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Securities code: 3765
(Mailing date) March 11, 2025

To Shareholders

President & CEO Kazuki Morishita
GungHo Online Entertainment, Inc.
1-11-1, Marunouchi, Chiyoda-ku, Tokyo

Notice of Convocation of the 28th Annual General Meeting of Shareholders

It gives us great pleasure to invite you to the 28th Annual General Meeting of Shareholders of GungHo Online Entertainment, Inc.

If you will not be attending the meeting in person, you can instead exercise your voting rights via the Internet or by mail. Please read carefully the reference materials for the General Meeting of Shareholders, and exercise your voting rights by 6 p.m. on Thursday, March 27, 2025.

- | | |
|------------------------|---|
| 1. Date and time | March 28, 2025 (Friday) 10:00 a.m.
(Doors open at 9:00 a.m.) |
| 2. Venue | 3-13-1 Takanawa, Minato-ku, Tokyo
Grand Prince Hotel Shin Takanawa “International Convention Center Pamir” |
| 3. Purpose | |
| Matters to be reported | <ol style="list-style-type: none"> 1. The Business Report and the Consolidated Financial Statements for the 28th term (from January 1, 2024 to December 31, 2024), and the Audit Results of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors. 2. The Non-consolidated Financial Statements for the 28th term (from January 1, 2024 to December 31, 2024) |

Matters to be resolved

< Proposals by the Company (Proposal 1 to Proposal 2) >

Proposal 1 Election of Ten (10) Directors

Proposal 2 Election of Three (3) Auditors

< Proposals by Shareholders (Proposal 3 to Proposal 9) >

Proposal 3 Proposal for the determination of remuneration to add a requirement to disclose the reason for any change in the representative director's base remuneration

Proposal 4 Proposal for the determination of remuneration to change the ratio of base remuneration to performance-linked compensation and the calculation method of the performance-linked compensation

Proposal 5 Proposal for the determination of remuneration to abolish the stock-based remuneration type stock option plan for executive directors and to grant stock-based remuneration as a long-term incentive

Proposal 6 Proposal for the appropriation of surplus

Proposal 7 Proposal to amend the Articles of Incorporation with respect to the organization for determining dividends from surplus

Proposal 8 Proposal to amend the Articles of Incorporation with respect to the cancellation of treasury shares

Proposal 9 Proposal to cancel treasury shares

4. Items about the contents provided in electronic format

In convening this General Meeting of Shareholders, GungHo Online Entertainment, Inc. ("the Company") takes measures for providing information constituting the content of reference documents, etc., for the shareholders' meeting in an electronic format. Please access the following website and review the information published on the Company's website as "Notice of Convocation of the 28th Annual General Meeting of Shareholders," and "The 28th Annual General Meeting of Shareholders and Other Contents Provided in Electronic Format (Contents Excluded from Documents to Be Sent)."

The Company's website

<https://www.gungho.co.jp/jp/en/ir/stock/meeting.html>

The content provided in electronic format is published on the above website and also available on the Tokyo Stock Exchange (TSE) website below.

TSE website (Listed Company Search)

<https://www2.jpx.co.jp/tseHpFront/JJK020030Action.do>

On the above TSE website, please search for "GungHo Online Entertainment" or "Ticker code" (3765), select "Basic information" and proceed to "Documents for public inspection/PR information," to find "Notice of General Shareholders Meeting" under "Filed information available for public inspection."

5. Predetermined terms of the convocation

- If you exercise your voting rights multiple times both via the Internet and in writing (by mail) redundantly, the exercise via the Internet will be treated as the valid manifestation of intention. If you submit your vote multiple times via the Internet, only the last vote will be valid.
- In the case where you choose to exercise your voting rights in writing (by mail), if there is no indication of your vote for or against a proposal on the Voting Rights Exercise Form, it will be treated as a vote "for" the Company's proposals and "against" the Shareholders' proposals.

< Notice to Shareholders >

◎ **Please note that no souvenirs will be given at the General Meeting of Shareholders. Your kind understanding will be appreciated.**

◎ At this General Meeting of Shareholders, regardless of whether or not a request for the issuance of documents has been made, a document stating the content provided in electronic format will be sent uniformly. The following items are not included in the document to be sent in accordance with laws and regulations and Article 16 of the Company's Articles of Incorporation.

1. Principal business activities
2. Principal offices
3. Employees
4. Principal lenders
5. Other material matters related to the current state of the corporate group
6. Matters relating to share subscription rights of the Company
7. Matters relating to Outside Directors
8. Accounting Auditor
9. System to secure the appropriateness of operations and an outline of the system operation
10. Consolidated statement of changes in equity
11. Notes to consolidated financial statements
12. Non-consolidated balance sheets
13. Non-consolidated statements of income
14. Non-consolidated statement of changes in equity
15. Notes to non-consolidated financial statements

Therefore, the business reports, consolidated financial statements, and non-consolidated financial statements included in the documents are part of the subject documents audited by the accounting auditor and the corporate auditor when preparing the audit report.

- ◎ If there are changes to the items that are required to be filed electronically, the amendment to the items will be provided on the respective websites.
- ◎ The results of this meeting will be provided on the Company's website.
- ◎ Please be advised that non-shareholders, such as proxies and persons accompanying shareholders, are not permitted to attend the meeting.

[When exercising the voting rights via the Internet]

Please access the Company's Voting Rights Exercise Website (<https://www.tosyodai54.net>), obtain the Voting Code and Password provided in the Voting Rights Exercise Form sent together with this Convocation Notice, and indicate whether you are "for" or "against" each of the Proposals based on the directions provided on the website.

