

GungHo Online Entertainment, Inc.

FY2014

**Financial Results Briefing
Session for the 2nd quarter**



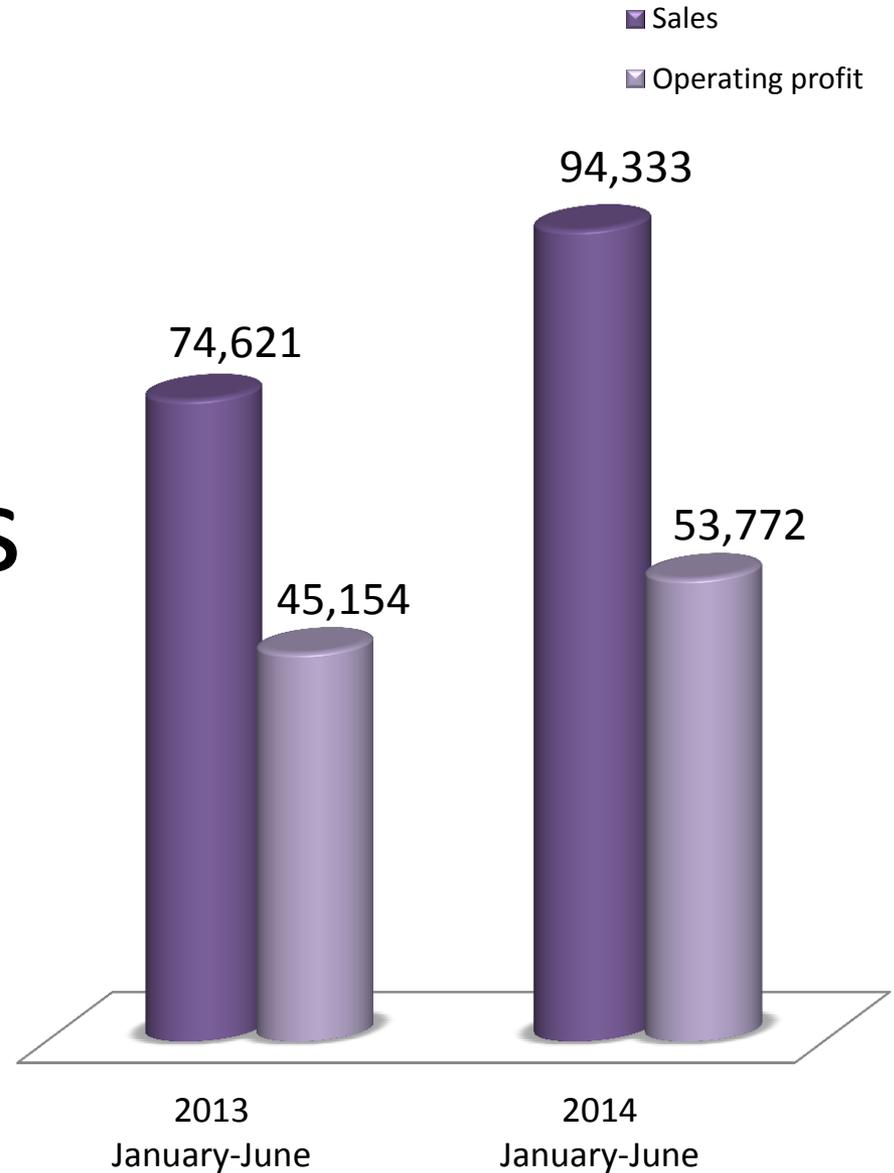
GungHo

July 29, 2014

FY2014

2Q Financial Highlights

Increase in sales and profit YoY

