

Explanation on FY2016 Q3

(2015/10/1 – 2015/12/31)



Gala Inc.

2016/2/12

This is a translation.

Q3 Topics (2015.10 – 2015.12)

[Business]

◆ Smartphone Apps Division

- **License Agreement on “Arcane,” smartphone game apps, developed by PlayWorks Corp, with PlayWorks Corp.**

<Game Apps Download Terminated>

- **Golf Game Apps “Dungeons & Golf” English version was terminated on 2015/11/16**

I . Q3 Financial Statement

~Qtrly P/L (Summary) ~

(Unit: Thousand Yen)

	Q3 (2015/10/1 - 2015/12/31)	FY2016 Q3 vs FY2016 Q2 (2015/10/1 - 2015/12/31 vs 2015/7/1-2015/9/30)		FY2016 Q3 vs. FY2015 Q3 (2015/10/1 - 2015/12/31 vs 2014/10/1-2014/12/31)	
				Change	Change
Sales	109,952	116,198	△5.4%	165,176	△33.4%
COS	17,882	21,331	△16.2%	39,914	△55.2%
Gross Profit	92,070	94,866	△2.9%	125,261	△26.5%
SGA	162,341	176,345	△7.9%	217,337	△25.3%
Operating Profit	△70,270	△81,478	-	△92,076	-
Ordinary Profit	△70,068	△84,177	-	△77,262	-
Net Income	△104,622	△86,418	-	△79,871	-
Net Income attributable to the non-controlling interests	△4,697	△3,315		△1,900	
Net Income attributable to parent company	△99,924	△83,102		△77,970	

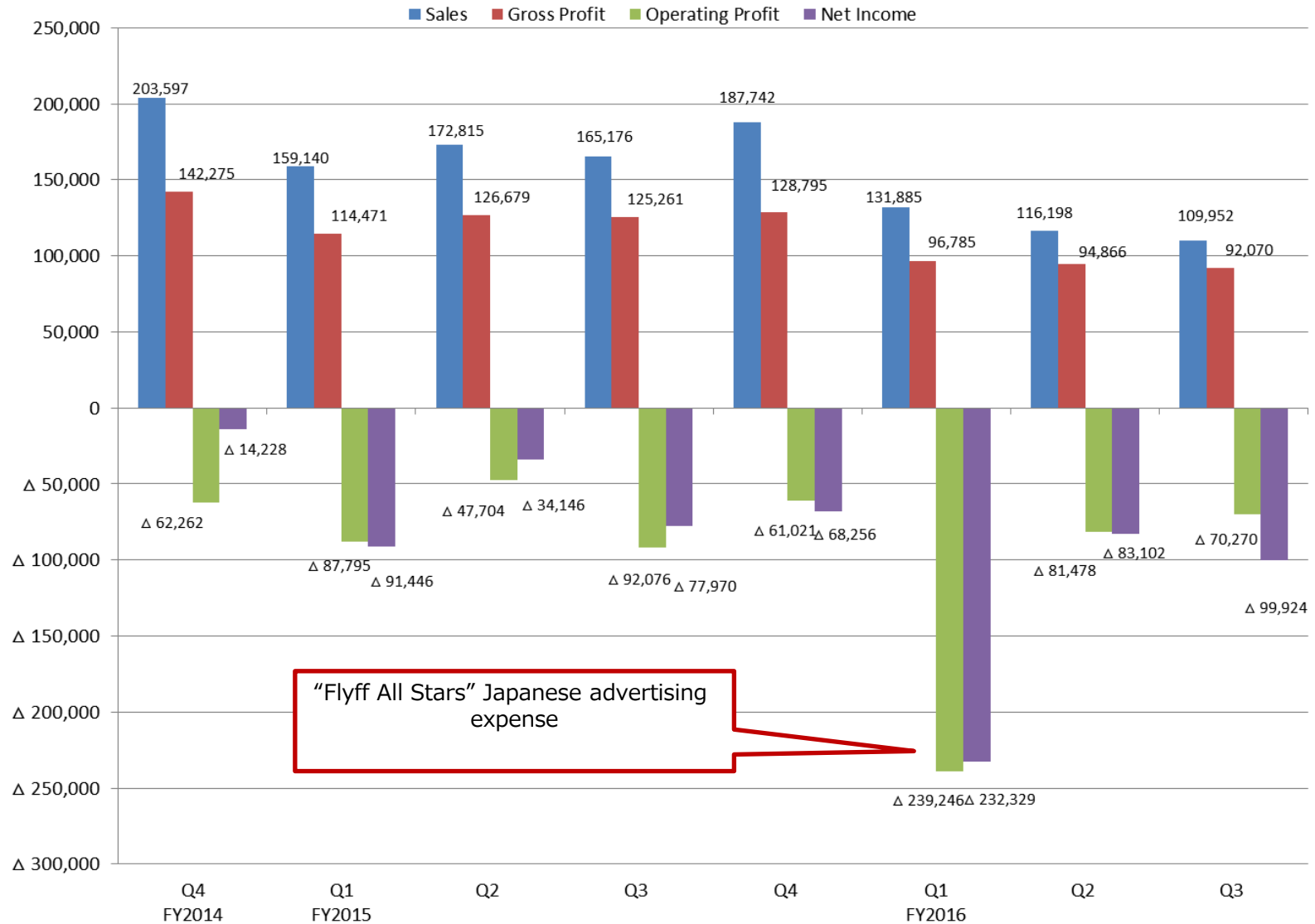
◆ Sales: Comparing FY2016 Q3 vs FY2015 Q3, online games sales dropped. Also, "Other Sales" in overall sales category also dropped due to stock transfer of Gala Web Inc. that led to overall sales drop of 33.4%

