

# Explanation on FY2017 Q2

(2016/7/1 – 2016/9/30)



Gala Inc.

2016/11/11

This is a translation

- I. Q2 Financial Statement
- II. Business Report
- III. Gala Group Structure

## ----- Business -----

- ◆ "Arcane Online" (Japanese) released in Japan on Android & iOS.
- ◆ "Arcane Online" (English) released on iOS.
- ◆ "Arcane Online" (English) released in South America on Android & iOS.
- ◆ "Arcane Online" (English) released in Europe on Android & iOS.
- ◆ Service shut-down (English & Japanese) of "Flyff All Stars" and "Flyff Puzzmon" on October 12<sup>th</sup>, 2016.
- ◆ "Flyff Legacy" licensed out territories of Korea and South East Asia to Entermate Co., Ltd

## ----- Others -----

- ◆ From April 1<sup>st</sup>, 2016 until March 31<sup>st</sup>, 2017 Gala Inc. is in a grace period pertaining to delisting

# I. Q2 Financial Statement

# I . Q2 Financial Statement

~ P/L (Summary) ~



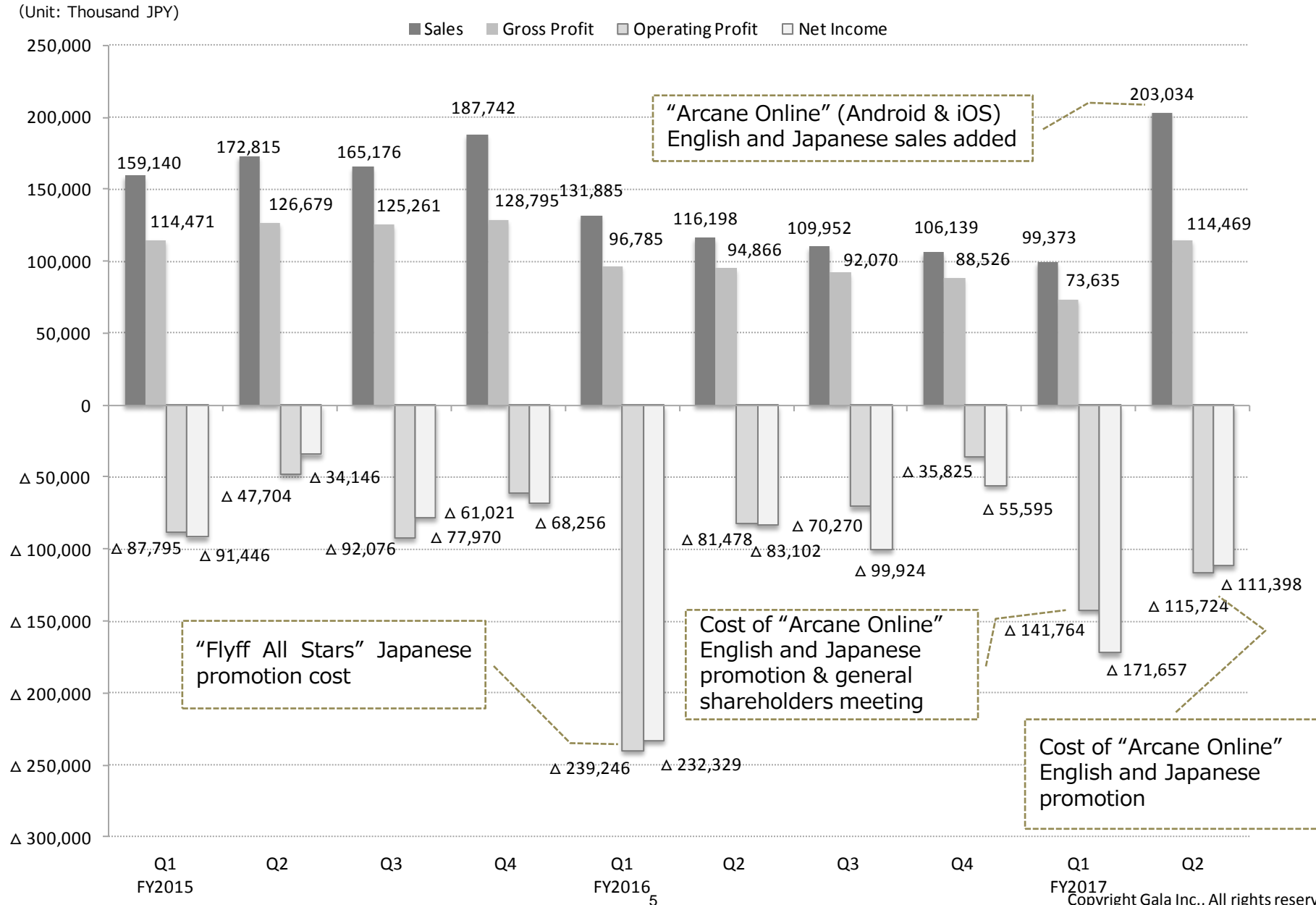
(Unit: Thousand JPY)