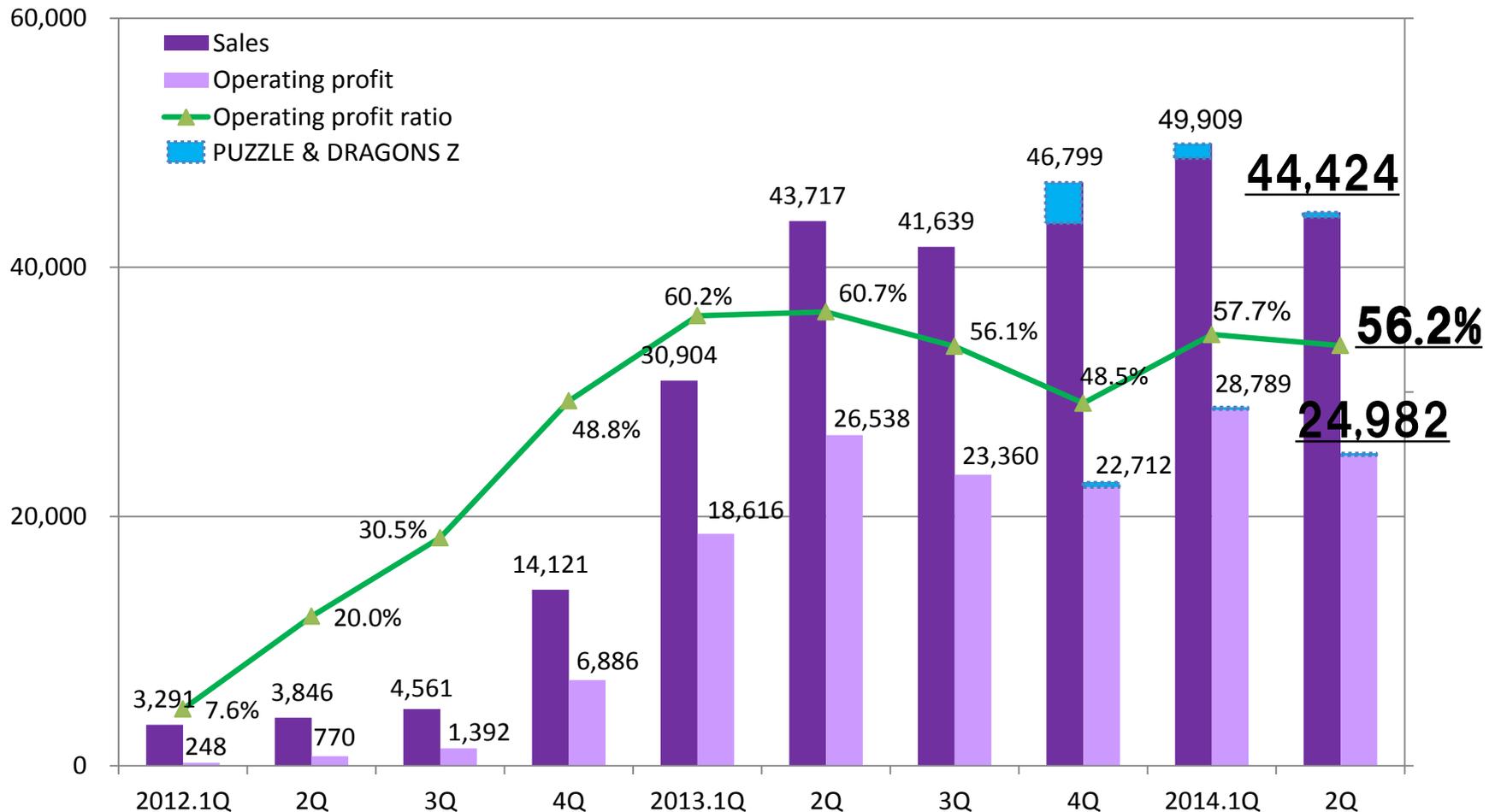


Trends in Quarterly Results

Stable results

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.

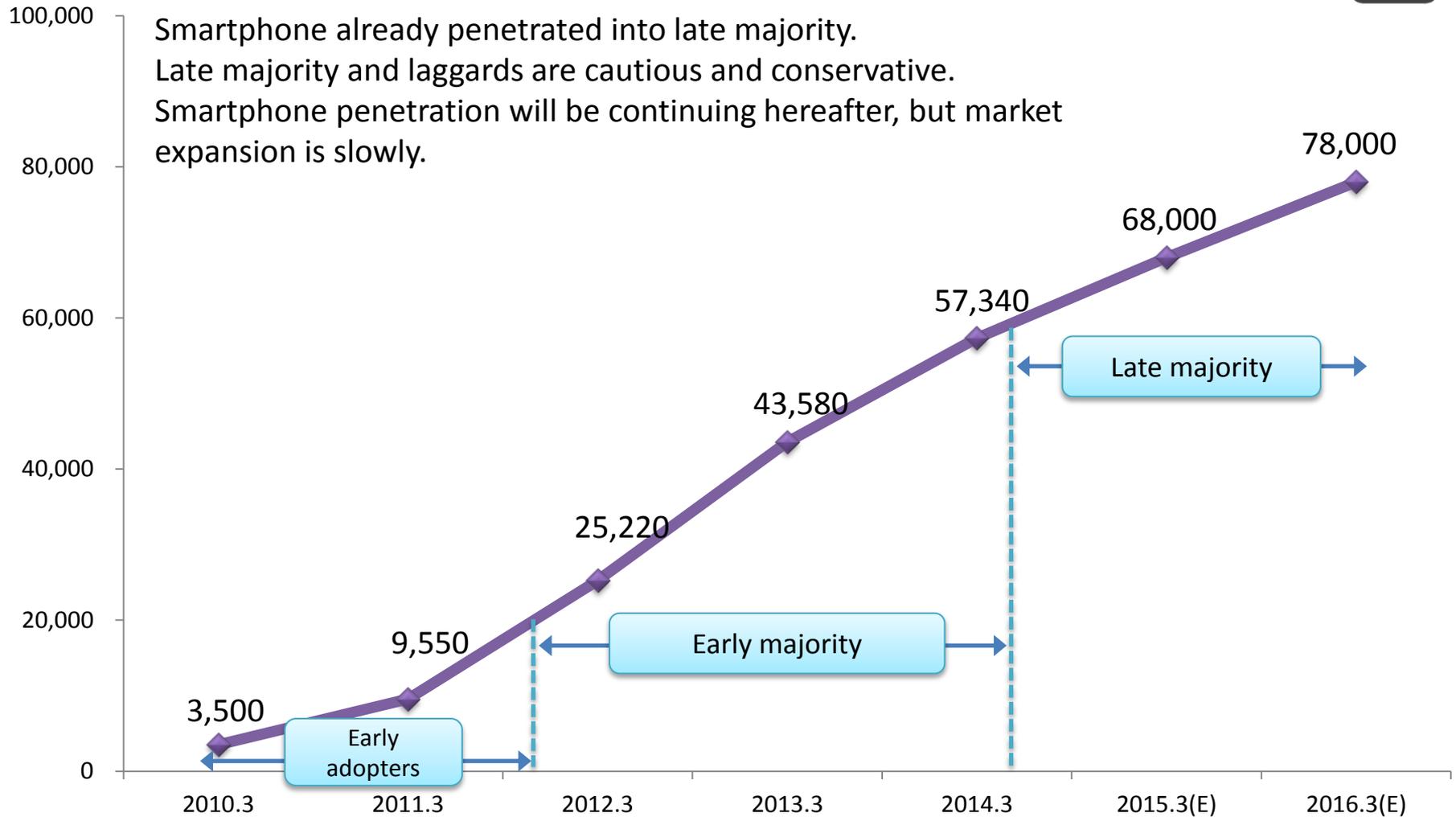
(Unit: millions of yen)