Before exercising your voting rights via the Internet, please read "Instructions on Exercise of Voting Rights via the Internet, etc." provided in the following page.

[When exercising the voting rights by mail]

Please indicate whether you are "for" or "against" each of the Proposals on the Voting Rights Exercise Form that is attached to this Notice of Convocation, and return it to us by the deadline in order to exercise your voting rights stipulated above.

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception.
- If the items to be electronically provided are amended, both the pre-amendment and post-amendment items, together with an announcement to that effect, will be provided on the Company's website and on the TSE website mentioned above.
- Please be advised that non-shareholders such as proxies and persons accompanying shareholders are not permitted to attend the meeting.

<<Instructions on Exercise of Voting Rights via the Internet, etc.>>

[Internet method]

The exercise of voting rights via the Internet (PCs, mobile phones, and smartphones) may be possible only by using the voting website designated by the Company (<https://www.tosyodai54.net>).

1. Using a personal computer or mobile phone

Please access the URL above, use the "Voting Code" and "Password" printed in the "Request" section of the Voting Rights Exercise Form, and exercise your voting rights following the guidance on the screen.

If you use a mobile phone with a barcode scanning function, you can access the voting website by scanning the "QR for Portable Phones" printed on the Voting Rights Exercise Form.

2. Using a smartphone

You can exercise your voting rights following the guidance on the screen for exercising voting rights by scanning the "Login QR Code for the Voting Website for Smartphones" printed in the "Request" section of the Voting Rights Exercise Form. In this case, you do not need to enter the "Voting Code" and "Password."

If you wish to change your vote after exercising your voting rights once, you will need to scan the QR Code again and enter the "Voting Code" and "Password." (QR Code is a registered trademark of DENSO WAVE INCORPORATED.)

(Warning)

- Voting rights may not be exercised via the Internet depending on the Internet environment of shareholders.
- Please note that shareholders are responsible for communication charges and connection fees to service providers for accessing the voting website.

[Inquiries regarding the exercise of voting rights via the Internet]

Administrator of Shareholder Registry: Sumitomo Mitsui Trust Bank, Limited

Phone: 0120-88-0768 (toll-free number)

Reception hours: 9 AM to 9 PM

[Use of the electronic voting platform (To institutional investors)]

Institutional investors may use the "Electronic Voting Platform" operated by ICJ, Inc. as a method for exercising voting rights at this General Meeting of Shareholders.

Reference Materials for the General Meeting of Shareholders

Proposals and Reference Materials

< Proposals by the Company (Proposal 1 to Proposal 2) >

Proposal 1: Election of Ten (10) Directors

The terms of office of all ten (10) Directors will expire at the close of this Annual General Meeting of Shareholders. Accordingly, the Company would like to propose ten (10) Directors to be elected.

The candidates for Directors are as follows:

No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
1	Kazuki Morishita (September 16, 1973) Re-election	April 1994 Joined PALTEK CORPORATION July 1996 Joined SOFTCREATE CORP March 2000 Director of Dolphin Net Corporation December 2000 Director of Kickers Network, Inc. May 2001 General Manager of E Service Department of ONSale Co., Ltd (currently, GungHo Online Entertainment, Inc.) August 2002 COO of GungHo Online Entertainment, Inc. January 2004 President & CEO of the Company (to present) December 2005 Director of Game Arts Co., Ltd. March 2008 President & Representative Director of Game Arts Co., Ltd. (to present) (Significant Concurrent Positions) President & Representative Director of Game Arts Co., Ltd. Executive Director of Gravity Co., Ltd.	1,009,600 shares
[Reasons for nomination as a candidate for Director] Since assuming the position of President & CEO of the Company, Mr. Kazuki Morishita, as Chief Executive Officer, has played a central role in the development and management of games such as "Puzzle & Dragons" and "Ragnarok Online" and has made significant contributions to the rapid growth and development of the Company to date. The Company proposes the re-election of Mr. Morishita as a Director for the further advancement of the Company.			

No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
2	Kazuya Sakai (January 28, 1965) Re-election	April 1987 Joined The Kyushu Sogo Bank, Ltd. (currently, The Juhachi-Shinwa Bank, Ltd.) January 1993 Joined Expression Tools, Inc. April 2002 Chief Executive Officer of Expression Tools, Inc. April 2004 Joined GungHo Online Entertainment, Inc. as General Manager of Management Division and CFO March 2005 Director of the Company (to present) January 2006 Executive General Manager of Management Division and CFO of the Company April 2008 Executive General Manager of Financial Strategy Division and CFO of the Company April 2009 Executive General Manager of Business Administration Division and CFO of the Company October 2009 Managing Executive Officer of the Company August 2010 Executive General Manager of Finance & Accounting Division and CFO of the Company January 2011 Managing Executive Officer and Executive General Manager of Finance & Accounting Division and Executive General Manager of Business Administration Division and CFO of the Company July 2011 Managing Executive Officer and Executive General Manager of Finance & Accounting Division and CFO and IRO of the Company March 2012 Executive General Manager of Finance Accounting Division and CFO and IRO of the Company April 2014 Executive General Manager of Finance Accounting Division and CFO of the Company (to present) March 2017 Director of Game Arts Co., Ltd. (to present) (Significant Concurrent Positions) Director of Game Arts Co., Ltd. Executive Director of Gravity Co., Ltd. Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.	100,000 shares
[Reasons for nomination as a candidate for Director] Since the early days of the Company's foundation, Mr. Kazuya Sakai, as CFO, has fulfilled his responsibilities as the general manager of finance and accounting, possesses extensive experience and track records and is well versed in the Company business. Accordingly, the Company proposes the re-election of Mr. Sakai as a Director so that he will strive for sustainable growth and development of the Company.			

