

Explanation on FY2017 Q1

(2016/4/1 – 2016/6/30)



Gala Inc.

2016/8/12

This is a translation

- I. Q1 Financial Statement
- II. Business Report
- III. Gala Group Structure

----- Business -----

- "Arcane Online", English, released in English speaking countries on Android.
- "Arcane", Japanese, released in Japan on Android and iOS.

----- Others -----

- Gala Inc. Entered into grace period pertaining to delisting.

I. Q1 Financial Statement

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~ P/L (Summary) ~

(Unit: Thousand Yen)

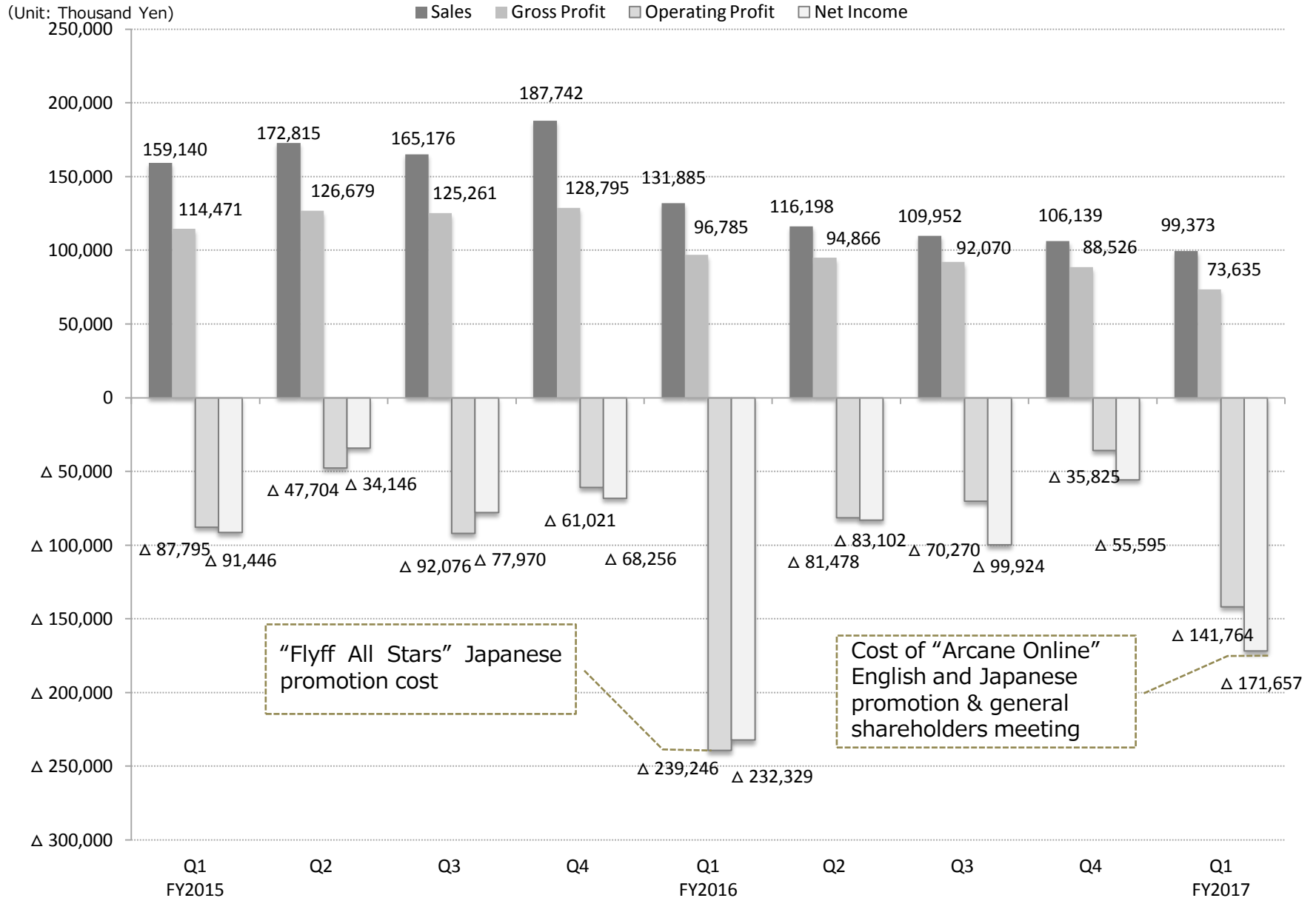
	FY2017 Q1 (2016/4/1~ 2016/6/30)	FY2017 Q1 vs FY2016 Q4 2016/4/1~2016/6/30 vs 2016/1/1~2016/3/31 Change		FY2017 Q1 vs FY2016 Q1 2016/4/1~2016/6/30 vs 2015/4/1~2015/6/30 Change	
Sales	99,373	106,139	△ 6%	131,885	△ 25%
COS	25,738	17,613	46%	35,099	△ 27%
Gross Profit	73,635	88,526	△ 17%	96,785	△ 24%
SGA	215,399	124,352	73%	336,032	△ 36%
Operating Profit	△ 141,764	△ 35,825	-	△ 239,246	-
Ordinary Profit	△ 174,293	△ 55,151	-	△ 237,869	-
Net Income	△ 175,954	△ 59,400	-	△ 234,792	-
Net Income attributable to the non-controlling interests	△ 4,296	△ 3,805	-	△ 2,462	-
Net Income attributable to parent company	△ 171,657	△ 55,595	-	△ 232,329	-