【Reference】 Number of smartphone penetration in Japan



(Thousand units)



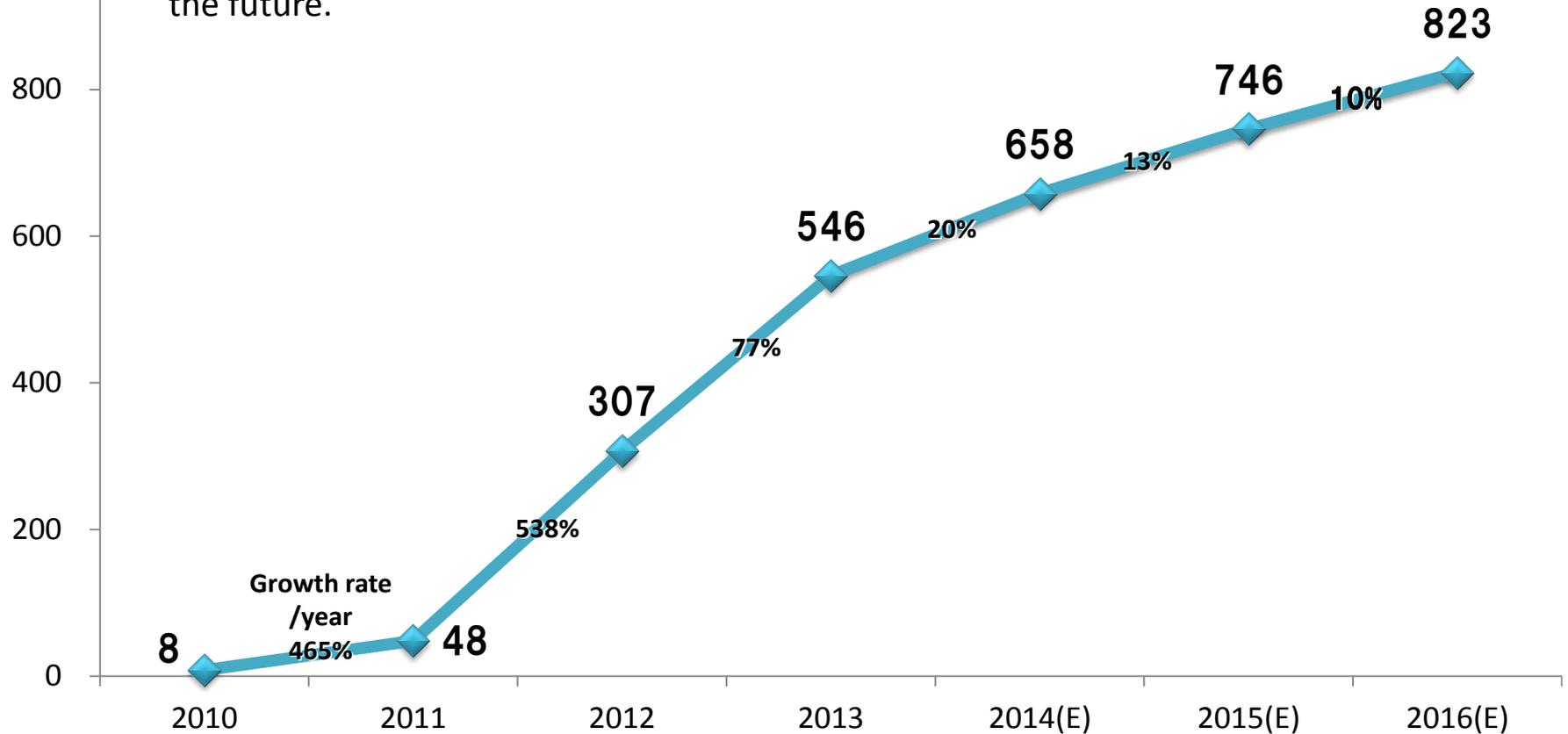
*Conjecture from market survey