No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions		Number of Company Shares Held
3	Yoshinori Kitamura (June 11, 1968) Re-election	April 1992	Joined Gakusei Engokai Co., Ltd. (currently, PERSOL CAREER CO., LTD.)	40,000 shares
		January 1995	Joined Rothmans Japan	
September 1999	Joined ICC Co. Ltd.			
January 2002	Joined NC Japan K.K.			
February 2003	Joined GungHo Online Entertainment, Inc. as General Manager of Marketing Division			
January 2006	Executive General Manager of Marketing Division of the Company			
March 2006	Director of the Company (to present)			
July 2007	Executive General Manager of International Business Division of the Company			
October 2009	Managing Executive Officer and Executive General Manager of International Division of the Company			
March 2012	Executive General Manager of International Division of the Company			
October 2015	Executive General Manager of GV business Division of the Company (to present)			
(Significant Concurrent Positions)				
Executive Director and COO and CCO of Gravity Co., Ltd.				
[Reasons for nomination as a candidate for Director] Since the early days of the Company's foundation, Mr. Yoshinori Kitamura has contributed to the growth of our game business and, in particular, has been leading, as the general manager, the business of the GRAVITY Group, a South Korean subsidiary, which has greatly developed. Accordingly, the Company proposes the re-election of Mr. Kitamura as a Director so that he will strive for further growth and development.				
4	Koji Yoshida (November 27, 1953) Re-election	April 1977	Joined ARABIAN OIL COMPANY, LTD.	11,500 shares
		May 2000	Joined Nintendo Co., Ltd.	
January 2002	General Manager of General Affairs Division of Nintendo Co., Ltd.			
October 2005	Executive General Manager of General Affairs Division of Nintendo Co., Ltd.			
June 2006	Director of Nintendo Co., Ltd.			
April 2011	Joined GungHo Online Entertainment, Inc. as Assistant to Executive General Manager of Business Administration Division			
July 2011	Executive General Manager of Business Administration Division, CCO and CCMO of the Company (to present)			
March 2012	Director of the Company (to present)			
March 2024	Executive Director of Gravity Co., Ltd. (to present)			
(Significant Concurrent Positions)				
Director of GungHo Online Entertainment Asia Pacific Pte. Ltd. Executive Director of Gravity Co., Ltd.				
[Reasons for nomination as a candidate for Director] Mr. Koji Yoshida possesses broad insights and extensive experience in administrative departments such as legal affairs, human resources, and general affairs, and has contributed to the great development of the Company as the general manager of the business administration division at the Company by utilizing his experience as Director of Nintendo Co., Ltd. Accordingly, the Company proposes the re-election of Mr. Yoshida as a Director so that he will continue striving for further growth and development of the Company.				

No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions		Number of Company Shares Held
5	Akihiko Ichikawa (May 22, 1973) Re-election	April 1992	Joined Yokohama Flugels	4,220 shares
		May 1995	Joined SOFTCREATE CORP	
		May 2000	Director of Dolphin Net Corporation	
		December 2000	Joined Kickers Network, Inc.	
		February 2002	Joined BELLSYSTEM24, Inc.	
		October 2004	Joined Median, Inc.	
		October 2005	Joined GungHo Online Entertainment, Inc.	
		March 2007	Director of Game Arts Co., Ltd.	
		April 2008	Executive Officer and General Manager of Business Development Office of the Company	
		December 2009	Executive Officer of Game Division and Executive General Manager of Mobile Consumer Division of the Company	
		January 2012	Executive Officer of Development Division and Executive General Manager of Planning Development No.1 Division of the Company	
		October 2015	Executive Officer and Executive General Manager of Partner Publishing Division of the Company (to present)	
		March 2021	Director of the Company (to present)	
		[Reasons for nomination as a candidate for Director] Since the early days of the Company's foundation, Mr. Akihiko Ichikawa has been involved in the Company's business, and has been promoting the partner publishing business, etc., as Executive Officer and Executive General Manager based on his broad insights and extensive experience. The Company proposes the re-election of Mr. Ichikawa as a Director for the future growth and development of the Company.		
6	Norikazu Oba (August 27, 1966) Re-election	April 1989	Joined The Mitsubishi Bank, Ltd. (currently, MUFG Bank, Ltd.)	1,000 shares
		December 2006	Group Manager of Finance Planning, Finance Department of SoftBank Corp. (currently, SoftBank Group Corp.)	
		June 2008	Senior Executive Officer and Executive General Manager of Financial Strategy Division of GungHo Online Entertainment, Inc. (seconded from SoftBank Group Corp.)	
		March 2011	Director of the Company (to present)	
		(Significant Concurrent Positions) General Manager of the Finance Planning Department of SoftBank Group Corp Director of SoftBank Group Japan Corporation		
[Reasons for nomination as a candidate for Director] Mr. Norikazu Oba possesses track records and experience in the finance department of the SoftBank Group and the finance and accounting division of the Company, and has sufficient understanding of the business of the Company. The Company proposes the re-election of Mr. Oba as a Director because he can be expected to make contributions to the further growth of the Company based on his knowledge in overall management of a company, especially his advanced knowledge and extensive experience in finance and accounting.				

