medium/long-term initiatives of the gala group's online games segment

since 2005, the gala group has endeavored to develop and provide online games in various countries around the world through its overseas subsidiaries, namely developers aeonsoft inc. (seoul, korea) and nflavor corp. (seoul, korea), and publishers gala japan inc. (tokyo, japan), gala-net inc. (california, u.s.a.) and gala networks europe ltd. (dublin, ireland).

to further these efforts, the group has put forth four new initiatives; global publishing network, global development network, global research network, and global management network.

1. overview of current and future efforts

the gala group first entered the online games sector in 2005, obtaining one billion yen in funds for this purpose. since then, the group has launched games portals, developed online games, and solidified its internal global research/management infrastructure.

1) games portals

the gpotato.com online games portal was launched in the u.s. in november 2005, and similar portals have since been launched in japan and europe. the gpotato portals were especially innovating in that they were, and continue to be, based on a play-for-free payment model, when the prevailing business model relied on monthly subscription fees. aeonsoft's flyff and nflavor's rappelz, among other games, have spurred widespread growth of the user base, especially in the u.s. and europe. there are currently 6 million users registered with the gpotato portals.

2. game development

the first major mmorpg to feature free-form flight, flyff is currently provided in korea, japan, the united states, europe, taiwan, china, hong kong, thailand, the philippines, some south american countries including chile, peru, and argentina. approximately 20 million users worldwide have played the game, and it is especially successful in china, where 12 million users are registered.

rappelz is an mmorpg known for its beautiful graphics, and is currently provided in the united states, europe, japan, korea, taiwan, russia, various arabic-speaking countries, and thailand. approximately 2.8 million users are registered. it received much coverage as the first mmorpg to be provided in arabic-speaking countries. the game is slated for a late 2009 release in china, where it is hoped that it will achieve flyff-like levels of success.

3. global research framework

the gala group has established a framework for researching market conditions in the u.s., europe, and japan, and sharing the information within the group to better integrate the publishing and development arms.
4) **Global management framework**
Gala Inc., the parent company of the group, has always held the policy of non-discrimination, whether based on race, nationality, age, gender, or religion. This policy has been inculcated throughout the group as the basis for a management framework that embraces the diversity of our employees.

These policies have played a key role in the success of the group during the last fiscal year, in which the group achieved 4 billion Yen in sales, 600 million Yen in operating profit, and 1 billion Yen in operating cash flow.

2. **Medium/long-term initiatives**
   
   1) **Global publishing network (Games portals)**
   The Gala Group aims to build the gPotato online games portals into a globally recognizable brand. Some goals:
   
   (1) 10 million registered members worldwide
   
   (2) Expansion of gPotato portals to the South American continent, beginning with Brazil where Flyff has already been launched
   
   (3) Launch a Korean gPotato portal
   
   (4) Provide games in more European countries
   
   (5) License AAA-class titles from developers, leveraging the large number of members and serviced regions of the gPotato portals
   
   2) **Global development network (Game development)**
   
   (1) Take advantage of the global brand power of the gPotato portals to gather talented personnel, thus enhancing the Group's games development teams.
   
   (2) Establish a internationally distributed development process, with various functions of game development (such as game design, graphic design, architecture design, 3D modeling, and programming) each being done by the optimal company/personnel, regardless of geographic location.
   
   3) **Global research network (Market research)**
   Collect and analyze information on markets around the world, and establish a framework for utilizing the information.

   4) **Global management network (Management structure)**
   To further improve the quality of management, provide on-the-job training for both upper management and middle managers, conduct personnel exchange programs, and acquire talented personnel through stock option incentive programs.

   Through the implementation of these initiatives, the Gala Group aims to achieve 10 billion Yen in annual sales and 2 billion Yen in annual operating profit.
The Gala Group recognizes the importance of distributing profits to shareholders, especially through the payment of dividends. However, the Group regards targeted investment in growth areas, especially online games, as the optimal method of increasing shareholder value.

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