【Reference】 Smartphone game market in Japan



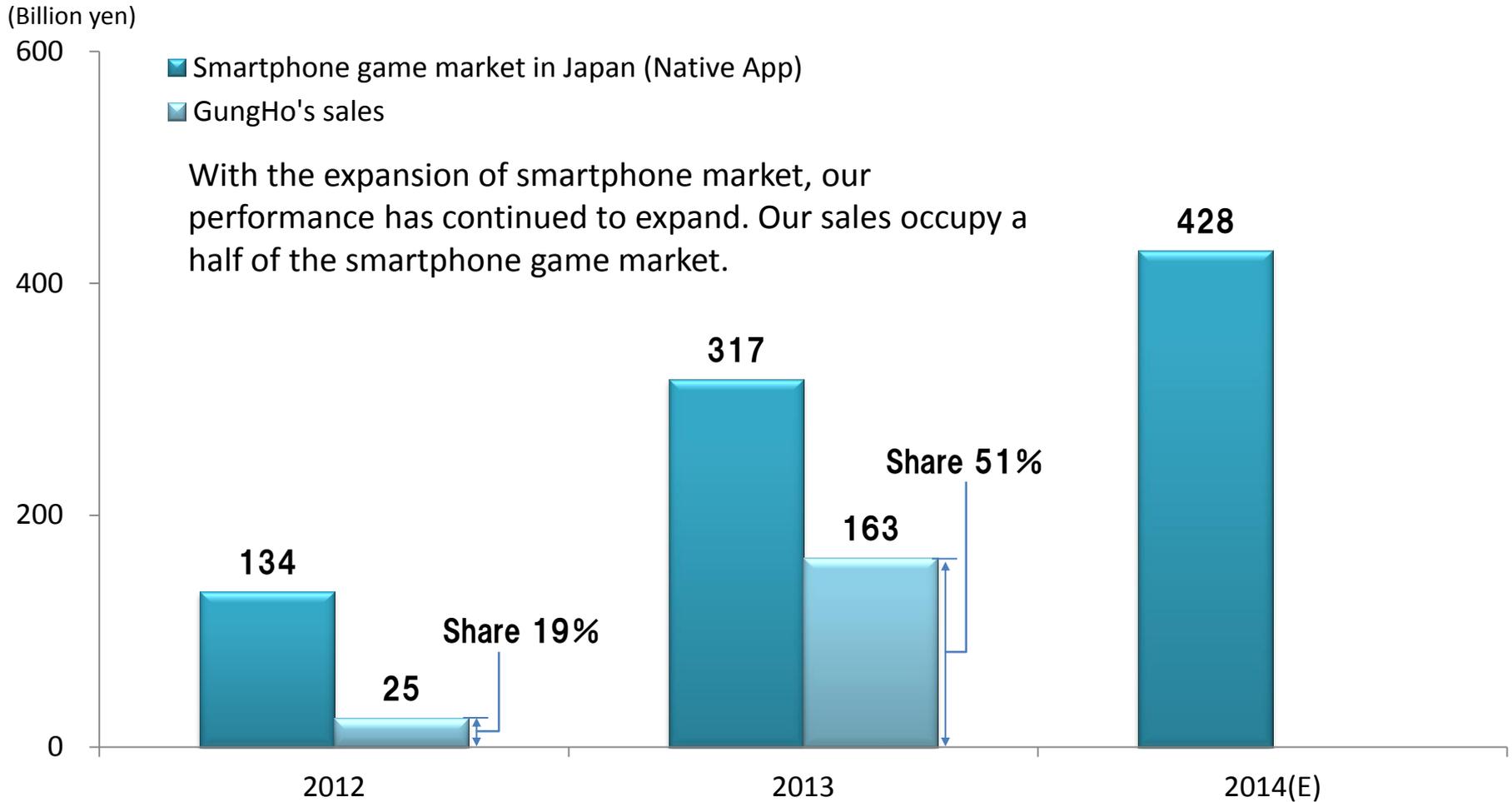
(Billion yen)
1,000

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.



