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Gala Incorporated
Representative Director and CEO
Satoru Kikugawa
(JASDAQ 4777)
Contact: Koji Fujita,
General Manager, Administrative Affairs

Announcement on Amendment to Basic Policy on Internal Control System

1. Due to changes in Company Law, the following amendment shall be made in the Group's "Basic Policy on Internal Control System:"
2. Summary of changes by adding more details thus further developing the following matters:
 - Group's internal control
 - System in order to carry out audit by Auditors
3. Basic Policy on Internal Control Systems (Revised areas are marked in red)

A framework that ensures (a) compliance of the directors to laws and the articles of incorporation and, (b) conduct of business duties with the propriety that befits a publicly traded company and (c) **duties of the corporate group composed of Company and its subsidiaries.**

Gala Inc. **and its subsidiaries place** a high priority on maintaining an organizational framework that enables efficient and agile management, in order to take advantage of business opportunities in the highly volatile internet industry.

The goals of Gala Inc.'s efforts at implementing corporate governance are to implement an open, fair, and efficient management structure and enable quick and appropriate management decisions, thus raising corporate value.

Gala Inc. **and its subsidiaries define** "Internal control system" as "a system of performing internal checking of the soundness and efficiency of Gala Inc.'s operations, in order to ensure that effective corporate governance practices are followed". Pursuant to this resolution, Gala Inc. will endeavor to strengthen its organizational structure in order to ensure proper operations.

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1. Systems for ensuring compliance with the laws and the articles of incorporation in the performance of duties by directors

- ①The board of directors of the company holds a meeting about once a month. To enable legal and appropriate conduct of business duties based on the reporting and discussion that takes place at said meetings.
- ②Auditors audit the business decisions and processes by the directors to confirm that they are being conducted properly, pursuant to the articles of incorporation.
- ③The Compliance Committee reviews matters related to compliance, and is responsible for the implementation and further development of the compliance framework.

2. Framework for the retention and management of information relating to the performance of duties by directors

- ①Information is to be retained and managed in ways pursuant to company rules, including the "Rules for the segregation of duties", "Rules concerning administrative authority", the "Rules for administrative approval (ringi)", and the "Rules for the Board of Directors"
- ②The company records and manages the information about the conduct of business duties by directors in an easily retrievable form, in order to improve the methods and framework for the management and operation of the company.

3. Rules and other systems for risk management

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- (3)Rules and other systems for risk management
- ①The company shall hold meetings attended by the directors and the head of each department, to promote communication and sharing of information. The company also manages risks by reviewing the current situation of the company and its projects and analysis of the business environment.
 - ②The company evaluates internal control risks and takes steps to avoid and control them, according to the resolutions of the board of directors and the results of its deliberations.

4. Systems for ensuring the efficient performance of duties by directors

- ①The Board of Directors shall delegate its authorities to corporate officers and promote timely decision-making and effective performance of duties.
- Company rules, including the "Rules for the segregation of duties", the "Rules concerning administrative authority" and the "Organizational rules" specify who has the authority to make which decisions, and define procedures for business duties, thus ensuring their appropriateness.

5. Systems for ensuring compliance with the laws and the Articles of incorporation in the performance of duties by employees

- (5)Systems for ensuring compliance with the laws and the Articles of incorporation in the performance of duties by employees
- ①The Group CEO has announced a policy of "Compliance first", and the company endeavors to prioritize compliance with laws and regulations above all else when there is a conflict. For example, the company has implemented a Hotline policy ("Internal reporting rules") to prevent further noncompliance or repeating of such issues.
 - ②The company endeavors to encourage employee compliance with laws and regulations, and also build a

stronger organization in accordance with the articles of incorporation. This will be accomplished through company-wide internal control efforts.

6. Systems for ensuring proper operations as well as other framework as stated below by the group, which consists of the company and its subsidiaries

(1) Reporting- flow to Gala Inc. on matters related to subsidiaries' Directors execution of duties

①The company reviews and confirms the reports from subsidiaries' Directors on status of business execution at the weekly Group strategy meeting (a teleconference using telephones or the internet).

②Tasks related to the corporate group are to be handled by the Group Management Division. The proper conduct of operations by the corporate group is ensured via the "Rules for conduct of business by affiliate companies" and the internal control systems in order to achieve appropriate group management.

③The Internal Audit Division conducts internal control audits of the subsidiaries, to promote the proper conduct of business duties.

(2) Policy on risk management against loss and other framework

①The subsidiaries' Directors report at the weekly Group Strategy Meeting (a teleconference using telephones or the internet) on matters that carry risk on loss which is shared and discussed within the corporate group, confirmation on current situation and progress report of the corporate group, analysis of business environment for the purpose of risk management against loss.

②Also, risk evaluation and improvement in internal control discussed and passed at Board resolution is reported to the subsidiaries in order to avoid and minimize risks.

(3) Framework to ensure subsidiaries' Directors effective execution of duties

①Board of Directors and Auditors are appointed to ensure proper conduct of mutual supervision and business decisions.

② Gala Inc.manages and advises based on "Rules for conduct of business by affiliate companies" and other rules at the subsidiaries.

(4)Framework to ensure performance of duties by Directors' subsidiaries and employees is in compliance with law and company statute

①Group CEO declared "Compliance 1st." If there is conflict between compliance versus other event, the framework is such that compliance is prioritized. Also, hotline is implemented to prevent expansion of violation and the recurrence of the violation.

②By acting upon suggestions from Compliance Committee and carrying out overall framework of internal control, Gala Inc. aims to further develop the framework such that subsidiaries' employees is thoroughly compliant with and conforms to company statute.

7. Matters regarding employees assisting Corporate auditors

Should a Corporate auditor need an assistant, the company will provide one.

Specifics will be decided upon based on the opinions of the auditor and the relevant departments.

8. Matters regarding the independence of employees assisting Corporate auditors from directors

The assistant is a subordinate of the Corporate auditor, and assists the Corporate auditor in his/her duties.

The company obtains the full-time Corporate auditor's approval for any personnel evaluation or any internal transfers for the assistant.

9. Systems of reporting to corporate auditor and other framework

(1) Framework such that Gala Inc.'s Directors and employees report to Auditors

①Auditors can request report and information as needed.

②Directors report their actions and supervision of others' actions to the corporate auditor at board of directors meetings or by request of the Auditor.

(2) Framework such that subsidiaries' Directors, Auditors, and employees report to Gala Inc.'s Auditor.

①Gala Inc.'s Auditor can request report and information to as needed to the subsidiaries' Directors and Auditors.

②The subsidiaries`Directors, Auditors, and employees upon request from Gala Inc.' s Board of Directors and

other Auditors, as required, report on management of business execution and its progress appropriately through division in charge of corporate group or directly to Gala Inc.'s full-time auditor.

10. System to ensure disadvantageous treatment is not conducted as a result of reporting to Auditors

① Gala Inc. and corporate group protect the informer from disadvantageous treatment and prohibits revenge and discrimination by setting hotline system.

11. Framework on policy related to advance payment and repayment process on fees related to Auditor's execution of duties and execution of related duties

① Auditors can charge the Company on fees accepted as expense necessary for execution of duties.

Disclaimer: This summarized translation is provided for convenience only. In the event of any discrepancy with the Japanese original, the original shall prevail.