No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
7	Hidetsugu Onishi (March 7, 1964) Re-election Outside Director Independent Director	April 1986 Joined Fuji Bank, Ltd. (currently, Mizuho Bank, Ltd.) December 1999 Investment officer, Fuji Capital Management Co., Ltd. (currently, MCP Partners Co., Ltd.) February 2002 Director and CFO, Link Theory Holdings Co., Ltd. (currently, Link Theory Japan Co., Ltd.) September 2009 Executive Officer & CFO, FAST RETAILING CO., LTD. April 2011 Representative Director of Avergence, CO, Ltd. (to present) June 2011 Co-CEO, Integrity Partners LLC. (to present) March 2016 Director of the Company (to present) March 2016 Outside Director of Basic Inc. April 2018 Outside Director (Audit & Supervisory Board Member) of Basic Inc. (to present) May 2019 Outside Audit of Arcland Sakamoto Co., Ltd. (currently, Arclands Co., Ltd) April 2021 Outside Director of CUBE CO., LTD. (to present) May 2022 Outside Director (Audit & Supervisory Board Member) of Arclands Co., Ltd. January 2024 Outside Director of Classico, Inc. (to present) (Significant Concurrent Positions) Co-CEO, Integrity Partners LLC CEO, Avergence Incorporated Outside Director, CUBE CO., LTD.	1,000 shares
[Reasons for nomination as a candidate for Director and outline of expected role] Mr. Hidetsugu Onishi possesses extensive experience and broad insights regarding corporate management. The Company proposes the re-election of Mr. Onishi as an Outside Director because the further enhancement of the Company's continued growth and corporate value can be expected with his advice based on his knowledge regarding overall management of a company, especially his advanced knowledge and extensive experience in finance and accounting as well as his global perspective. His term of office as Outside Director of the Company will be 9 years at the conclusion of this General Meeting of Shareholders. If his re-election is approved, he will continue to serve as an independent director.			

No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
8	Keiji Miyakawa (November 5, 1958) Re-election Outside Director Independent Director	April 1982 Joined Japan External Trade Organization July 1988 Joined Bankers Trust (currently, Deutsche Securities Inc.) July 1999 Head of M&A Group of Deutsche Securities Inc. October 2006 Vice Chairman, Global Banking Group of Deutsche Securities Inc. September 2009 Chairman of Japan of Lincoln International June 2012 Outside Auditor of ASICS Corporation June 2013 Outside Director of ASICS Corporation March 2016 Auditor of ASICS Corporation March 2018 Director of the Company (to present) January 2019 Senior Advisor of Japan of Lincoln International (to present) June 2021 Outside Director of H.U. Group Holdings, Inc. (to present) December 2023 Outside Director of Zensho International Limited March 2024 Outside Auditor of MASH Holdings Co., Ltd. (to present) May 2024 Outside Director of Zensho International Food Service Limited (to present) (Significant Concurrent Positions) Senior Advisor of Japan of Lincoln International Outside Director of H.U. Group Holdings, Inc.	500 shares
[Reasons for nomination as a candidate for Director and outline of expected role] Mr. Keiji Miyakawa provides advice on the Company's overall management based on his extensive experience and professional perspectives as a manager in the financial services industry, especially from the viewpoint of finance and accounting as well as global perspectives. The Company proposes the re-election of Mr. Miyakawa as an Outside Director in order to further enhance the Company's continued growth and corporate value. His term of office as Outside Director of the Company will be 7 years at the conclusion of this General Meeting of Shareholders. If his re-election is approved, he will continue to serve as an independent director.			
9	Susumu Tanaka (March 11, 1953) Re-election Outside Director Independent Director	April 1976 Joined Nintendo Co., Ltd. July 2012 Deputy General Manager, Licensing Division of Nintendo Co., Ltd. (~ June 2013) June 2013 Director and General Manager for Licensing Division of Nintendo Co., Ltd. (~ June 2016) June 2016 Senior Executive Officer, General Manager for Licensing Division of Nintendo Co., Ltd. (~ June 2018) June 2018 Corporate Adviser of Nintendo Co., Ltd. of Nintendo Co., Ltd. (~ June 2019) March 2020 Director of the Company (to present)	—
[Reasons for nomination as a candidate for Director and outline of expected role] Mr. Susumu Tanaka has extensive experience and a high level of knowledge for the game business cultivated over many years at Nintendo Co., Ltd., and has used his experience as a Director of the Nintendo to provide advice on the overall management of the Company. The Company proposes the re-election of Mr. Tanaka as an Outside Director so that he will continue to advise on the Company's overall management in the future to further enhance the Company's continued growth and corporate value. His term of office as an Outside Director of the Company will be 5 years at the conclusion of this General Meeting of Shareholders. If his re-election is approved, he will continue to serve as an independent director.			

No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
10	Etsuko Hara (October 18, 1974) Re-election Outside Director Independent Director	October 2001 Registered as attorney-at-law (Daini Tokyo Bar Association) Joined Anderson Mōri (currently, Anderson Mōri & Tomotsune) September 2006 Worked at Allen & Overy April 2007 Registered as attorney-at-law in New York State, United States January 2011 Partner, Anderson Mōri & Tomotsune (to present) April 2012 Member of the Japanese Law Translation Council of the Ministry of Justice April 2013 Adjunct Lecturer at Hitotsubashi University (School of law) April 2019 Associate Professor, The University of Tokyo Graduate Schools for Law and Politics April 2022 Adjunct Lecturer, The University of Tokyo Graduate Schools for Law and Politics (to present) March 2024 Director of the Company (to present) (Significant Concurrent Positions) Partner, Anderson Mōri & Tomotsune	—
[Reasons for nomination as a candidate for Director and outline of expected role] Ms. Etsuko Hara has extensive experience and a high level of knowledge as a lawyer. The Company proposes the re-election of Ms. Hara as an Outside Director so that she will continue to further strengthen corporate governance and enhance the continued growth and corporate value of the Company by advising on the overall management of the Company with her wealth of experience and broad insights. Although she has never been involved in corporate management in any way other than serving as an outside director or outside corporate auditor, the Company believes that she will be able to adequately perform her duties as an outside director for the reasons stated above. Her term of office as Outside Director of the Company will be 1 year at the conclusion of this General Meeting of Shareholders. If her re-election is approved, she will continue to serve as an independent director.			