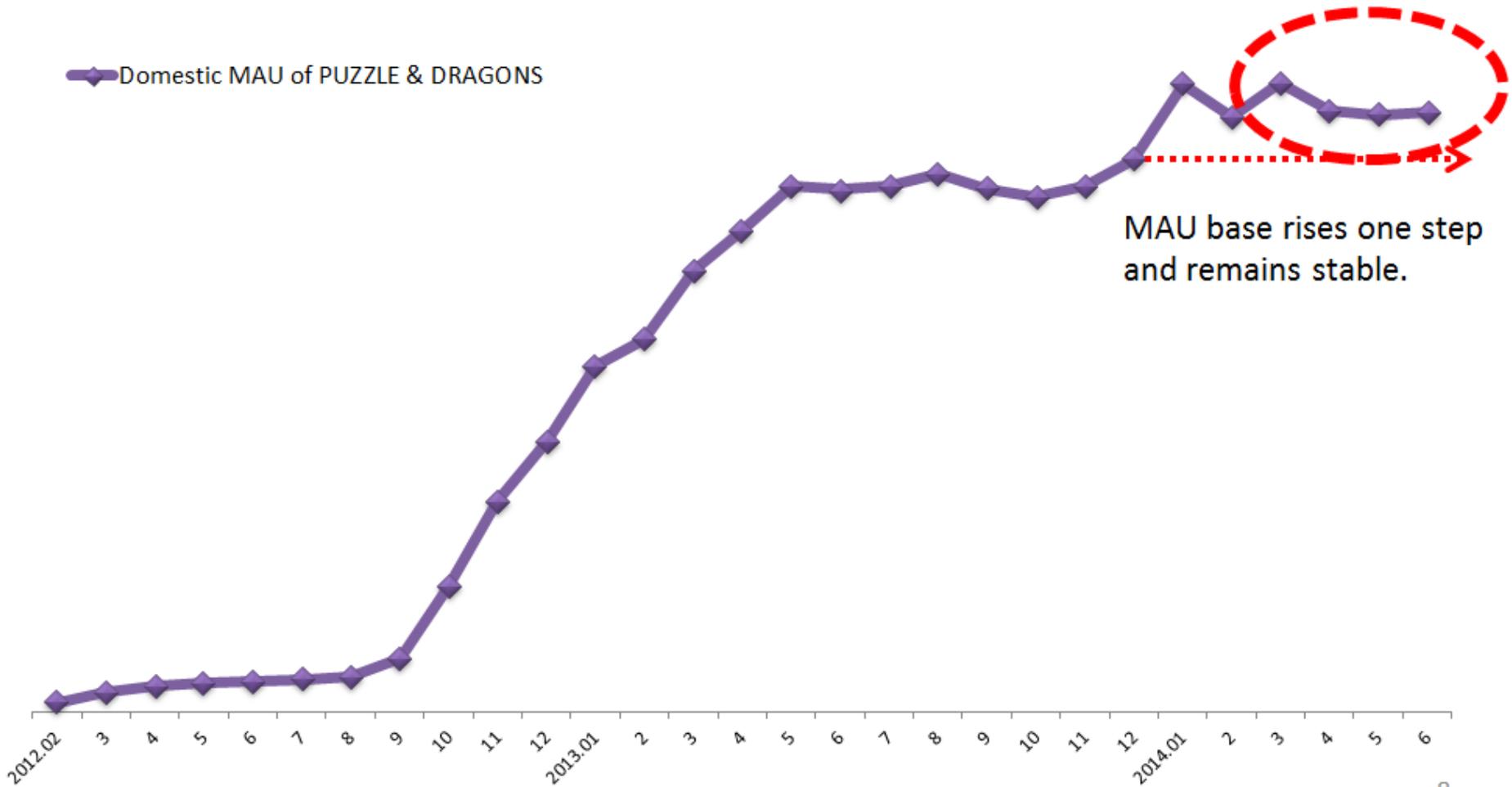
*Conjecture from several market survey

【Reference】 Trends in smartphone game market and GungHo's results

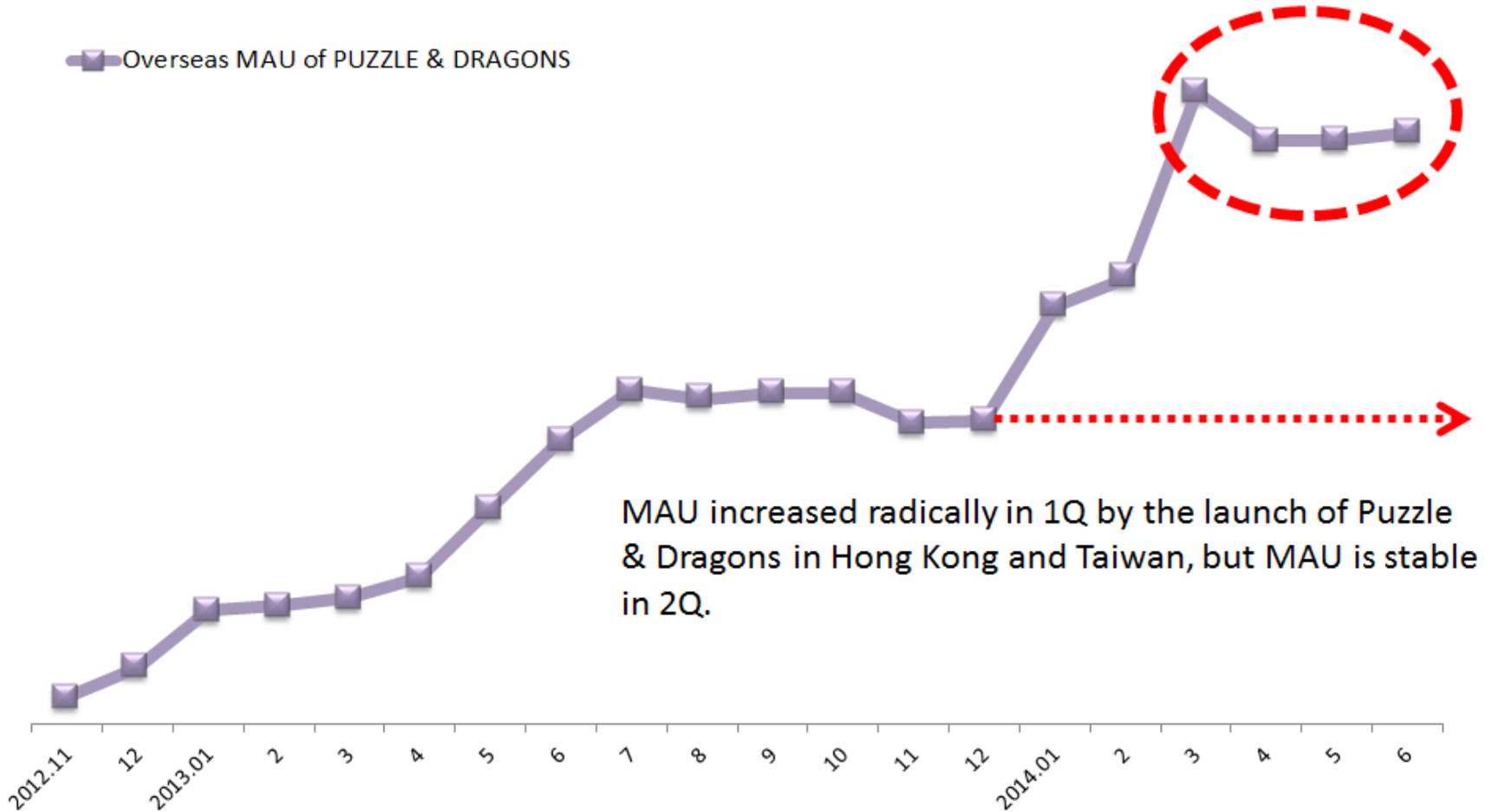


*Conjecture from several market survey

Domestic MAU



Overseas MAU



Quarterly Income Statement

Consolidated Profit and Loss Sheet

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

Units: millions of yen	FY2014 2Q (Apr. – Jun. 2014)	FY2013 2Q (Apr. – Jun. 2013)	Change ratio YoY	FY2014 1Q (Jan. – Mar. 2014)	Change ratio QoQ