◆ SGA: "Flyff All Stars" development fee as initial investment was booked in FY2015 Q3. Thus, SGA in FY2016 Q3 dropped by 25.3%

I. Q3 Financial Statement

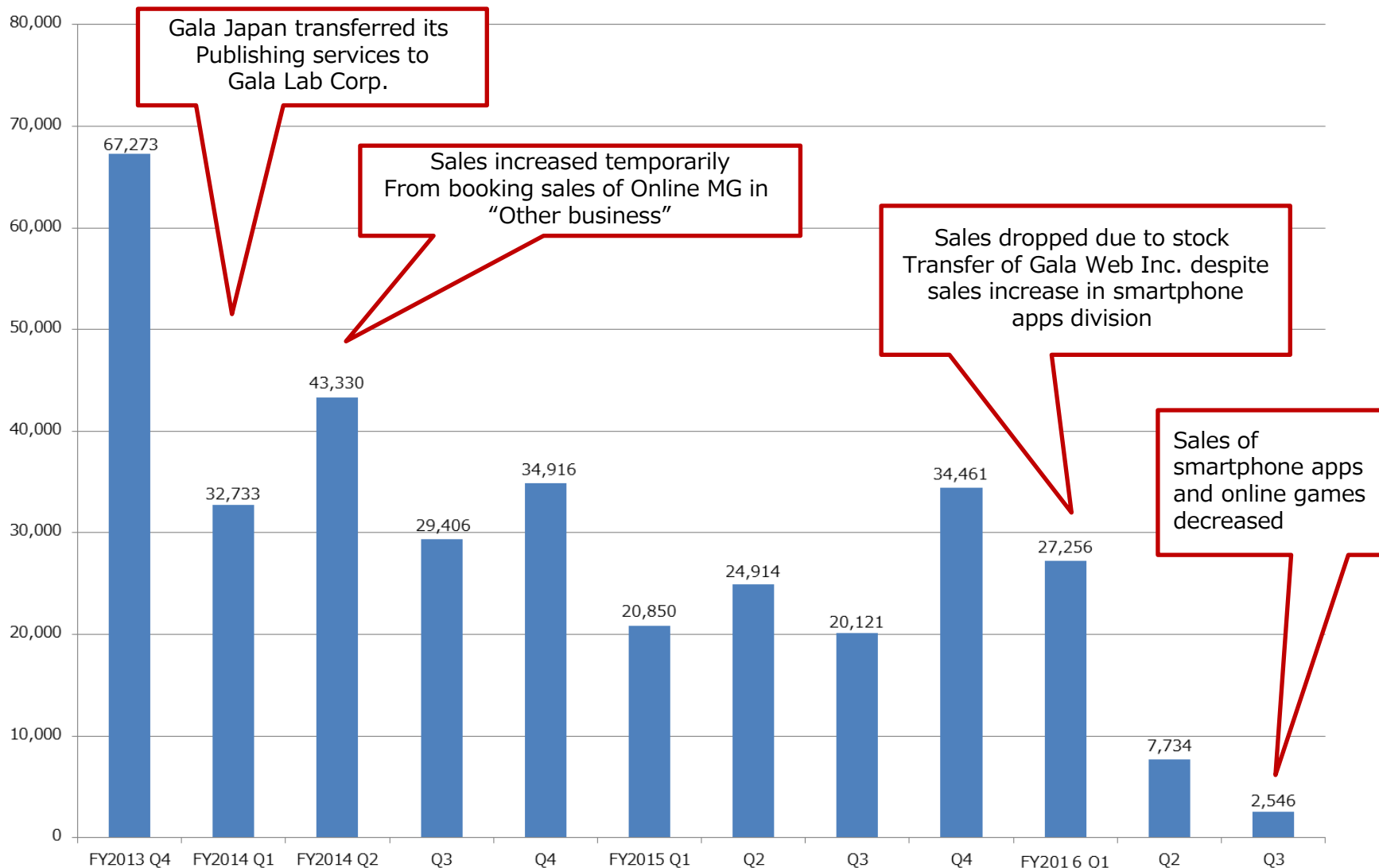
~Qtrly Trend (Sales, Gross Profit, Operating Profit, Net Income)~