◆ Sales: Royalties of Flyff Online (PC) and Rappelz (PC) has decreased compared to FY 2016 Q4, instead, Arcane Online, English sales has been added (Sales from May 18th till June 30th were about 13 million JPY); decrease compared to FY2016 Q1, because of Japan Flyff All Stars sales has decreased.

◆ Cost of sales & SGA: Increases compared to FY2016 Q4 due to operating cost and promotion fee of Arcane Online, English (about 66 million JPY) and Arcane Japanese (about 2.7 million JPY), also cost of general shareholders meeting (about 6 million JPY); decreases comparing to FY2016 Q1 because FY2016 Q1 reflects operating cost and promotion cost of Japanese Flyff All Stars.

I. Q1 Financial Statement

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



(Unit : Thousand JPY)

	FY2017 Q1
CF from Operating Activities	71,139
CF from Investing Activities	-16,439
CF from Financing Activities	-93,000
Cash and Cash Equivalents	257,841

Cash flow from operating activities includes the following:

→ Temporary operational cash in:

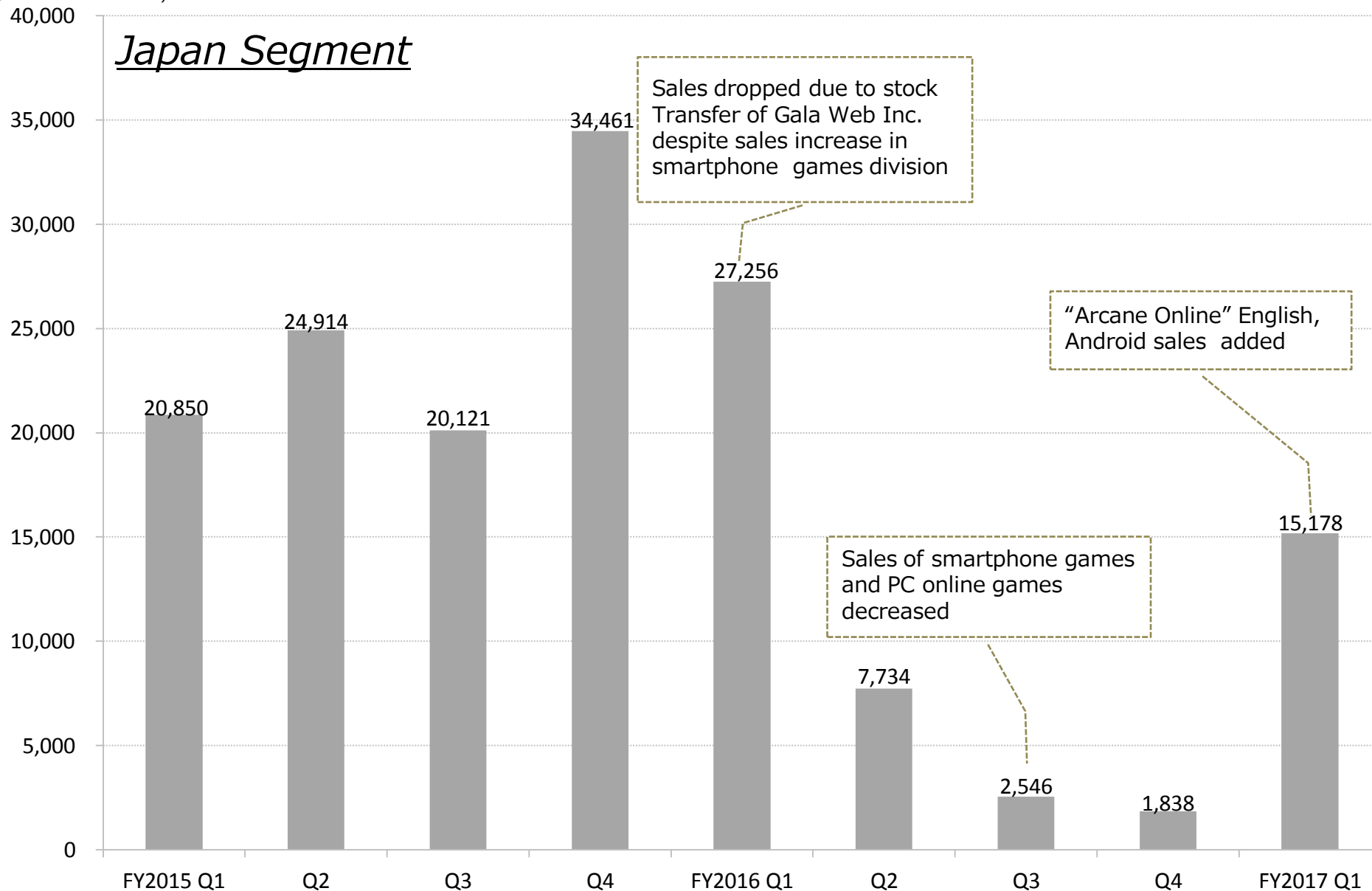
1. Payment of collection of bills (about 56 million JPY) from FY2016.
2. Consumption tax refund (about 15 million JPY).