Sales	44,424	43,717	1.6%	49,909	△11.0%
Cost of sales	14,198	13,367	6.2%	16,048	△11.5%
Cost of sales ratio	32.0%	30.6%	1.3P	32.2%	△0.3P
SG&A	5,242	3,811	37.6%	5,071	3.4%
Operating profit	24,982	26,538	△5.9%	28,789	△13.2%
Operating profit ratio	56.2%	60.7%	△4.5P	57.7%	△1.5P
Ordinary profit	24,699	26,650	△7.3%	28,095	△12.1%
Profit before tax	24,660	26,609	△7.3%	28,095	△12.2%
Net profit	15,029	15,857	△5.2%	17,063	△11.9%

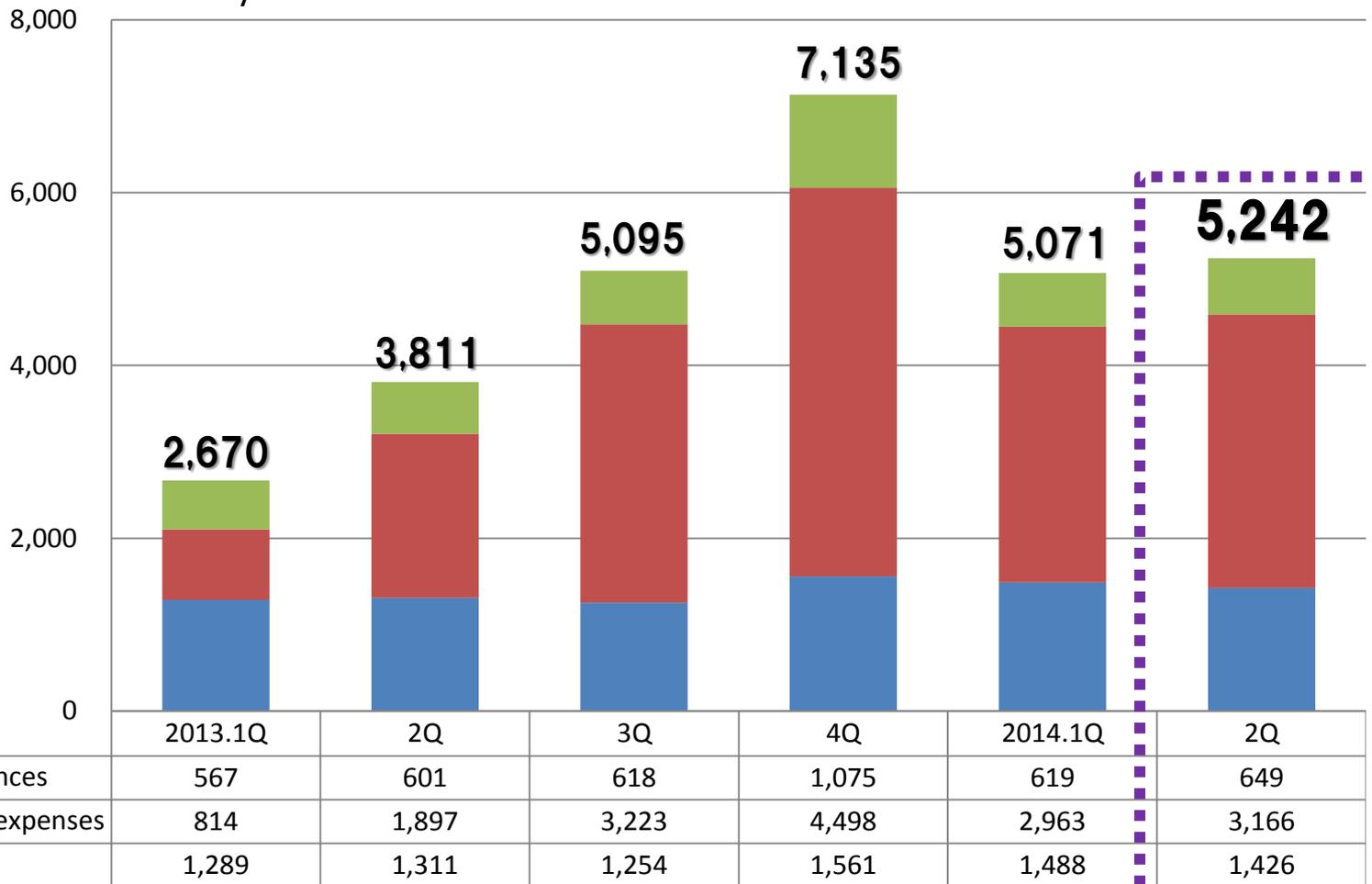
Trends in SG&A

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.