(Unit: Thousand Yen)



Japan Segment

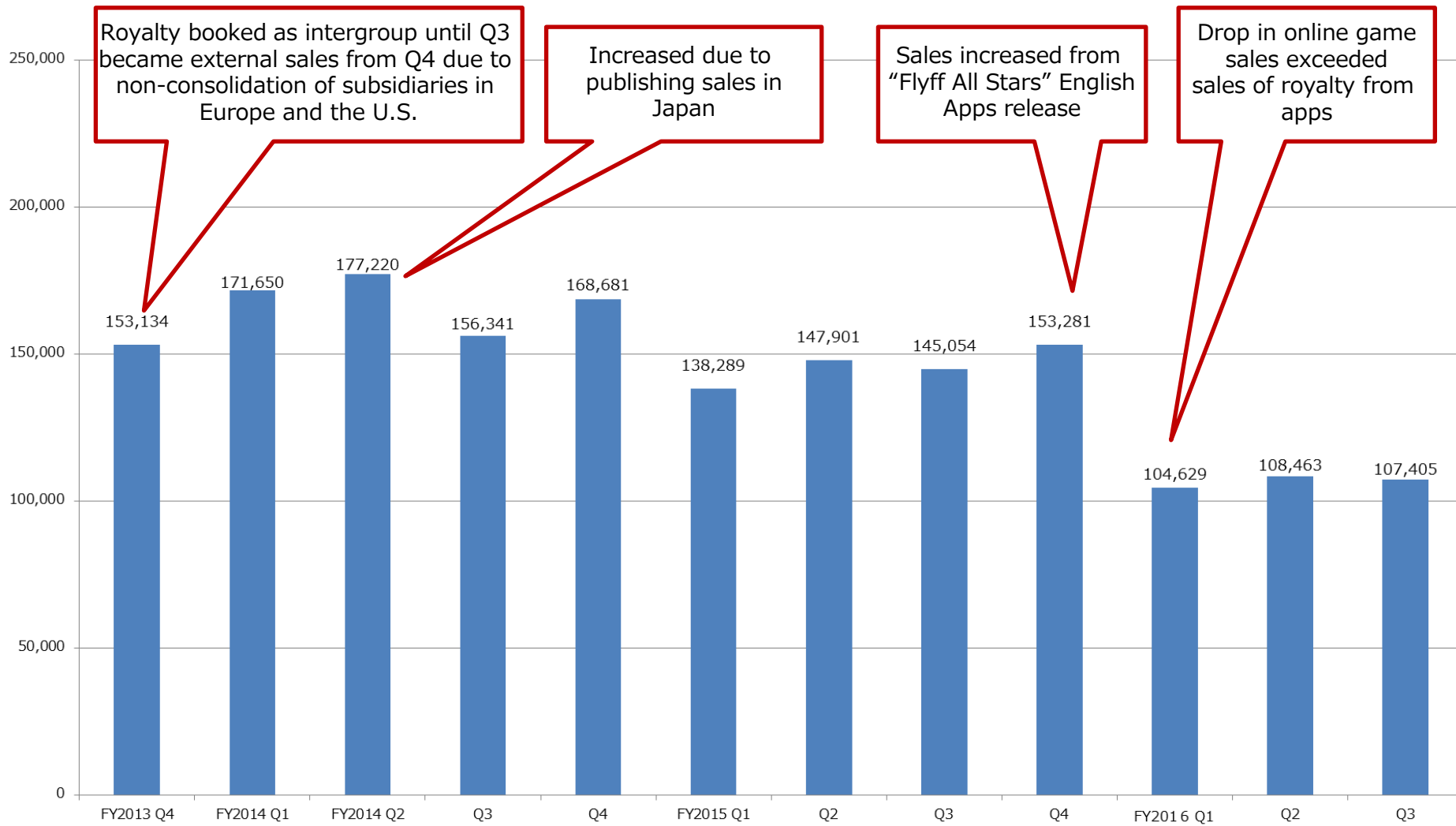
(Unit: Thousand Yen)