(Notes)

1. The candidates proposed for election as Directors do not have any special interests in the Company.

2. Outline of liability limitation agreement

Currently, the Company has entered into a liability limitation agreement with each of Directors, Mr. Norikazu Oba, Mr. Hidetsugu Onishi, Mr. Keiji Miyakawa, Mr. Susumu Tanaka and Ms. Etsuko Hara, and plans to continue the liability limitation agreement if the re-election of the Director nominees is approved. Please refer to "Outline of liability limitation agreement" on page 47 of the Business Report.

3. Outline of indemnity agreement

Currently, the Company has entered into an indemnity agreement with each of Directors, Mr. Kazuki Morishita, Mr. Kazuya Sakai, Mr. Yoshinori Kitamura, Mr. Koji Yoshida, Mr. Akihiko Ichikawa, Mr. Norikazu Oba, Mr. Hidetsugu Onishi, Mr. Keiji Miyakawa, Mr. Susumu Tanaka and Ms. Etsuko Hara, and plans to continue the indemnity agreement if the re-election of the Director nominees is approved. Please refer to "Outline of indemnity agreement" on page 47 of the Business Report.

4. Outline of Directors and Officers liability insurance policy

Mr. Kazuki Morishita, Mr. Kazuya Sakai, Mr. Yoshinori Kitamura, Mr. Koji Yoshida, Mr. Akihiko Ichikawa, Mr. Norikazu Oba, Mr. Hidetsugu Onishi, Mr. Keiji Miyakawa, Mr. Susumu Tanaka and Ms. Etsuko Hara are currently Directors of the Company, which has currently concluded a directors and officers liability insurance (D&O Insurance) policy with an insurance company, naming these ten Director nominees as insured persons. If the re-election of the above ten nominees is approved, they will be insured under the insurance policy. The insurance policy expires on December 27, 2025, but will be renewed thereafter. Please refer to "Outline of Directors and Officers liability insurance policy" on page 47 of the Business Report.

[Reference]

The following main expertise and experience of each Director are deemed necessary by the Company's Board of Directors.

Name	Position	Overall Management	Game Development /IP Creation	Game Operation/ IP Development	Financial Accounting	Global	PR/IR/ Marketing	Legal/ Governance	HR/Labor
Kazuki Morishita	President & CEO	●	●	●		●	●	●	
Kazuya Sakai	Director	●			●	●	●		
Yoshinori Kitamura	Director	●		●		●	●		
Koji Yoshida	Director	●				●		●	●
Akihiko Ichikawa	Director	●		●		●	●		
Norikazu Oba	Director	●			●	●			
Hidetsugu Onishi	Outside Director/ Independent Director	●			●	●			
Keiji Miyakawa	Outside Director/ Independent Director	●			●	●			
Susumu Tanaka	Outside Director/ Independent Director	●				●	●		
Etsuko Hara	Outside Director Independent Director					●		●	

(Note) The above chart does not show all knowledge possessed by each candidate.

Proposal 2: Election of Three (3) Auditors

The terms of office of all three (3) Auditors will expire at the close of this Annual General Meeting of Shareholders. Accordingly, the Company would like to propose three (3) Auditors to be elected. This proposal has already been approved by the Board of Corporate Auditors.

The candidates for Auditors are as follows:

No.	Name (Date of Birth)	Career Summary, Position, and Significant Concurrent Positions	Number of Company Shares Held
1	Masato Ochi (December 17, 1968) Re-election	April 1987 Joined Ebisho Co., Ltd. January 1992 Joined Daiichi Takachiho Corporation October 1995 Joined SOFTCREATE CORP May 2000 Director of Dolphin Net Corporation December 2000 Joined Kickers Network, Inc. February 2002 Joined ALISS-NET Co., Ltd. February 2004 Joined GungHo Online Entertainment, Inc. February 2007 General Manager of Marketing Division No.3 of the Company July 2007 Executive General Manager of Publishing Division of the Company April 2008 Senior Executive Officer and General Manager of Online Division of the Company October 2009 Managing Executive Officer and General Manager of Game Division of the Company March 2010 Director of the Company July 2010 Managing Executive Officer and General Manager of Game Division and Executive General Manager of Business Administration Division of the Company January 2011 Managing Executive Officer and General Manager of Game Division of the Company January 2012 Managing Executive Officer and Senior Executive General Manager of Online Division of the Company March 2012 Senior Executive General Manager of Online Division of the Company May 2014 Executive General Manager of System/Customer Service Division of the Company April 2017 Executive General Manager of Customer Service Division of the Company March 2021 Auditor of the Company (to present) March 2021 Auditor of Game Arts Co., Ltd. (to present) (Significant Concurrent Positions) Auditor of Game Arts Co., Ltd.	5,000 shares
[Reasons for nomination as a candidate for Auditor] Since the early days of the Company's foundation, Mr. Masato Ochi has accumulated extensive experience in the PC online game business and user support division at the Company. He also possesses broad insights related to the Company's business, having served as Co-Chairman of the Japan Online Game Association and Director of the Japan e-Sports Union. The Company proposes the re-election of Mr. Ochi as an Auditor, so that he will appropriately conduct the auditing services of the Company by utilizing his experience.			