(Unit: millions of yen)

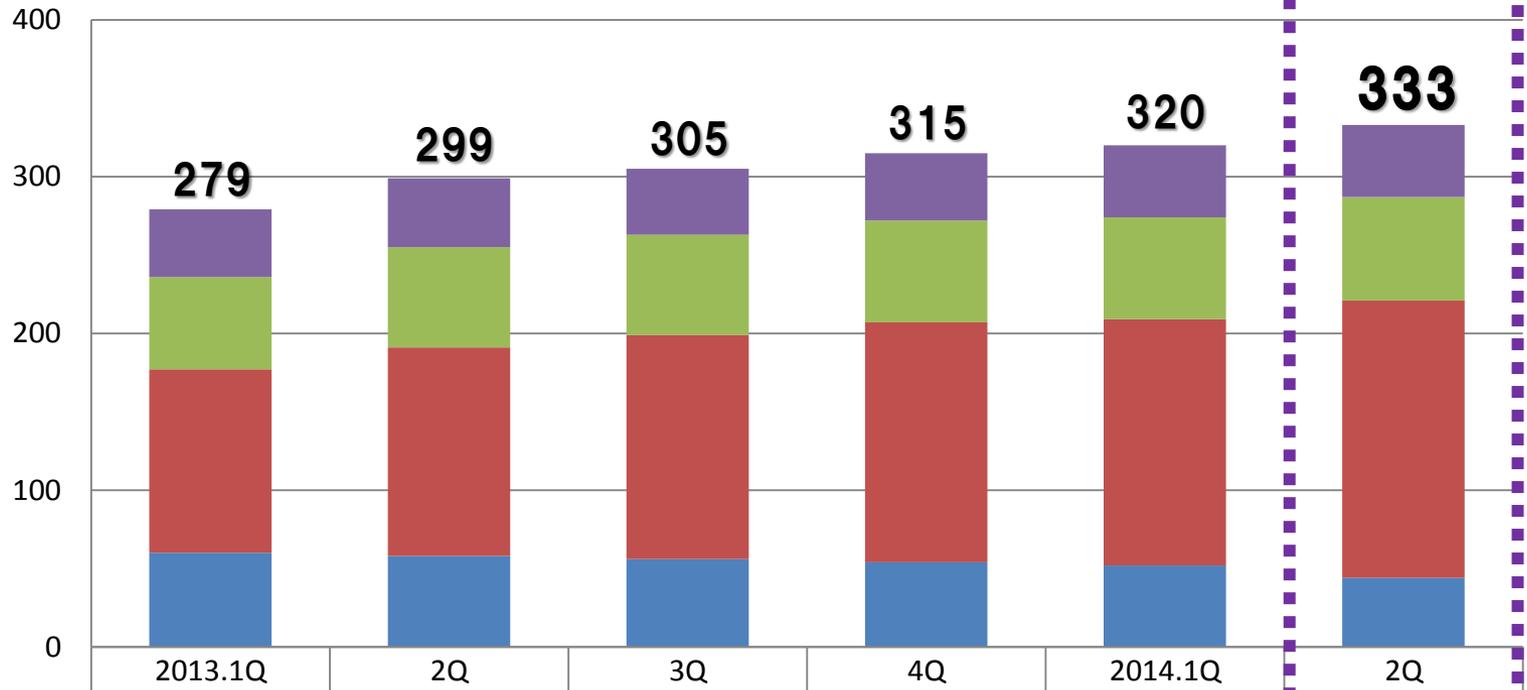


Trends in number of employees

Employees slightly increase

We have shifted the employees from PC online sector to mobile consumer sector.

The number of employees slightly increase by recruitment.

