FY2014

2Q Financial Highlights
Increase in sales and profit YoY

2013 January-June
Sales: 74,621
Operating profit: 45,154

2014 January-June
Sales: 94,333
Operating profit: 53,772
1Q sales made smooth progress from New Year's holiday. In addition to the seasonal factors, leaving the item price unchanged after consumption tax hike cause 2Q sales to decrease, but operating profit ratio was still on the same level.
Smartphone already penetrated into late majority. Late majority and laggards are cautious and conservative. Smartphone penetration will be continuing hereafter, but market expansion is slowly.

*Conjecture from market survey*
The growth of the smartphone game market began to slow down from 2013. The market size will slightly increase, but competition is expected to intensify in the future.

*Conjecture from several market survey*
With the expansion of smartphone market, our performance has continued to expand. Our sales occupy a half of the smartphone game market.

*Conjecture from several market survey*
Domestic MAU

MAU base rises one step and remains stable.
Overseas MAU

MAU increased radically in 1Q by the launch of Puzzle & Dragons in Hong Kong and Taiwan, but MAU is stable in 2Q.
## Quarterly Income Statement

Sales was lower than 1Q, but operating profit ratio is on the same level.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>44,424</td>
<td>43,717</td>
<td>1.6%</td>
<td>49,909</td>
<td>△11.0%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>14,198</td>
<td>13,367</td>
<td>6.2%</td>
<td>16,048</td>
<td>△11.5%</td>
</tr>
<tr>
<td>Cost of sales ratio</td>
<td>32.0%</td>
<td>30.6%</td>
<td>1.3P</td>
<td>32.2%</td>
<td>△0.3P</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>5,242</td>
<td>3,811</td>
<td>37.6%</td>
<td>5,071</td>
<td>3.4%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>24,982</td>
<td>26,538</td>
<td>△5.9%</td>
<td>28,789</td>
<td>△13.2%</td>
</tr>
<tr>
<td>Operating profit ratio</td>
<td>56.2%</td>
<td>60.7%</td>
<td>△4.5P</td>
<td>57.7%</td>
<td>△1.5P</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>24,699</td>
<td>26,650</td>
<td>△7.3%</td>
<td>28,095</td>
<td>△12.1%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>24,660</td>
<td>26,609</td>
<td>△7.3%</td>
<td>28,095</td>
<td>△12.2%</td>
</tr>
<tr>
<td>Net profit</td>
<td>15,029</td>
<td>15,857</td>
<td>△5.2%</td>
<td>17,063</td>
<td>△11.9%</td>
</tr>
</tbody>
</table>
SG&A slightly increase

When the titles gets the enough number of DLs, we determine the start of the promotion.

In 2Q, ad expenses slightly increase by holding GungHo Festival 2014 on May.
We have shifted the employees from PC online sector to mobile consumer sector. The number of employees slightly increase by recruitment.
Trends in monthly non-consolidated sales and MAU

Sales is stable by raising the standard of MAU

In entering the mature stage, monthly sale used to fluctuated noticeably by the event contents and the seasonal factors, but it keep within a fixed range by raising the standard of MAU.

Monthly sales of July:
14.5 billion yen (forecast)

- 2013.05: Collaboration with famous IP, Increase of ARPPU
- 2013.08: MAU/ARPPU increase by influence of summer holidays and events in game
- 2013.12: Sales increase by "PUZZLE & DRAGONS Z" and influence of winter holiday
- 2014.02-03: Sales increase by influence of Year-end and New Year season, decrease ARPPU slightly
- 2014.04-05: Before implementation of collaboration, decrease ARPPU slightly.

*We don’t mention MAU of July 2014, because it’s difficult to extract it.
FY2014

2Q Business Outlook
Create New Value

Easy touch game  “PICOTTO KINGDOM”
Android version June 30
iOS version  July 10
Create New Value

App Store “Top Free Charts”

No.1 (July 14)

1. PICOTTO KINGDOM
   Gungho Online Entertainment, Inc.

2. DEADMAN’S CROSS
   SQUARE ENIX INC

3. Dino Hunter: Deadly Shores
   Glu Games Inc.

4. LINE: Disney TSUM TSUM
   NAVER JAPAN

5. Crossword Lv100 by dapan
   swagApp Inc.
Maximize Existing Value

GungHo Festival 2014
May 29  TOKYO BIG SIGHT

31,022 visitors
Maximize Existing Value

Over 1.5 million

*Cumulative number of shipments in Japan as of July 17, 2014
*Including download sales in Nintendo eShop
Maximize Existing Value

April 24-

2,600 thousand machines
Maximize Existing Value

June 26-

1.5 thousand machines

Promotion schedule
“CORO tour 2014” July 27, 2014 –
beginning of November

This fall, competition in shop will be held at every region of the country.
**Strengthen Overseas Expansion**

**“PUZZLE & DRAGONS” Overseas expansion**

Under the preparation of expansion to China

*Population source is WHO’s survey.*

*Smartphone penetration is conjecture from several market survey.*
FY2014

2nd half year  Business Outlook
New game
Under developing and planning 10 new games
[2014 3Q 1 new game release(expectation)]
Title: LET IT DIE  
Category: Survival Action  
Platform: PlayStation®4  
Online: Asynchronous Online  
Rating: To be rated  
Website: http://letitdie.jp  
Publisher: GungHo Online Entertainment, Inc.  
Developer: Grasshopper Manufacture Inc.
Maximize Existing Value
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“PUZZLE & DRAGONS W”
July 29
Updated
Maximize Existing Value
Thank you!

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