No.	Name (Date of Birth)	Career Summary, Position, and Significant Concurrent Positions	Number of Company Shares Held
2	Tomohiro Kikkawa (October 5, 1965) New Candidate Outside Auditor Independent Director	April 1993 Registered as attorney-at-law (Tokyo Bar Association) Joined Kita Kimura Law Office (currently, Kimura Sogo Law Office) April 1998 Established Kikkawa Law Offices as Representative (to present) September 2000 Outside Corporate Auditor of Toshiba Socio-Systems Support Corporation (currently, Toshiba IT-Services Corporation) June 2015 External Auditor of Mitsubishi Kakoki Kaisha, Ltd. June 2016 External Director (Audit and Supervisory Committee Member) of Mitsubishi Kakoki Kaisha, Ltd. (to present) (Significant Concurrent Positions) Representative, Kikkawa Law Offices External Director (Audit and Supervisory Committee Member), Mitsubishi Kakoki Kaisha, Ltd.	—
	[Reasons for nomination as a candidate for Auditor] Mr. Tomohiro Kikkawa has a wealth of experience and deep insight in the field of corporate legal affairs as a lawyer. The Company proposes the election of Mr. Kikkawa as an Outside Auditor, so that he will utilize his experience and insight in auditing the Company. Although he has never been involved in corporate management in any way other than serving as an outside director or outside corporate auditor, the Company believes that he will be able to adequately perform his duties as an Outside Auditor of the Company for the reasons stated above. Mr. Kikkawa satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange, and will be reported to the Exchange as an independent director.		
3	Masataka Nemoto (June 27, 1982) New Candidate Outside Auditor Independent Director	December 2007 Joined Tohmatsu & Co. (currently, Deloitte Touche Tohmatsu LLC), Tokyo Office (~ December 2014) December 2013 Registered as a certified public accountant January 2015 Registered as a tax accountant Joined Leaders Support Certified Public Accountant Office as Representative (to present) Joined Leaders Support Tax Accountant Corporation as Representative Partner (to present) June 2018 Outside Director (Audit and Supervisory Board Member) of JEANS MATE, Inc. April 2021 Outside Corporate Auditor of JEANS MATE, Inc. (Significant Concurrent Positions) Representative of Leaders Support Certified Public Accountant Office Representative Partner of Leaders Support Tax Accountant Corporation	—
	[Reasons for nomination as a candidate for Auditor] Mr. Masataka Nemoto has a wealth of experience and deep insight in the fields of corporate accounting, auditing, and internal control as a certified public accountant and tax accountant engaged in accounting audits, taxation, and other services. The Company proposes the election of Mr. Nemoto as an Outside Auditor, so that he will utilize his experience and insight in auditing the Company. Although he has never been involved in corporate management in any way other than serving as an outside director or outside corporate auditor, the Company believes that he will be able to adequately perform his duties as an Outside Auditor of the Company for the reasons stated above. Mr. Nemoto satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange, and will be reported to the Exchange as an independent director.		

(Notes)

1. The candidates proposed for election as Auditors do not have any special interests in the Company.
2. Outline of liability limitation agreement

Currently, the Company has entered into a liability limitation agreement with Auditor, Mr. Masato Ochi, and plans to continue the liability limitation agreement if the re-election of the Auditor nominee is approved. If the appointment of Mr. Tomohiro Kikkawa and Mr. Masataka Nemoto is approved, the Company will enter into similar liability limitation agreements with them. Please refer to “Outline of liability limitation agreement” on page 47 of the Business Report.

3. Outline of indemnity agreement

Currently, the Company has entered into an indemnity agreement with Auditor, Mr. Masato Ochi, and plans to continue the indemnity agreement if the re-election of the Auditor nominee is approved. If the appointments of Mr. Tomohiro Kikkawa and Mr. Masataka Nemoto are approved, the Company will enter into similar indemnity agreements with them. Please refer to “Outline of indemnity agreement” on page 47 of the Business Report.

4. Outline of Directors and Officers liability insurance policy

Mr. Masato Ochi is currently an Auditor of the Company, which has currently concluded a directors and officers liability insurance (D&O Insurance) policy with an insurance company, naming the Auditor nominee as an insured person. If the re-election of the above Auditor nominee is approved, the Company plans to continue the insurance policy. The insurance policy expires on December 27, 2025, but will be renewed thereafter. If the appointments of Mr. Tomohiro Kikkawa and Mr. Masataka Nemoto are approved, they will be included as insured persons under the above insurance policy. Please refer to “Outline of Directors and Officers liability insurance policy” on page 47 of the Business Report.

[Reference] Criteria of Independence of Outside Directors

The independence of an outside director or nominees for an outside director shall be determined to be independent, provided that it is determined that the independence does not fall under any of the following items in addition to the “Independence Standards” established by the Tokyo Stock Exchange, based on the prior investigation conducted by the Company to the extent possible.

1. An executive of the GungHo Group or a person who was an executive within the past 10 years
2. An executive of a major business partner of the GungHo Group (Note 1)
3. A consultant, accountant and/or legal professional (in the case of an organization including corporation and/or partnership, any individual who is a member of such organization) who receives substantial amounts of money or other property (Note 2) from the GungHo Group in addition to the executive remuneration
4. A major shareholder, or an executive thereof, holding 10% or more of the total number of issued shares of the Company
5. A lender, or an executive thereof, whose loans to the Company exceed 2% of the Company’s total assets
6. A person who has received or a person who belongs to an organization that has received a donation from the GungHo Group, that exceeds 2% of the recipient’s annual gross income.
7. A person who has met any of the criteria 2 through 6 above within the past 3 years
8. A spouse, a relative within the second degree of kinship, a cohabitant, or a person who shares a common household with a person who meets any of the criteria 1 through 7 above
9. A person who has been in office as an outside director/auditor of the Company for a total of more than 12 years

(Notes) 1. “Major business partner” means any partners whose volume of business with the GungHo Group exceeds 2% of the Company’s consolidated net sales per fiscal year.