~Sales by Segment (After Adjustment) ~

Korea Segment

(Unit: Thousand Yen)



I. Q3 Financial Statement

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

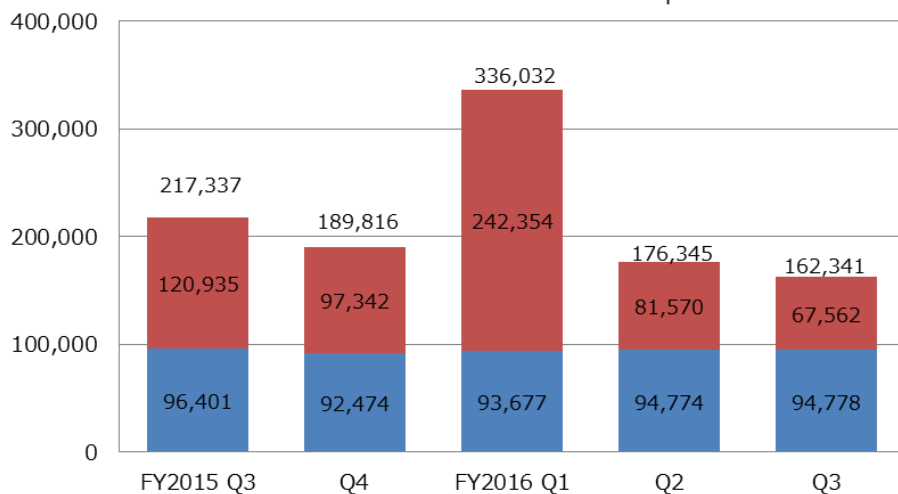
(Unit : Thousand Yen)

	Q3 (2015/10/1 - 2015/12/31)	FY2016 Q3 vs FY2016 Q2 (2015/10/1 - 2015/12/31 vs 2015/7/1-2015/9/30) Change		FY2016 Q3 vs. FY2015 Q3 (2015/10/1 - 2015/12/31 vs 2014/10/1-2014/12/31) Change	
HR Cost	94,778	94,774	0.0%	96,401	△1.7%
SGA-Other	67,562	81,570	△17.2%	120,935	△44.1%
Total SGA	162,341	176,345	△7.9%	217,337	△25.3%

