



Private Offering of New Shares and Second Series of Unsecured Convertible Bonds, and Resultant Change of Share Ownership of Subsidiary Companies

Tokyo, Japan – 31st March 2008 – Gala Inc. today announced that its board of directors has resolved to conduct a private offering, allowing selected third parties to exchange shares of subsidiary companies nFlavor Corp. (nFlavor) and Gala-Net, Inc. (Gala-Net) for new shares and convertible bonds of Gala Inc. This will result in a change in the share ownership of said subsidiaries.

I. Issue and Allocation of Shares to Third Parties

1. Purpose of Offering

By acquiring increased ownership of publisher Gala-Net and developer nFlavor, Gala Inc. believes that it can enhance group synergy and strengthen the group's position as a major player in the global online games market.

To this end, all shareholders of Gala-Net (excluding Gala Inc.) and selected shareholders of nFlavor will be issued new shares of Gala Inc. in exchange for shares of Gala-Net and /or nFlavor. In conjunction with the similar offering detailed in Section II of this release, this will result in Gala Inc. having 100% ownership of Gala-Net and increased ownership of nFlavor.

2. Assets that will be acquired, and use of said assets

(1) Amount of cash that will be acquired

No cash will be acquired. Gala-Inc. will acquire 55,002,000 common shares of Gala-Net and 39,600 shares of nFlavor.

(2) Justification of the purpose of use of acquired assets

The increased integration of subsidiaries will improve the Gala Group's capacity for development and provision of online games, streamline license negotiation processes, and ultimately increase shareholder value.

3. Business results for the last three years, and condition of equity finance

For details on this section, please refer to the Japanese version of this release.

4.Changes in major shareholders and their shareholding ratio

Before transactions (as of 30th September 2008)		After transactions (Residual securities not included in calculation)	
Satoru Kikugawa	41.30%	Satoru Kikugawa	49.41%
Vector, Inc.	4.97%	Vector, Inc.	3.64%
Sosanji Religious Corporation	3.15%	Sosanji Religious Corporation	2.31%
Hiroki Kawate	2.21%	Seung Hyun Park	2.90%
Ryusuke Takada	1.99%	Kwang Yeol Kim	2.28%
Bank of New York GCM Client Accounts EISG		Hiroki Kawate	1.62%
	1.81%	Jikhan Jung	1.47%
Tadashi Kikugawa	1.71%	Ryusuke Takada	1.46%
Dentsu Inc.	1.12%	Bank of New York GCM Client Accounts EISG	
Osaka Securities Finance Company, Ltd.			1.33%
	0.93%	Tadashi Kikugawa	1.25%
Kenji Okano	0.76%		

5. Influence the transactions will have on financial figures

The Gala Group does not publish business forecasts, due to the difficulty of projections for new games and new overseas business areas.

(Summary)

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|---|--|
| 1. Number and type of shares to be issued | 25,736 common shares |
| 2. Issue price | JPY 35,000 per share |
| 3. Total issue price | JPY 900,760,000 |
| 4. Amount by which capital and capital reserves will increase | |
| Amount by which capital will increase | JPY 17,500 per share |
| Amount by which capital reserves will increase | JPY 17,500 per share |
| 5. Date on which to apply for the transaction | 28th April 2008 |
| 6. Deadline for payment | 30th April 2008 |
| 7. Persons the shares will be issued to, number of shares issued to each person | |
| | <i>Please refer to 7.(1) of the Japanese version of this release for details</i> |
| 8. Details of payment to be handled by | General Affairs Division, Gala Inc |
| 9. Date for issue of new shares | 30th April 2008 |

For details on the calculation of above amount to be paid, etc. please refer to the Japanese version of this release.

II. Issue Of Second Series of Unsecured Convertible Bonds

1. Purpose of issue

1. All shareholders of Gala-Net (excluding Gala Inc.) and selected shareholders of nFlavor will be issued convertible bonds of Gala Inc. in exchange for shares of Gala-Net and /or nFlavor. This will result in Gala Inc. having 100% ownership of Gala-Net and increased ownership of nFlavor. In conjunction with the similar offering detailed in Section I of this release, this will result in Gala Inc. having 100% ownership of Gala-Net and increased ownership of nFlavor.