* Cash Flow numbers are disclosed voluntarily and not audited.

I . Q1 Financial Statement

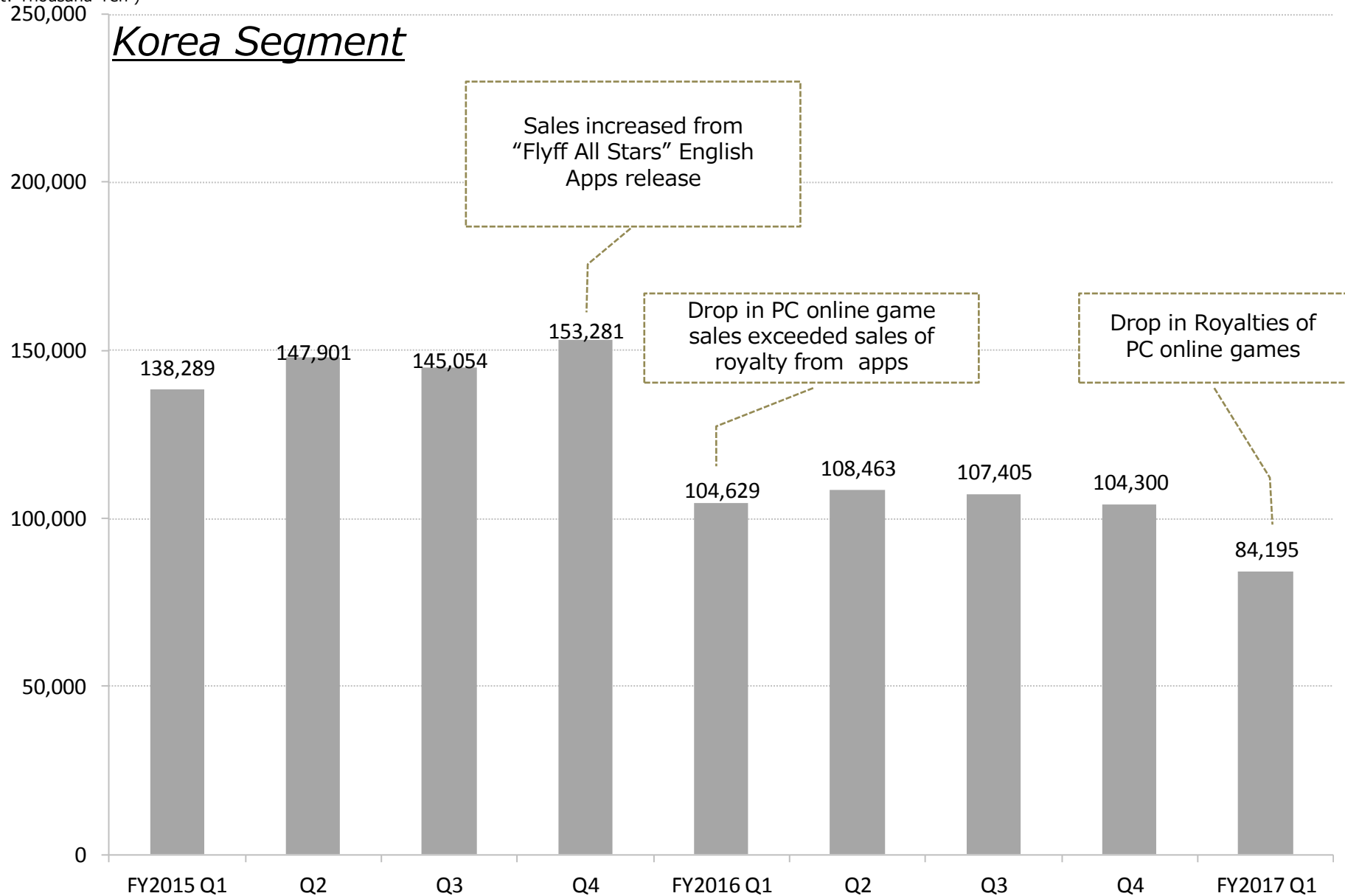
~ Sales by Segment (After Adjustment) ~

(Unit: Thousand Yen)



~ Sales by Segment (After Adjustment) ~

(Unit: Thousand Yen)



I. Q1 Financial Statement

~ SGA-other and HR Count (Consolidated) ~

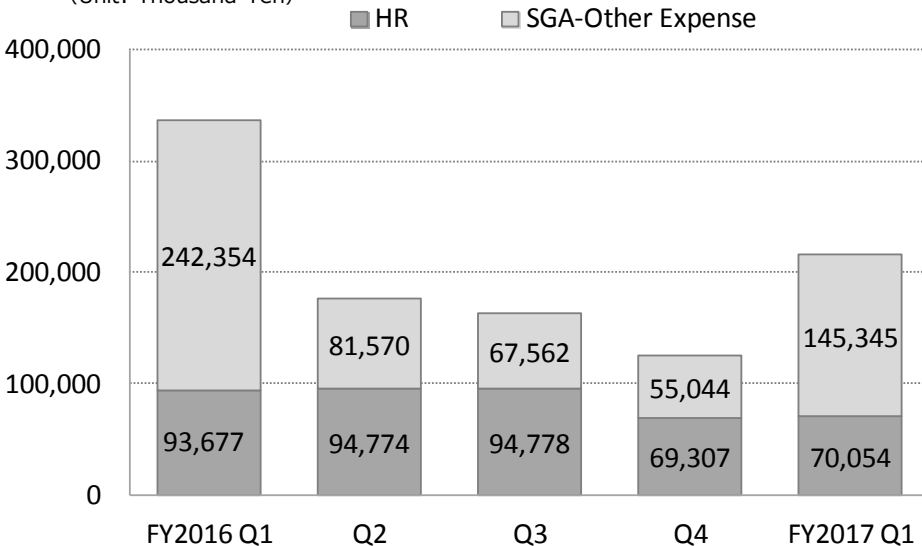


(Unit : Thousand Yen)

	FY2017 Q1 (2016/4/1~2016/6/30)	FY2017 Q1 vs FY2016 Q4 2016/4/1~2016/6/30 vs 2016/1/1~2016/3/31 Change		FY2017 Q1 vs FY2016 Q1 2016/4/1~2016/6/30 vs 2015/4/1~2015/6/30 Change	
HR Cost	70,054	69,307	1%	93,677	△ 25%
SGA - Other	145,345	55,044	164%	242,354	△ 40%
Total SGA	215,399	124,351	73%	336,031	△ 36%

※ SGA increased due to promotion cost of Arcane Online English (around 66 million JPY) and Arcane Japanese (around 2.7 million JPY), also cost of general shareholders meeting (about 6 million JPY).