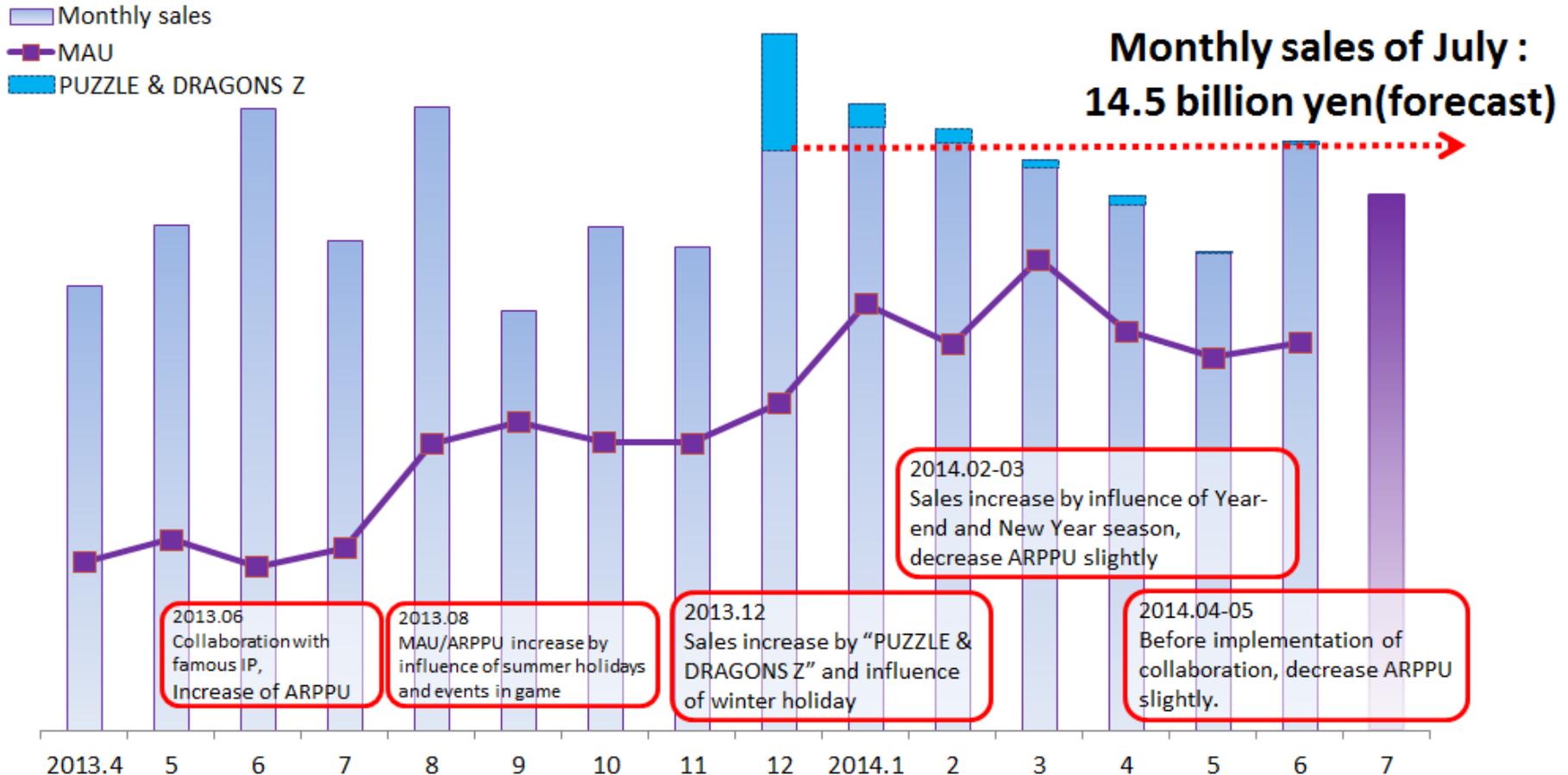


Administration, others	43	44	42	43	46	46
CS, system	59	64	64	65	65	66
Mobile consumer	117	133	143	153	157	177
PC online	60	58	56	54	52	44

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.



*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-

2.6 thousand machines



Maximize Existing Value



June 26-

1.5 thousand machines



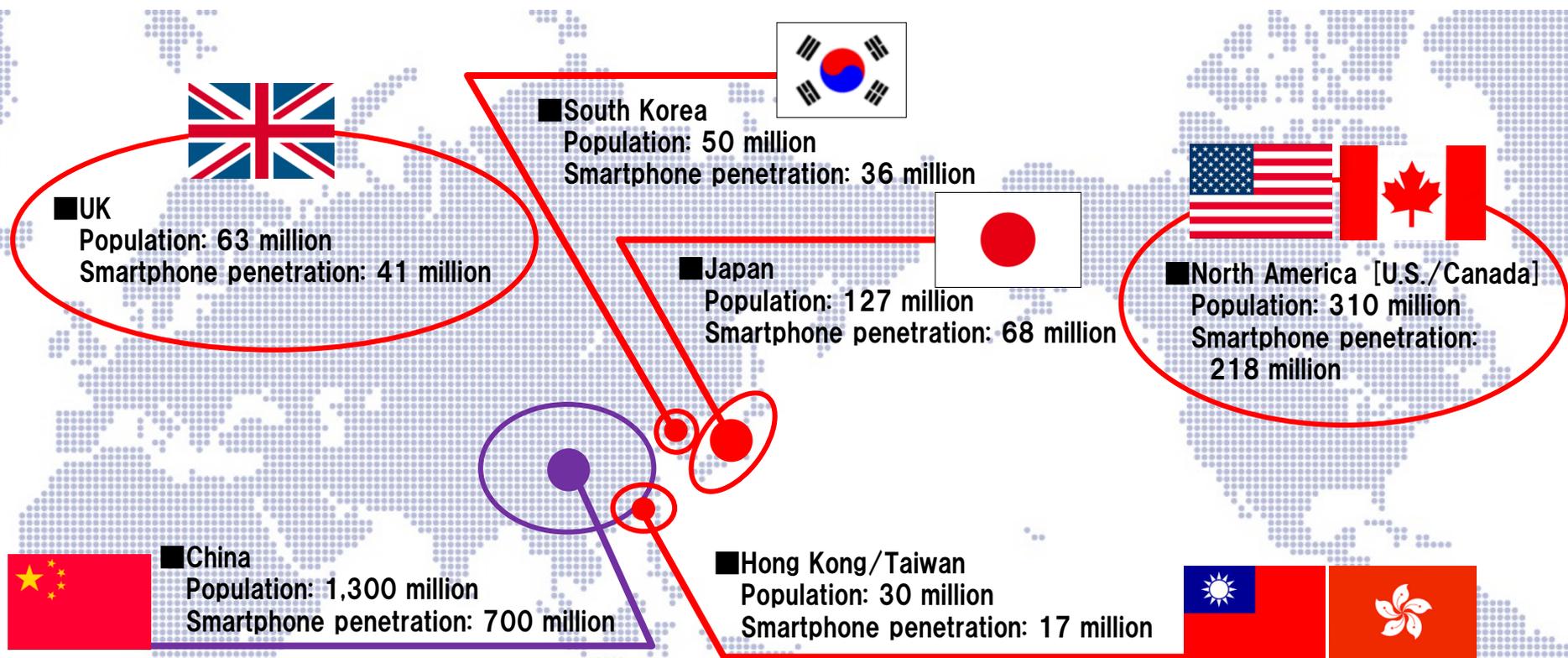
- ◇ Promotion schedule
“CORO tour 2014” July 27, 2014 –
beginning of November

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)]

Create New Value



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

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Thank you !



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