※Advertising and promotion cost related to “Flyff All Stars” English version was booked in FY2015 Q3 that resulted in temporary increase in “SGA-Other”

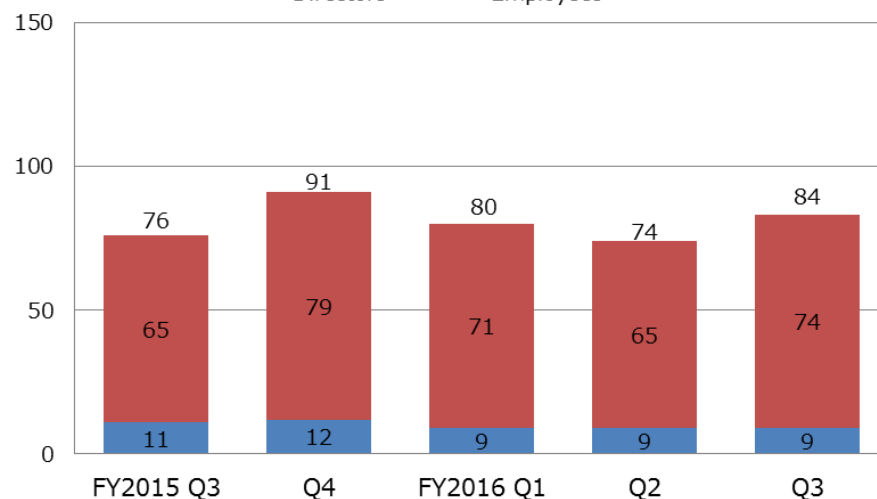
(Unit: Thousand Yen)

■ HR ■ SGA-Other Expense



(Unit : Person)

■ Directors ■ Employees



「Flyff All Stars」

「Flyff Puzmon」

「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 August 2014, download users are 50,000,000.
- Developed by Gala Lab Corp.

“Flyff All Stars”

Pre-registration campaign 2014/12/4 – 2014/12/16 in 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)

Currently working on upgrading the game apps. Once ready, it shall be published by companies in Taiwan, Vietnam, and Arab countries

Japanese version is explained on the next slide.



“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

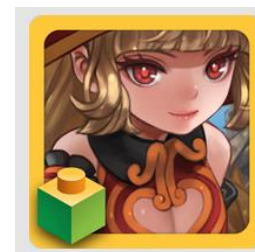
2014/12/10 in 130 countries, iOS English 2014/12/1 in 149 countries,

2015/8/3 Began pre-registration of Japanese version.

2015/8/19 official download began

“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 Schedule

- 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(2015/8/24)

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)



License Agreement of "Arcane," smartphone apps

Outline of "Arcane" :

- Developed by PlayWorks Corporation(Seoul, Korea CEO Kwang Yeol Kim)
- Based on PC online game "Arcane Heart Web," real-time MMORPG
- About 2,000 users can play simultaneously in 1 server
- Android Korean version began in September 2015, ranked first in download of Korean game app store (T-Store) from 2015/9/2 – 2015/9/20.
- Ranked 23rd in Google Play in sales on 2015/9/14
- Accumulated download was about 1,630,000 as of end of December
- "Arcane for kakao" was released on 2015/12/22 in "kakao" (Korea). Ranked first in download in kakao in the end of December and ranked 37th in sales ranking on 2016/1/9

Contract Summary :

- Contract signed on 10/15/2015
- Download to be available globally except Europe, Korea, China and Taiwan
- English and Japanese, iOS and Android version
- Download date will be announced once the apps is ready

III. Business Report

Online Game Business



In-house online game as of 2015/12/31

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 e s	T h a i	M a l a y s i a	S i n g a p o r e		C h i n a
Flyff Online	Webzen Dublin						Gala Lab	Gala Lab		INI3			Net Ease	Macrowell	
Rappelz	Webzen Dublin					FUN FACTORY					Eaglegame International		Eaglegame (M) Sdn. Bhd		