(Unit: Thousand Yen)



(Unit : Person)



II. Business Report

II. Business Report

Smartphone Apps Business (1/5) "Arcane Online"

ARCANE ONLINE



RPG Category grossing ranking (App Annie)



4.457
★★★★★

"addictive" "good graphics" "easy to play" "great gameplay"



Coming Soon!

"Arcane" is a mobile game app of PC online game's "Arcane Heart Web". Users enjoy features such as real-time PVP system, large scale siege war, battleground, and about 2,000 users can play the apps simultaneously in one server.

Released on Android in English in the following countries:
USA, Canada, Australia, New Zealand, Singapore, Hong Kong, Philippines, Fiji, Guam, Northern Mariana Islands, United States Minor Outlying Islands, Trinidad and Tobago, American Samoa, Jamaica, Antigua and Barbuda, Virgin Islands, Bahamas, Puerto Rico

First generation MMORPG!

Developer: PlayWorks Corporation

Publisher: Gala Inc.

Language: English

OS: Android & iOS



ARCANE

アーケイン

Pre registration campaign
From 6/9 until 8/8
41,316 preregistered users



Released on August 8th!





Release: scheduled in FY2017

"Flyff Legacy" employs part of the "Flyff Online" PC game's content. "Flyff Online" was released from 2004 in various languages and monthly maximum item sales were KRW4,000,000,000 (about JPY360,000,000 in current exchange rate). Accumulated downloads were 50,000,000.

First Flying Real-time MMORPG in Smartphone!

Developer: Gala Lab Corp.
OS: Android & iOS





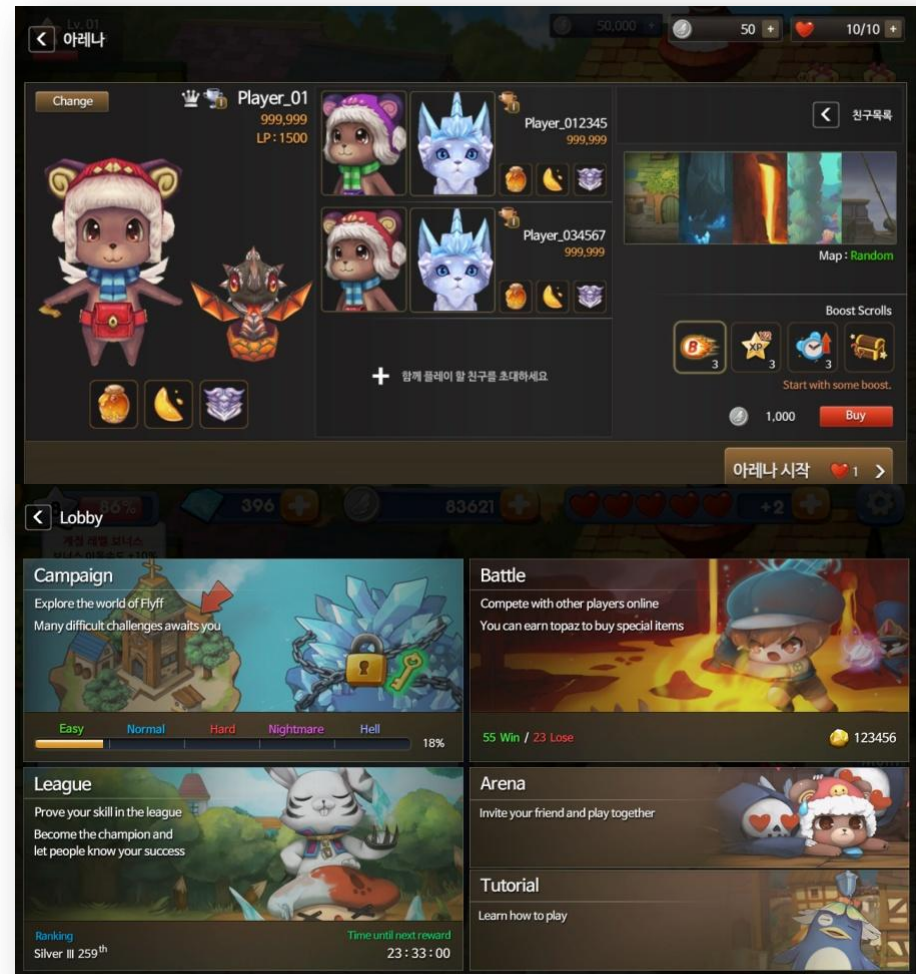
First Real-time Running Competition in Smartphone!