	<b>FY2017 Q2</b> (2016/7/1~ 2016/9/30)	FY2017 Q2 vs FY2017 Q1 2016/7/1~2016/9/30 vs 2016/4/1~2016/6/30 Change			FY2017 Q2 vs FY2016 Q2 2016/7/1~2016/9/30 vs 2015/7/1~2015/9/30 Change	
Sales	203,034	99,373	104%	116,198	75%	
COS	88,565	25,738	244%	21,331	315%	
Gross Profit	114,469	73,635	55%	94,866	21%	
SGA	230,193	215,399	7%	176,345	31%	
Operating Profit	△ 115,724	△ 141,764	-	△ 81,478	-	
Ordinary Profit	△ 110,858	△ 174,293	-	△ 84,177	-	
Net Income	△ 112,578	△ 175,954	-	△ 86,418	-	
Net Income attributable to the non-controlling interests	△ 1,179	△ 4,296	-	△ 3,315	-	
Net Income attributable to parent company	△ 111,398	△ 171,657	-	△ 83,102	-	

- ◆ Sales: has increased compared to Q1 FY2017 and Q2 FY2016 because of Arcane Online (Android & iOS) English and Japanese sales. Where's English version is approximately 51 million JPY and Japanese version (released on August 8<sup>th</sup>) is approximately 63 million JPY.
- ◆ Cost of sales: increases together with sales. Cost of sales includes operational cost such as payments to Apple, Google, etc.
- ◆ SGA: Increases due to promotion fee of Arcane Online. English version accounts for approximately 60 million JPY and Japanese version is approximately 30 million JPY.