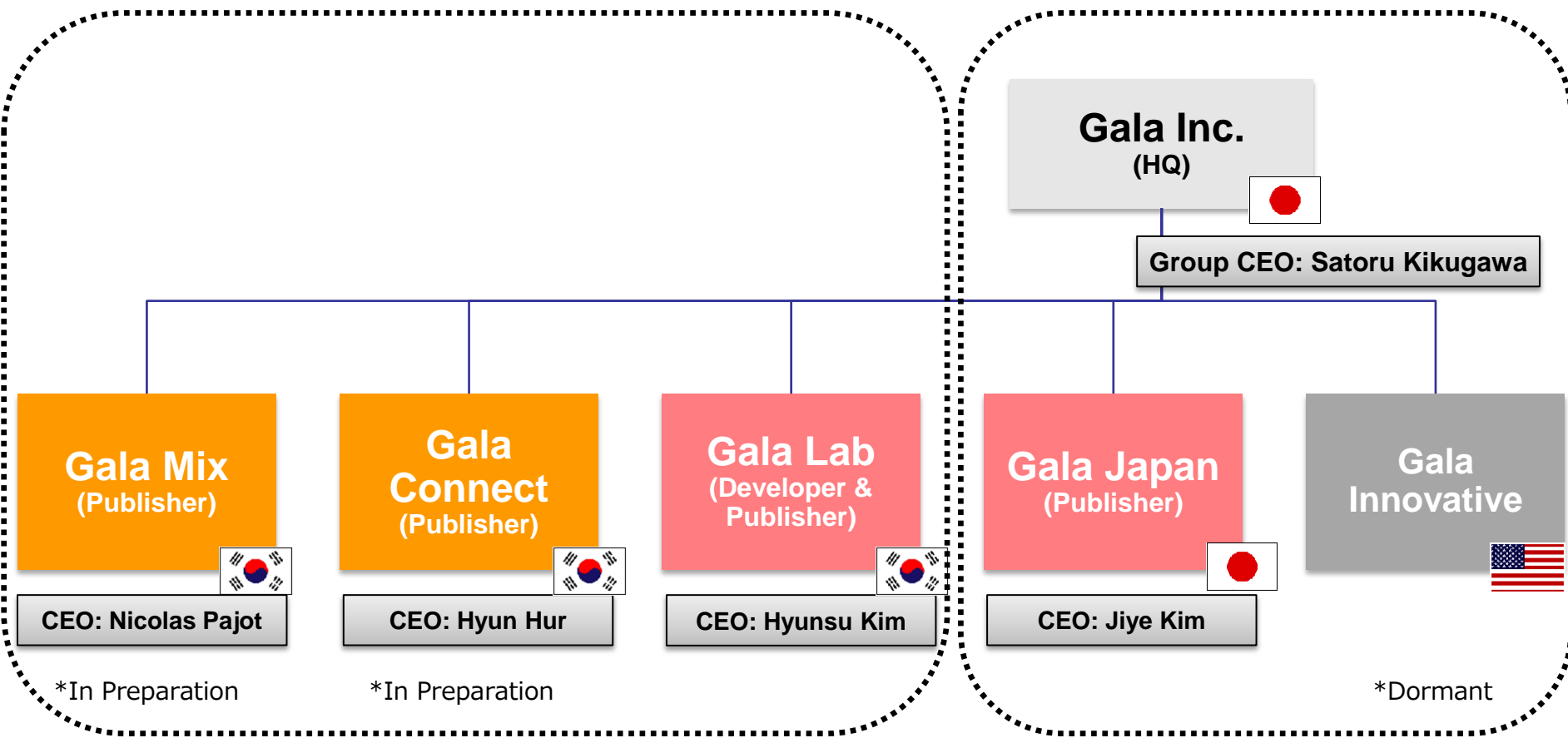
. . . Commercialization

. . . Gala Group

Group Company By Segment

Segment: Korea

Segment: Japan



*In Preparation

*In Preparation

*Dormant

- Smartphone Apps Business
- Smartphone Apps Business / Online Game Business