Developer: Gala Lab Corp.
OS: Android & iOS

Release:: scheduled in FY2017

A user avoids various traps and obstacles, uses characters, pets, rides, and empowerment functions, aims for goals, and win points. It can be competed against other users.

"Stomprun" employs part of the "Flyff Online" PC game's content

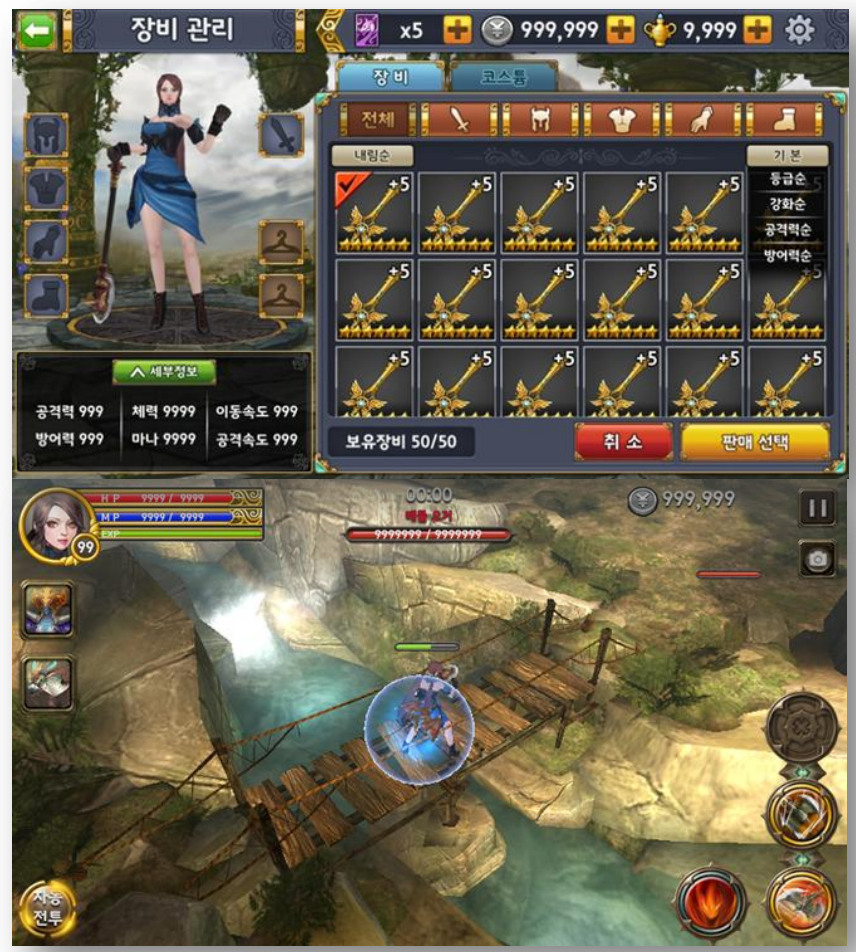


Under Development

Developer: Gala Lab Corp.
OS: iOS & Android

Release: scheduled in FY2018

"RAPPELZ" PC online game is the basis of this smartphone game. "RAPPELZ" (PC) was released from 2006 in various languages and the maximum item sales were KRW2,800,000,000 (about JPY250,000,000 in current exchange rate). Accumulated downloads were 59,000,000.