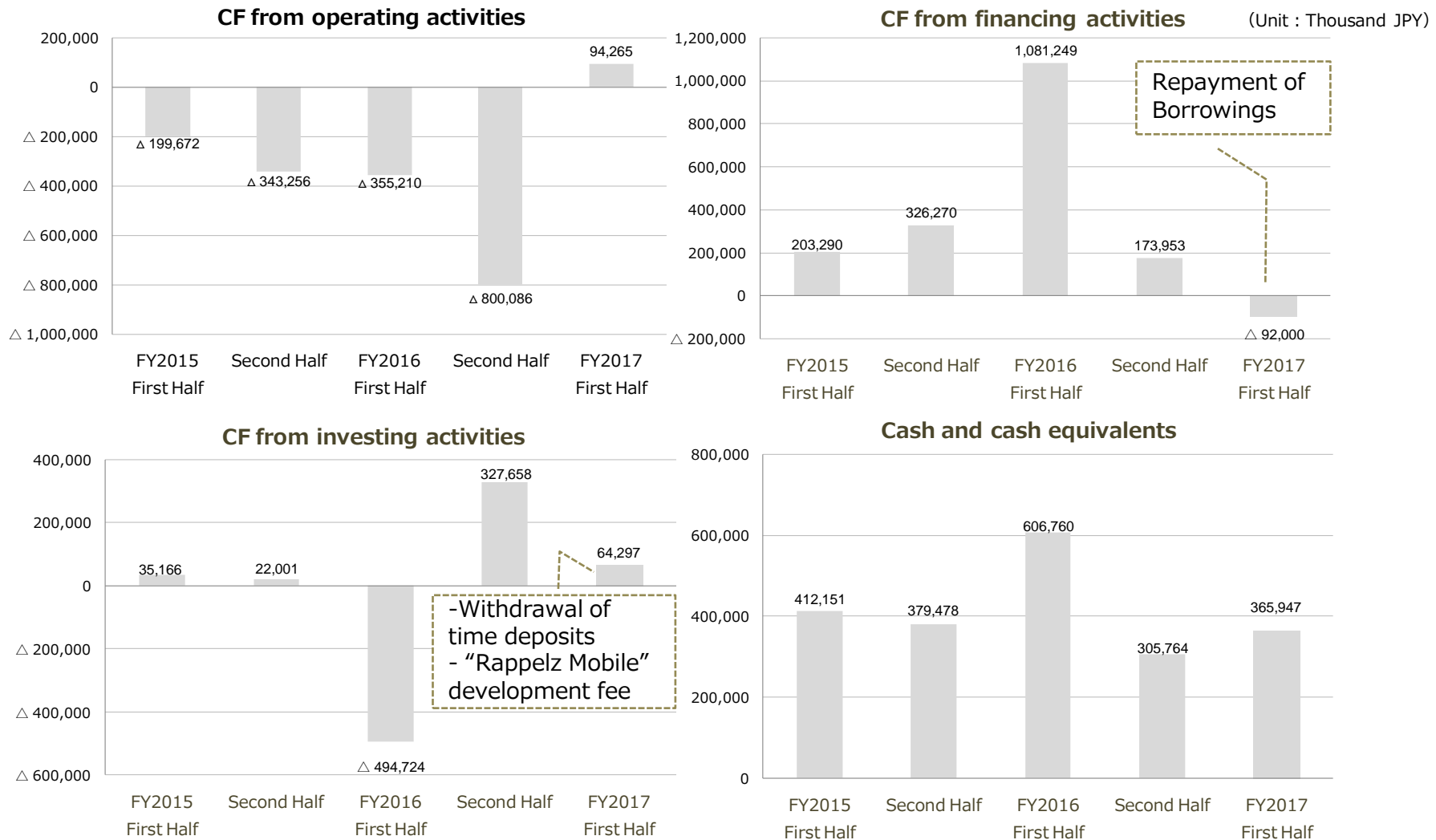
# I. Q2 Financial Statement

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



# I. Q2 Financial Statement

## ~ Consolidated Cash Flow Trend ~



◆ In FY2017 2<sup>nd</sup> quarter Gala has become operating cash flow positive, due to:

1. Arcane Online sales (Approx. 55 million JPY)
2. Payment of collection of bills (Approx. 56 million JPY) from FY2016
3. Consumption tax refund (Approx. 15 million JPY)

NOTE: payments from Apple and Google are remitted one month later, therefore sales of September are not reflected in CF

