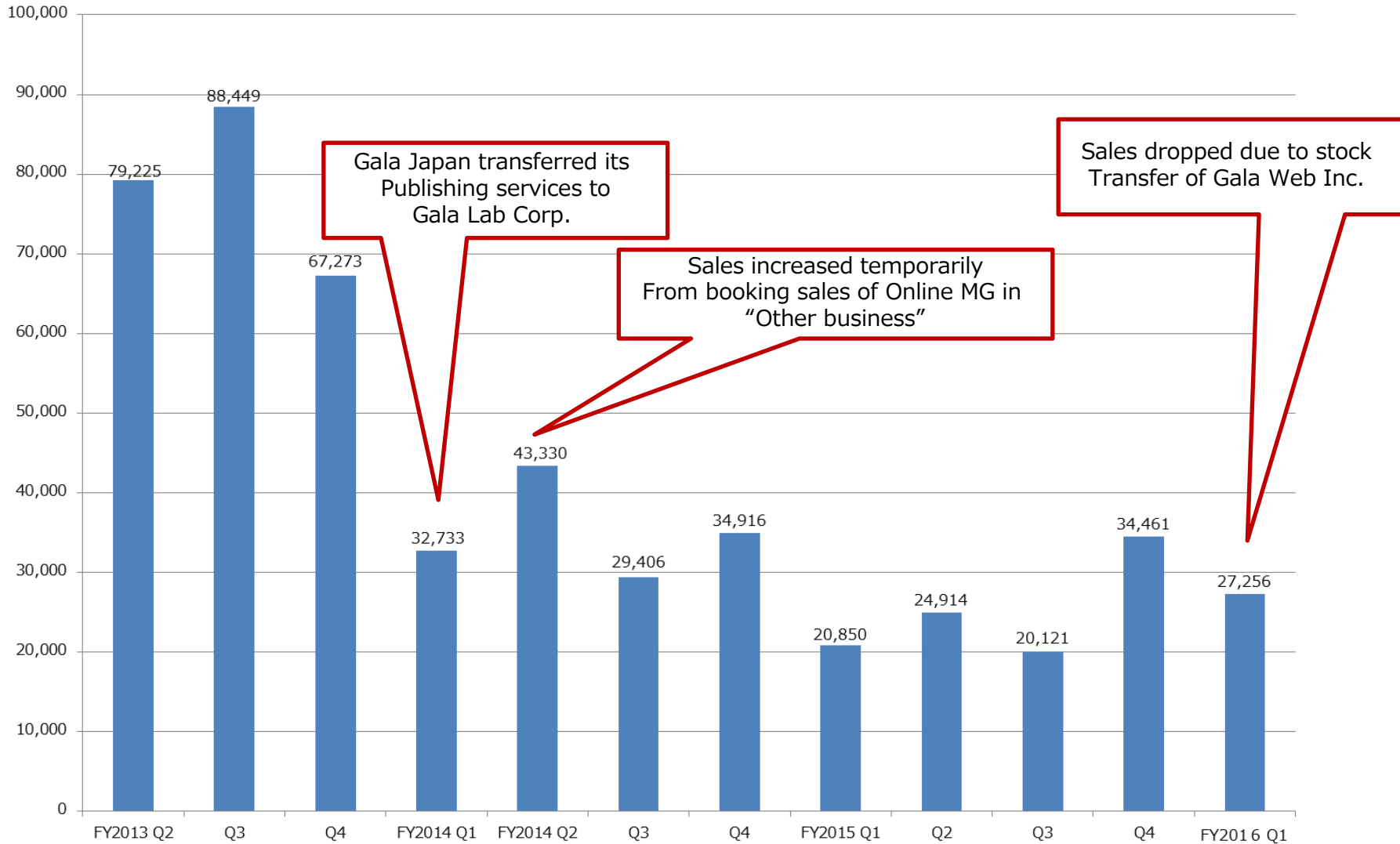


"Flyff All Stars" Japanese advertising expense

~Sales by Segment (After Adjustment) ~

Japan Segment