2. Overview of issue of bonds

1. Name of bonds

2nd Series of Unsecured Convertible Bonds of Gala Inc.

2. Total price of bonds

JPY 73,955,000

3. Denomination:

One denomination of JPY 35,000

4. Non-issue of certificates

No certificates will be issued for these convertible bonds. Articles 254.2 and 254.3 of Japanese Corporate Law forbid the sale of either (a) the bonds without the accompanying stock acquisition rights, or (b) the stock acquisition rights without the accompanying bonds.

5. Interest rate

These bonds do not pay coupon interest

6. Issue price

JPY 73,955,000 (JPY 100 cash per JPY 100 face value)

7. Redemption value

JPY 100 per JPY 100 par value

8. Date for application

30th April 2008

9. Date for payment and issue of shares

30th April 2008

10 Method of offering

Allocation to third parties (via exchange with non-monetary assets)

For other details, please refer to the Japanese version of this release.

III. Changes of Share Ownership of Subsidiary Companies

1. Affected subsidiaries

- a) Gala-Net, Inc.
- b) nFlavor Corp.

2. Number of shares to be acquired, ownership status before and after transactions

- (1) Number of shares owned by Gala Inc. before transactions
 - a) Gala-Net, Inc.: 59,300,000 shares (54.83% of outstanding shares)
 - b) nFlavor Corp.: 150,000 shares (60.61% of outstanding shares)
- (2) Number of shares that will be acquired by Gala Inc.
 - a) Gala-Net, Inc.: 59,300,000 shares
 - b) nFlavor Corp.: 49,500 shares
- (3) Number of shares that will be owned by Gala Inc. after the transactions
 - a) Gala-Net, Inc.: 128,495,122 shares (100% of outstanding shares)
 - b) nFlavor Corp.: 199,500 shares (80.61% of outstanding shares)

3. Date of transactions

30th April 2008

4. Influence the transactions will have on financial figures

The Gala Group does not publish business forecasts, due to the difficulty of projections for new games and new overseas business areas.

5. Overview of the companies involved

Gala-Net, Inc. (As of 30th March 2008)

- (1) Trade Name Gala-Net, Inc.
- (2) Chief Officer Jikhan Jung, CEO
- (3) Place of Business Sunnyvale, California, United States
- (4) Date of Establishment: 19th May 2004
- (5) Business Domain Operation of online games
- (6) Date of close of fiscal year: 31st March of each year
- (7) Number of employees: 47
- (8) Capital USD 1.64 million
- (9) Number of outstanding shares 128,495,122
- (10) Website <http://www.gala-net.com/>
- (11) Sales and earnings for the last two years

Fiscal year	Fiscal year ending March 2006	Fiscal year ending March 2007
Sales	USD 311 thousand	USD 4,460 thousand
Operating profit	USD -412 thousand	USD 40 thousand

nFlavor Corp. (As of 30th March 2008)

- (1) Trade Name nFlavor Corp.
- (2) Chief Officer Seung Hyun Park, CEO
- (3) Place of Business Seoul, Korea
- (4) Date of Establishment: 13th December 2003
- (5) Business Domain Development of online games
- (6) Date of close of fiscal year: 31st March of each year
- (7) Number of employees: 102
- (8) Capital KRW 1,237,500,000
- (9) Number of outstanding shares: 247,500
- (10) Website <http://www.nflavor.com/>
- (11) Sales and earnings for the last two years

Fiscal year	Fiscal year ending March 2006	Fiscal year ending March 2007
Sales	KRW 1,631,645 thousand	KRW 504,000 thousand
Operating profit	KRW -194,497 thousand	KRW -784,034 thousand

Disclaimer: This summarized translation is provided for convenience only. Please refer to the original Japanese version at http://gala.jp/pdf/pr_20080331.pdf for a more accurate and detailed announcement. In the event of any discrepancy with the Japanese original, the original shall prevail.