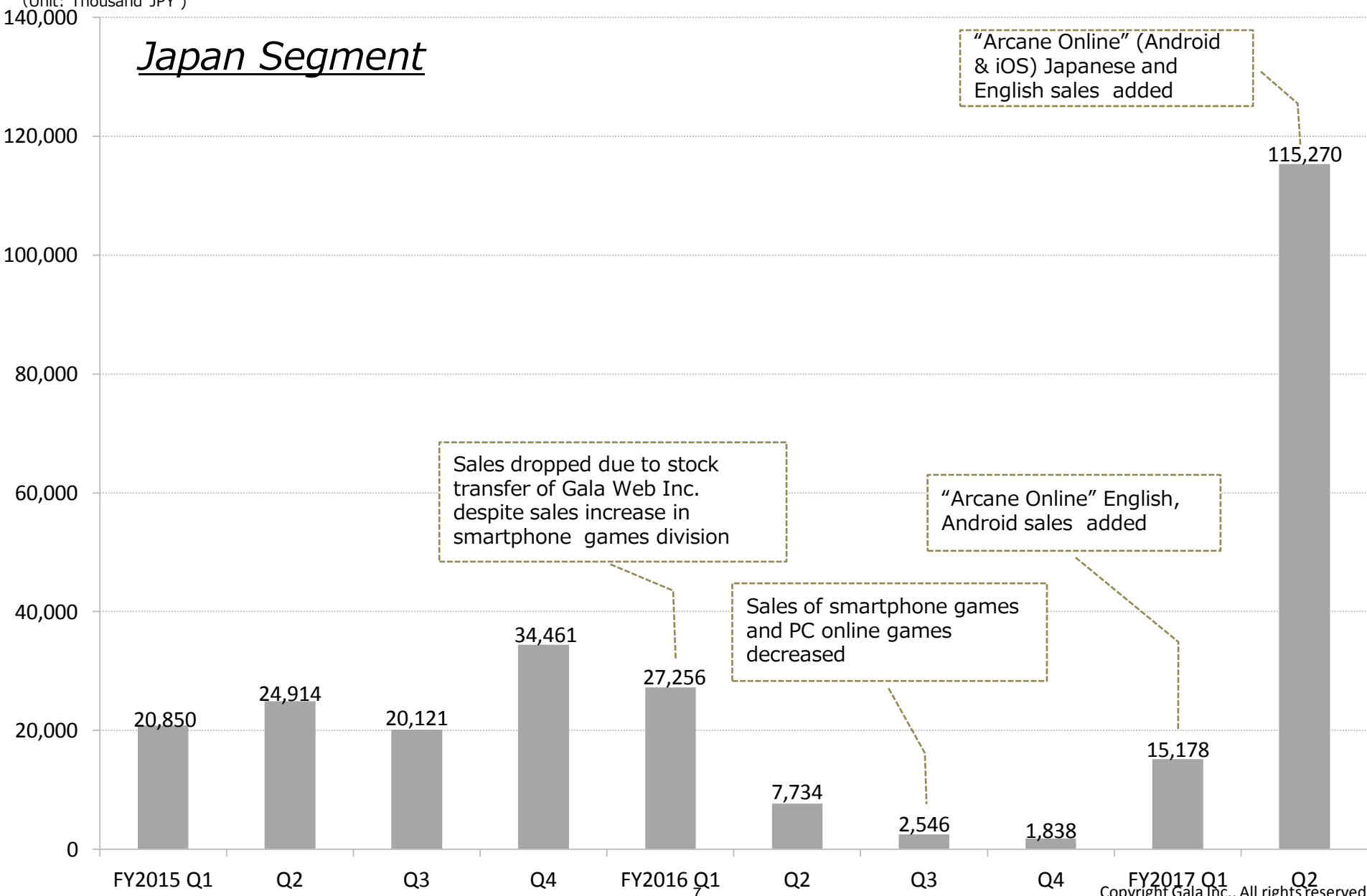
# I . Q2 Financial Statement

## ~ Sales by Segment (After Adjustment) ~



(Unit: Thousand JPY)