2. The term “substantial amount of money or other property” means that the total value of such money or property exceeds 10 million yen or more in the case of an individual, or 2% of the consolidated net sales or gross income of the organization in the case of an organization, per fiscal year.

< Proposals by Shareholders (Proposal 3 to Proposal 9) >

Proposal 3 to Proposal 9 were filed by two shareholders (hereinafter referred to as “Proposing Shareholders”).

The following contents of the proposals, agenda items, summaries of the proposals, and reasons therefor have been arranged as individual proposals, upon reflecting the revisions dated January 31, 2025 and February 17, 2025, with only superficial adjustments to the form, and contain the Shareholder Proposal Letter submitted by these shareholders (hereinafter referred to as the “Shareholder Proposal”) in their original text form.

It should be noted that the Company is **opposed to all of the proposals (Proposal 3 to Proposal 9)** in the Shareholder Proposal. For the individual opinions opposing each of the proposals, please see “Opinion of the Board of Directors Concerning This Proposal” for each proposal.

Contents of the Proposals

With respect to Proposals 7 and 8 (the “Proposals to Amend the Articles of Incorporation”), if, as a result of the approval or rejection of the Proposals to Amend the Articles of Incorporation and the other proposals (including proposals submitted by the Company) at this General Meeting, it becomes necessary to make formal adjustments to the provisions, the chapters, and the articles specified in the Proposals to Amend the Articles of Incorporation (including, without limitation, the correction of inconsistencies in the numbering of the articles), the provisions of the Articles of Incorporation relating to such proposals shall be deemed to be replaced by the provisions after the necessary adjustments have been made. For a detailed explanation of the following shareholder proposals, please refer to <https://stracap.jp/english/3765-GUNGHO-2025/> or the link to the dedicated website located in the upper right-hand corner of the website of Strategic Capital, Inc. (<https://stracap.jp/>). In the following shareholder proposals, all figures relating to the Company are based on consolidated financial statements unless otherwise stated as “non-consolidated” figures. The Company’s share price and per share data presented are as of the end of December 2024, adjusted for the effects of historical stock splits and reverse stock splits (rounded to the nearest whole number).

Proposal 3: Proposal for the determination of remuneration to add a requirement to disclose the reason for any change in the representative director’s base remuneration

1. Summary of the Proposal

This proposal requires the disclosure of the reason for any change in the amount of base remuneration payable to the representative director. For the avoidance of doubt, this is not intended to require the Company to make disclosures through TDnet but is simply intended to make such disclosure through TDnet a condition of the payment of the revised base remuneration.

The director remuneration system requested to be added under this proposal is set forth below. Matters relating to the remuneration of the Company’s directors that are not set out below shall be governed by the current remuneration system and the other proposals to be approved at this General Meeting.

(Director remuneration system requested to be added under this Proposal)

However, if the Company makes a change in the amount of base remuneration payable to directors who have the right of representation, the Company shall publicly disclose the reason for the change in the amount of base remuneration through TDnet by the end of the month immediately preceding the commencement of payment of such revised base remuneration to such director (for the avoidance of doubt, this is not intended to require the Company to make disclosures through TDnet but is simply intended to make such disclosure through TDnet a condition of the payment of the revised base remuneration).

2. Reasons for the Proposal

The amount of base remuneration paid to Mr. Kazuki Morishita, Representative Director, President, and CEO (“President Morishita”) was 121 million yen in the fiscal year ended December 31, 2014, when disclosure of his individual remuneration began, and has gradually increased since then to 182 million yen in the fiscal year ended December 31, 2023 (of which 28 million yen was paid by the Company’s consolidated subsidiary). The Company’s

stock price at the end of the fiscal years in question fell from 4,410 yen to 2,351 yen, and its operating profit for those fiscal years also fell from 94.2 billion yen to 27.8 billion yen. In other words, despite a 46% decline in the Company's stock price and a 70% decline in its operating profit, President Morishita's base remuneration has increased by 50%.

However, the Company has not provided any explanation to its shareholders regarding the increase in President Morishita's base remuneration, and the reason for such an increase despite the declining business performance and stock price remains unclear. Therefore, the Proposing Shareholders request that if the Company intends to change the amount of base remuneration payable to the representative director, who is in charge of management, the Company should at least clearly state the reason for the change. For the avoidance of doubt, this is not intended to require the Company to make disclosures through TDnet but is simply intended to make such disclosure through TDnet a condition of the payment of the revised base remuneration.

3. Opinion of the Board of Directors Concerning This Proposal

Based on the reasons stated below, the Company's Board of Directors **opposes this Proposal**.

a. Questionable clarity and legality of the proposal

This proposal requires that if the Company changes the amount of the base remuneration of the representative director, it should disclose the reason for such change through TDnet as a condition for payment of such remuneration. Because it is unclear what type of reason should be disclosed to satisfy such condition for payment, the clarity of this proposal as the agenda for the general meeting of shareholders is questionable in the first place. In addition, the proposal does not require any change in the substance of the remuneration but only requires the disclosure of the reason. Therefore, we cannot overlook the questionable legality of the proposal as a remuneration proposal. However, the Company has decided to include this proposal in the agenda of the general meeting of shareholders as it believes that the discussion of this matter at the general meeting of shareholders will serve the common interests of the shareholders.

b. Reasonableness of the level of the base remuneration of the representative director and president

In the reasons for this proposal, the Proposing Shareholders expressed concern that the remuneration of President Morishita has increased despite the decline in the Company's business performance and stock price. However, this argument of the Proposing Shareholders is based on misunderstanding and fails to recognize the role that President Morishita has played in achieving the Company's growth, while leading the Company's business as its de facto founder for over 20 years.