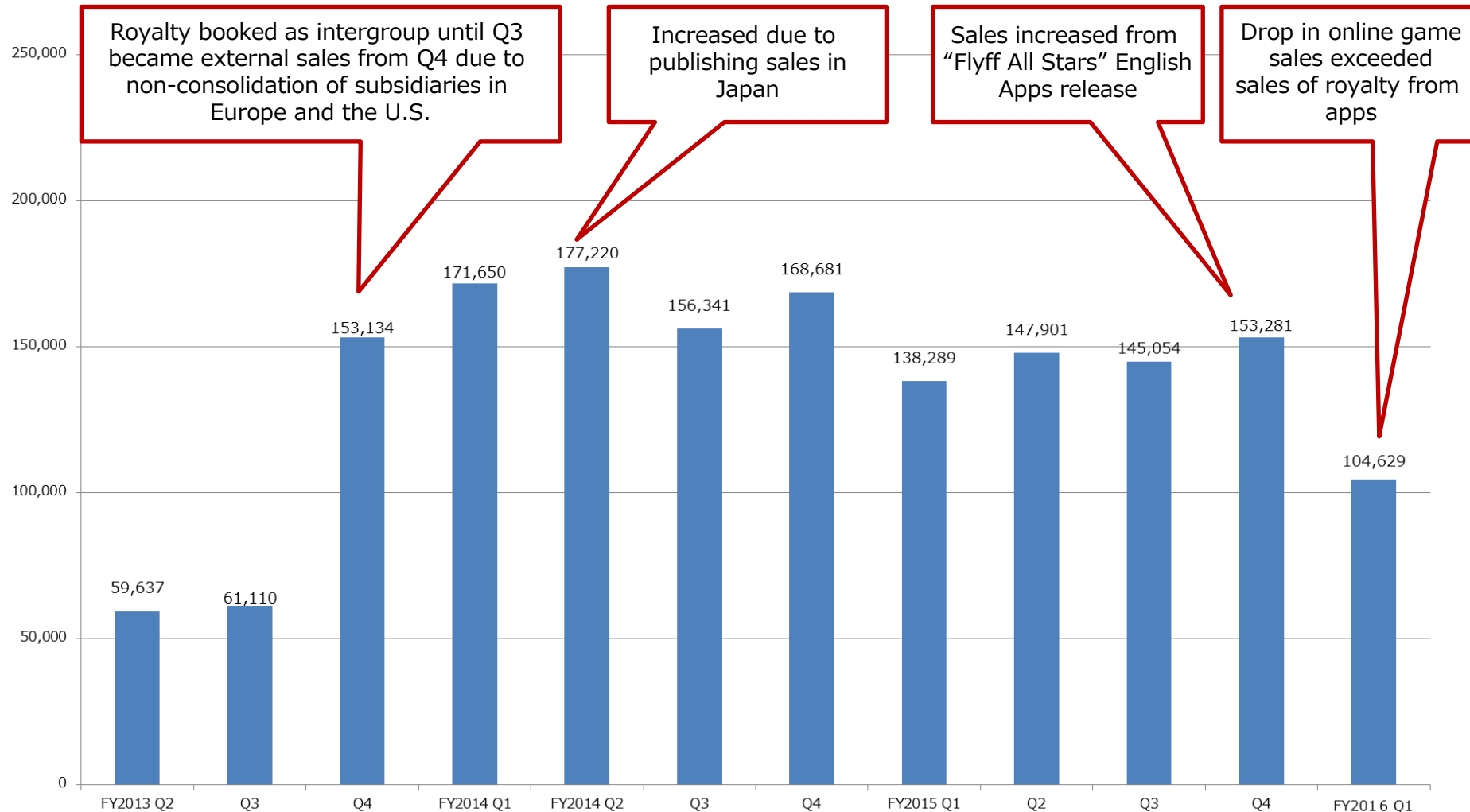
(Unit: Thousand Yen)



~Sales by Segment (After Adjustment) ~

Korea Segment

(Unit: Thousand Yen)