### Japan Segment



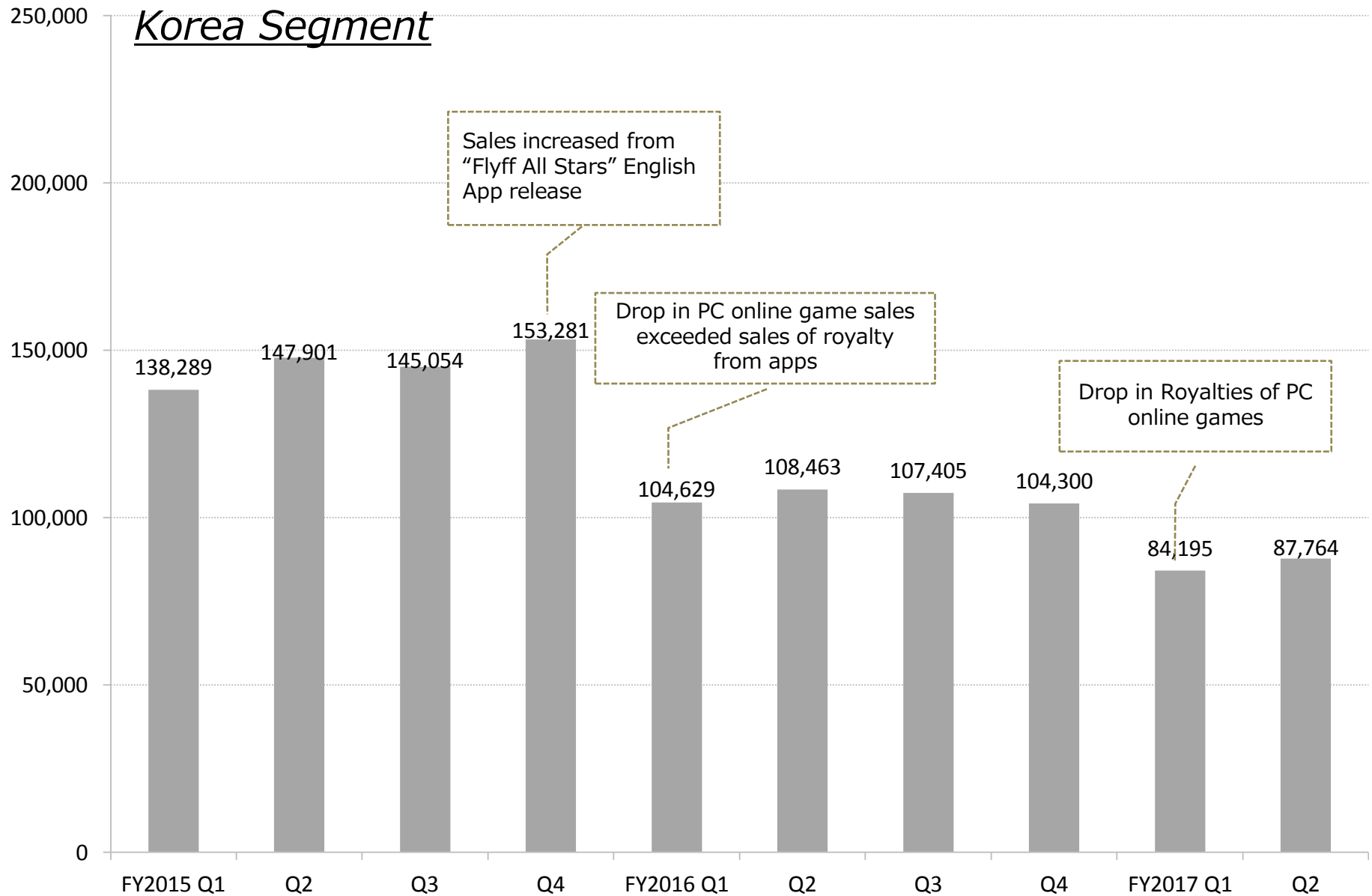


# I . Q2 Financial Statement

## ~ Sales by Segment (After Adjustment) ~

(Unit: Thousand JPY)

### Korea Segment



# I. Q2 Financial Statement

~ SGA-other and HR Count (Consolidated) ~

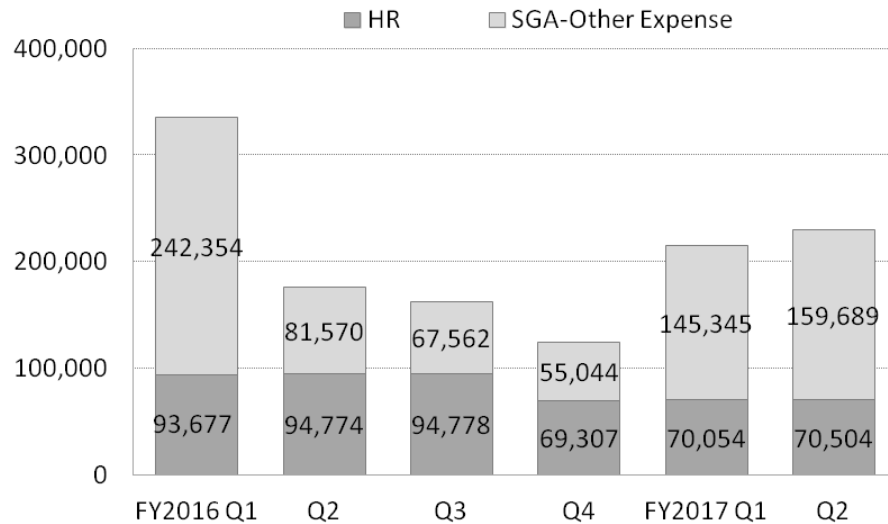


(Unit : Thousand JPY)

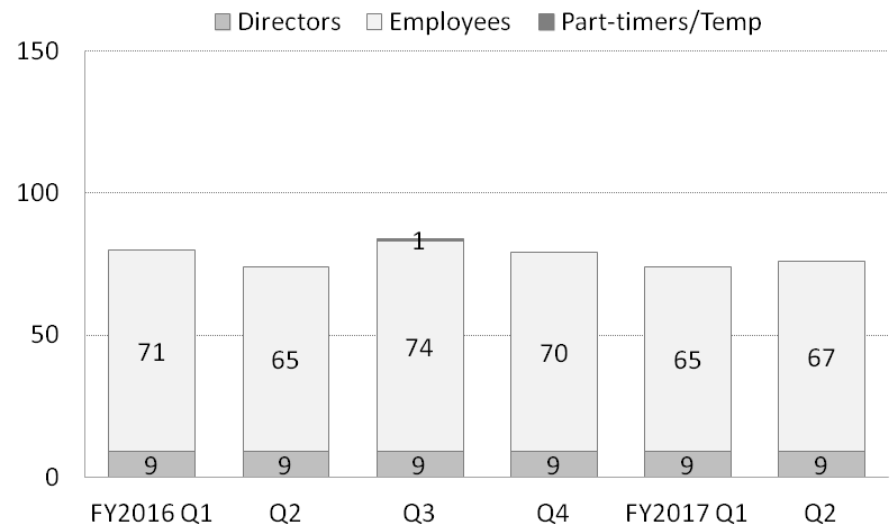
	FY2017 Q2 (2016/7/1~2016/9/30)	FY2017 Q2 vs FY2017 Q1 2016/7/1~2016/9/30 vs 2016/4/1~2016/6/30 Change		FY2017 Q2 vs FY2016 Q2 2016/7/1~2016/9/30 vs 2015/7/1~2015/9/30 Change	
HR Cost	70,504	70,054	1%	94,774	△ 26%
SGA - Other	159,689	145,345	10%	81,570	96%
Total SGA	230,193	215,399	7%	176,345	31%

