



Announcement Regarding Statements Concerning Going Concern Assumptions

Tokyo, Japan – November 14, 2012 – Gala Inc. and its subsidiary companies (the "Gala Group"), will include in its financial statements for the second quarter of the fiscal year ending March 2013 the following statements concerning its assumptions as a going concern.

The Gala Group's operating profit in the fiscal year ending March 2012 was minus 100,933 thousand JPY. Likewise, net profit was minus 512,967 thousand JPY. Sales in the second quarter of the fiscal year ending March 2013 were 1,332,230 thousand JPY, 43.1% down from the same quarter of the previous fiscal year, and operating profit and net profit for the same period were minus 406,976 thousand JPY and 213,819 thousand JPY respectively. Should the current low sales not improve, there is the possibility that operating profits will continue to be negative, and that financing issues will become serious. As such, there exist material uncertainties related to events or conditions that may cast significant doubt upon the group's ability to continue as a going concern.

In order to resolve and improve current conditions in a timely fashion, the Gala Group will undertake the following efforts.

First, to concentrate the resources the Gala Group on global expansion of the Group's smartphone games business, the Group is currently undergoing a reorganization. Two consolidated subsidiary companies have been established to lead the Group's efforts in the smartphone apps market. Gala Pocket Inc., based in Japan was established in April 2012 and has already launched its first smartphone game. Gala Innovative Inc., based in the U.S., was established in October of the same year and is currently developing its first title. Additional future titles are expected to contribute to increased sales.

The Group has also conducted layoffs and slimmed down its organization structure. Such efforts, including restructuring of the organization and redistribution of personnel, will be continued as necessary.

The Group is also in discussions with financial institutions in order to overcome the current difficult business environment.

These and other efforts that are deemed to be effective will be pursued aggressively. However, there can be no guarantee that these efforts will lead to a recovery in sales and profits, due to the nature of organizational restructuring, the situation of operating activities, and possible changes in the environment. As such, there exist material uncertainties in the group's ability to continue as a going concern.

Please note that the company's consolidated quarterly financial statements are based on going concern assumptions, and they do not reflect said material uncertainties in the group's ability to continue as a going concern.

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