I. Q1 Financial Statement

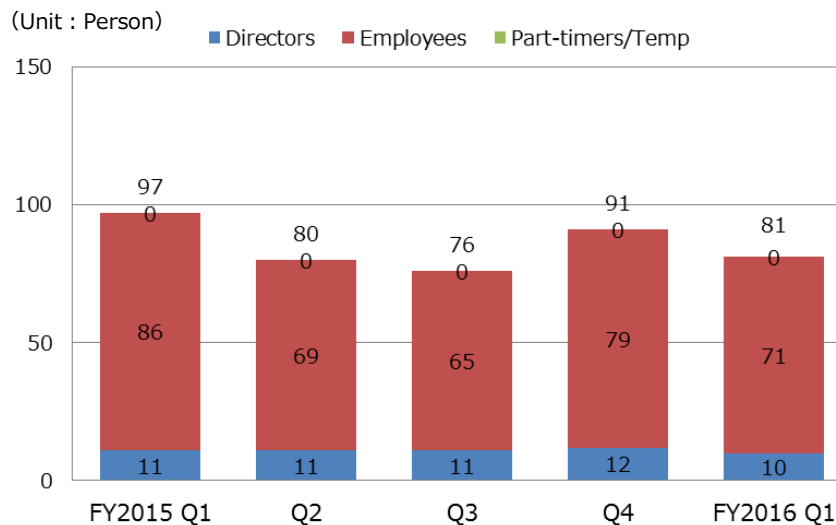
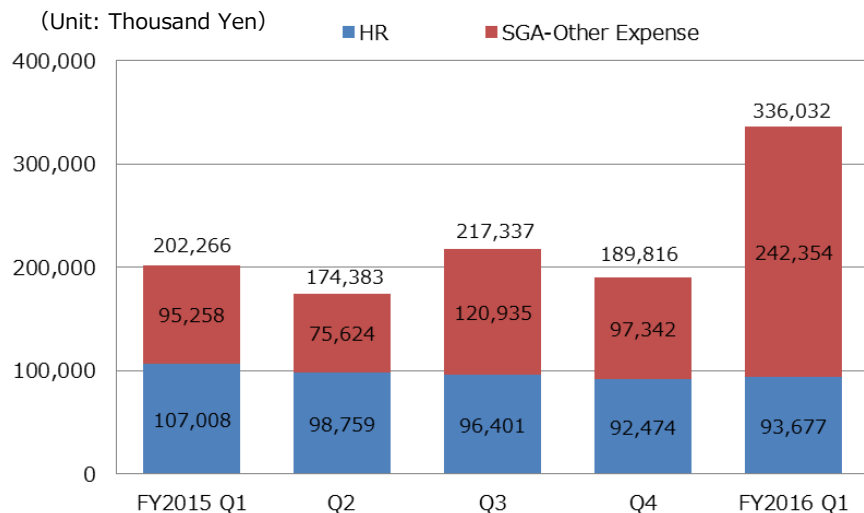
~Qtrly SGA-other and HR Count (Consolidated) ~



(Unit : Thousand Yen)

	Q1 (2015/4/1 – 2015/6/30)	FY2016 Q1 vs FY2015 Q4 (2015/4/1 – 2015/6/30 vs 2015/1/1-2015/3/31) Change		FY2016 Q1 vs. FY2015 Q1 (2015/4/1 – 2015/6/30 vs 2015/4/1-2015/6/30) Change	
HR Cost	93,677	92,474	1.3%	107,008	△12.5%
SGA-Other	242,354	97,342	149.0%	95,258	154.4%
Total SGA	336,032	189,816	77.0%	202,266	66.1%

※JPY159,515 thousand yen booked as advertising and promotion cost related to “Flyff All Stars” Japanese.



「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.

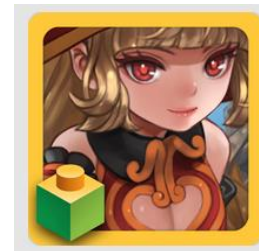
“Flyff Puzmon”

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
Android English 2014/12/10 in 130 countries, iOS English 2014/12/10 in 149 countries
2015/8/3 Began pre-registration of Japanese version



“Flyff All Stars”

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
2015/2/16 iOS and Android in France in English
(Q1) License Agreement with companies in Vietnam to release in Vietnamese. Japanese version is explained in the next slide.



“Flyff StompRun”

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 Japanese

- Pre-registration campaign (2015/4/30)
- Release Planned (2015/6/4)
- Japanese version to be released other than Japan
- TV Commercial (Kanto region)
- Off-line 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

- Total of 1,000,000 downloads (English version 640,000 and Japanese version 360,000) (2015/6/12)
- 500,000 downloads (Japanese version) (2015/6/18)


III. Business Report

Online Game Business

In-house online game as of 2015/6/30

Game Title	Publisher																	
	Europe							Asia							Arabia			
	English	Germany	France	Turkey	Poland	Italy	Russia	Japan	Korea	Philippines	Thailand	Malaysia	Singapore	Indonesia		China	Taiwan	
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

 . . . Commercialization

 . . . Gala Group