※ SGA increased temporarily due to promotion fee of Arcane Online. English version accounts for approximately 60 million JPY and Japanese version is approximately 30 million JPY.

(Unit: Thousand JPY)



(Unit : Person)



## II. Business Report

# ARCANE ONLINE



Released: in Europe on October 5th



No1 New Free "Role Playing Games" in downloads category, UK and Germany (App Annie, 8/12)

"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.

## First generation MMORPG!

Developer: PlayWorks Corporation

Publisher: Gala Inc.

Language: English

OS: Android & iOS



# ARCANE

## アーケイン



Developer: PlayWorks Corporation

Publisher: Gala Japan Inc.

Language: Japanese

OS: Android & iOS



No1 Free "Overall" in downloads category,  
Japan (App Annie, 08/27)

Release: **Global Japanese service!**

\* Scheduled in 3<sup>rd</sup> quarter FY2017







Licensed Agreement with Entermate Inc. for following countries:



**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





**ENTERMATE**®

**KOSDAQ (206400.KQ )**

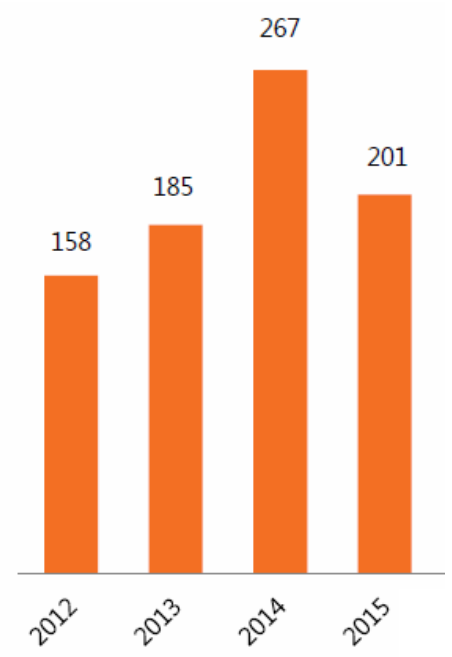


Name	Entermate Co., Ltd
CEO	Taehyun Lee
Founded	1 November 2011
Capital	2,600,000,000 KRW
Employees	50
Address	Seoul, Korea
Subsidiaries	Entermate China Entermate Taiwan Entermate Hong Kong
Area of business	<ul style="list-style-type: none"> <li>• Development and operation of smartphone games</li> <li>• Development and operation of online games</li> </ul>

<http://www.entermate.com/>

**Sales of Entermate**

(Unit: Hundred Million KRW)