II. Business Report


Online Game Business and Smartphone Apps Business

Publishing area of games, developed in-house

As of 2016/6/30

Game Title	Publisher															
	English	Europe						Asia								Arabic
		German	French	Turkish	Polish	Italian	Russian	Japanese	Korea	Philippine	Thailand	Vietnam	Malaysia	Singapore	China	
FLYFF Online (PC)	Webzen Dublin						Gala Lab	Gala Lab		INT3				Net Ease	Macrowell	
RAPPELZ (PC)	Webzen Dublin					FUN FACTORY	Gala Lab	Gala Lab	Eaglegame International			Eaglegame (M) Sdn. Bhd				Game Power7
Flyff Puzmon (Apps)	Gala Lab						Gala Japan									
Flyff All Stars (Apps)	Gala Lab						Gala Japan				Fuji Technology				Net Publishing	Game Power7

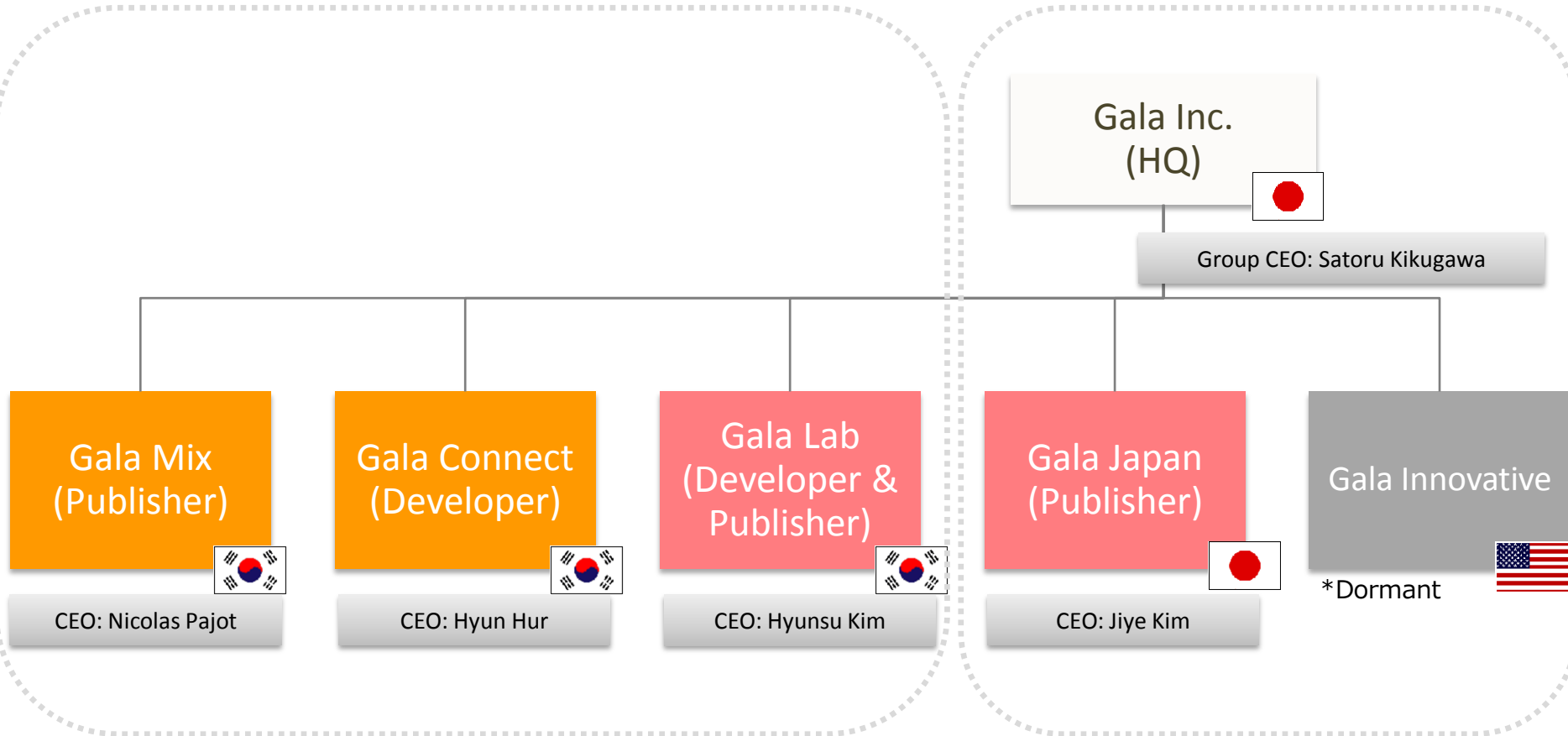
 . . . 3rd party


 . . . Gala Group


III. Gala Group Structure

Korea

Japan



 Smartphone Apps Business

 Smartphone Apps Business / Online Game Business