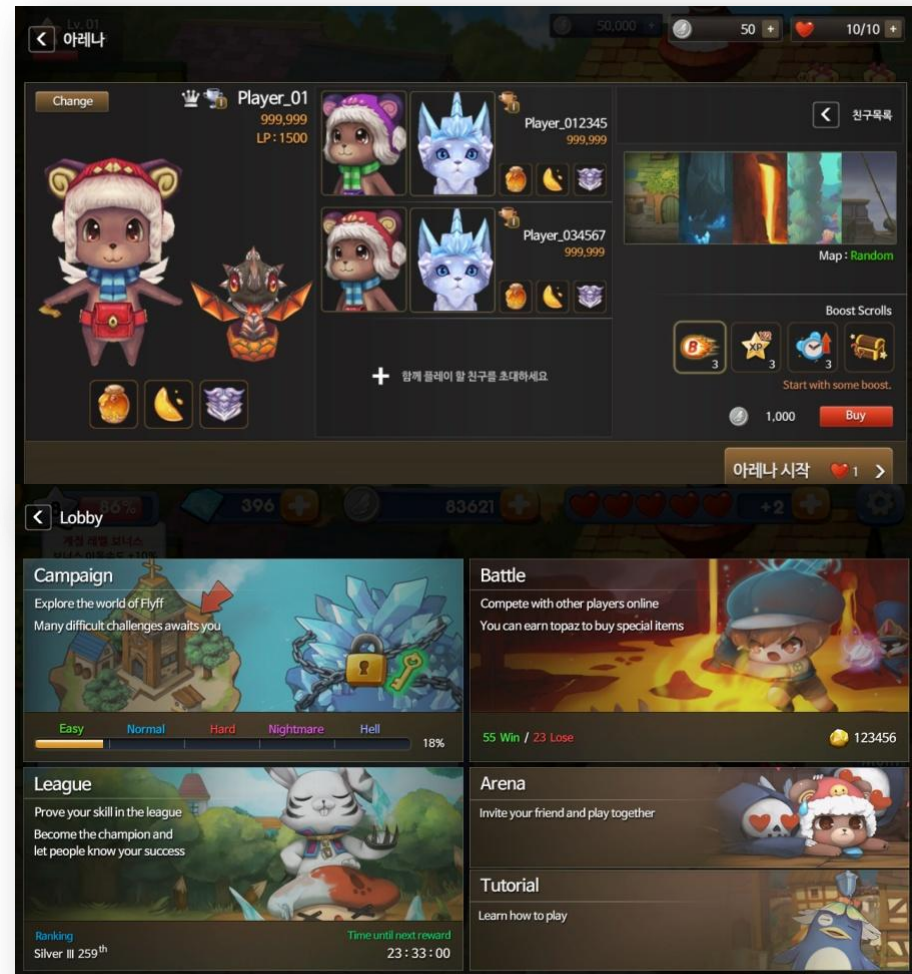
Release: scheduled in FY2017

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*

**First Real-time Running Competition in Smartphone!**

Developer: Gala Lab Corp.  
OS: Android & iOS



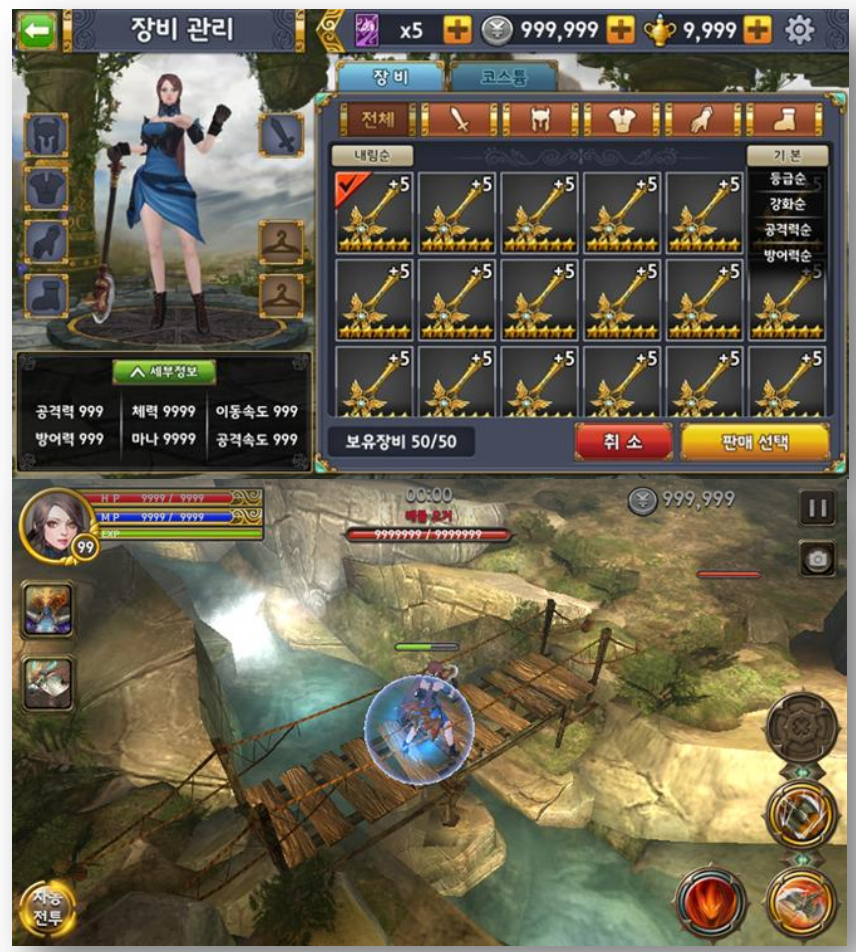


**Under Development**

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 2016/11/11

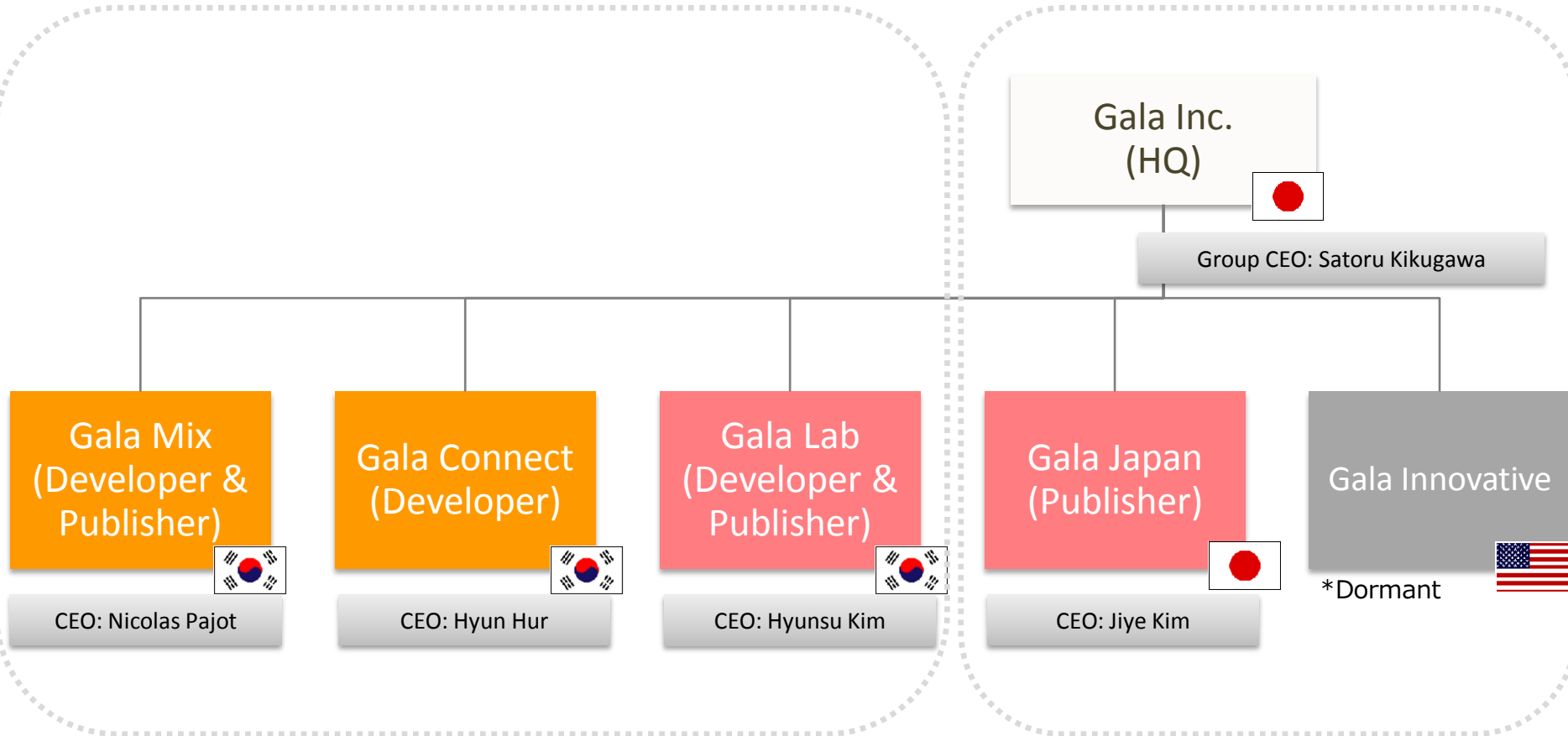
Game Title		Publisher																		
		Europe							Asia											
		English	German	French	Turkish	Polish	Italian	Russian	Japanese	Korean	Philippine	Thailand	Indonesia	Malaysia	Singapore	China	Taiwan	Arabic		
Smartphone App	Flyff Legacy								Gala Japan	Entermate									Entermate	Game Power7
		PC	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			

. . . Gala Group
  . . . 3rd Party
  . . . In Preparation

## III. Gala Group Structure

## Korea

## Japan



 Smartphone Apps Business

 Smartphone Apps Business / Online Game Business