In particular, President Morishita has always taken the lead as representative director and president of the Company and has worked with the Company's staff to create exciting games without compromise and with passion to realize the Company's corporate philosophy of delivering "Joy and Wonder," which has resulted in the Company achieving continuous and stable revenues for over 10 years. In addition, President Morishita is the de facto founder of the Company, and has been duly fulfilling his responsibilities as Representative Director, President, and CEO from the time he took office to present.

In addition, President Morishita brought Ragnarok Online, one of the core elements of the Company's game business, to Japan and made it a huge hit as executive producer, creating a step for the Company toward going public. Further, he has been directing the development of Puzzle & Dragons, which has generated significant sales and profits for the Company since its release in 2012 to present. Since its release in 2012, Puzzle & Dragons has enjoyed extremely long-standing support among various smartphone games, with stable monthly active users (MAU) and paying user ratio, reaching 62 million downloads in Japan and 15 million downloads in North America. It has continuously generated revenue as a pillar of the Company's game business for 13 years, and it has contributed significantly to maintaining the Company group's overall game business revenue at approximately 100

billion yen per year for more than 10 years. This is largely attributed to President Morishita's excellent leadership in implementing various measures – such as timely collaboration events with various popular IPs, as well as “one source, multi-use” strategy, offering a single game asset in various forms. This is not to simply release as games, but to consider Puzzle & Dragons and other games currently offered by the Company as “brands,” and expanding them on various platforms, such as anime, comics, character merchandise, and events. As described above, President Morishita has made a significant contribution to the Company's business performance as CEO.

The Proposing Shareholders point out that Puzzle & Dragons' revenue has been on a significant downward trend by choosing as the starting point the Company's record-high operating profit in fiscal 2014, when the Puzzle & Dragons boom was at its peak, created a social phenomenon, and explosively grew the Company's revenue. However, such an argument does not take into account the circumstances and reality of smartphone games, which is that the smartphone game market is highly competitive, with countless titles being released constantly, and even so-called hit titles often lasting for only a few months. It must be said that the Proposing Shareholders' arguments do not reflect such circumstances and reality of smartphone games and do not fully comprehend the contribution of President Morishita, the developer of Puzzle & Dragons who has also been responsible for its subsequent operation, to the Company's business performance.

Considering the above, as President Morishita is currently an irreplaceable figure in the Company as a game development company, the Board of Directors believes that the level of his base remuneration is sufficiently reasonable.

c. Transparency of the process for determining individual remuneration for directors

The Company has established a policy regarding the determination of the content of individual remuneration and other payments (“Remuneration”) to directors (the “Remuneration Determination Policy”), and for the purpose of enhancing the transparency and objectivity of the evaluation and decision-making processes regarding matters such as the nomination and remuneration of directors, as well as the Nomination and Remuneration Committee, the majority of whose members are independent outside directors, for the purposes of strengthening the supervisory function of the Board of Directors, and further improving the corporate governance system.

To further enhance transparency of the process for determining remuneration, the Company revised the Regulations of the Nomination and Remuneration Committee on February 14, 2025 to provide that the chair of the Nomination and Remuneration Committee shall be appointed from among the independent outside directors. In addition, as of February 14, 2025, the Company changed the members of the Nomination and Remuneration Committee to Mr. Keiji Miyakawa and Mr. Susumu Tanaka, both of whom are independent outside directors, and Mr. Koji Yoshida, who is Director and Executive General Manager of Business Administration Division. Mr. Keiji Miyakawa, an independent outside director, assumed the role of chair of the Nomination and Remuneration Committee as of the same date.

The Nomination and Remuneration Committee reports to the Board of Directors its opinion on the level of the remuneration to directors after deliberating on matters related to the remuneration of directors based on the Remuneration Determination Policy. The specific Remuneration to directors is determined within the amount of remuneration approved by a general meeting of shareholders of the Company. The Company has a policy on basic remuneration to determine the amount of base remuneration for each director within the scope of the Remuneration Determination Policy, based on factors such as the director's position and responsibilities and taking into account matters such as business performance and business environment. By resolution of the Board of Directors on February 14, 2025, the Company revised its Remuneration Determination Policy to abolish the previous system of delegating to the representative director the determination of the individual remuneration for directors, and delegate to the Nomination and Remuneration Committee the determination of the specific allocation of base remuneration to each director.

The Company believes that having the Nomination and Remuneration Committee conduct independent and objective evaluation relating to each director's responsibilities will result in a fairer evaluation and will further increase transparency of the process for determining remuneration.

In addition, the Company discloses in the business report and annual securities report the total amount of remuneration by category of officer, the total amount of remuneration by type of remuneration, and the number of officers in each category in a lawful and appropriate manner. In particular, the annual securities report includes sufficient disclosure, including individual disclosure of the remuneration for directors for whom the total amount of consolidated Remuneration is 100 million yen or more.

d. Conclusion

As described above, with respect to the Company's remuneration system, the appropriateness and transparency of the process for determining the base remuneration have been ensured, and the level, calculation method, and disclosure method of such remuneration are also appropriate. Therefore, it is not necessary to make the disclosure requested in this proposal, which exceeds the disclosure requirements under laws and regulations, a condition for the payment of remuneration.

As described above, the Board of Directors believes that governance with respect to the process for determining the amount of Remuneration to the Company's directors, including the representative director, is functioning effectively and that the method of disclosure is appropriate. Therefore, the Company does not believe that it is necessary to include the provisions proposed in this Shareholder Proposal in the remuneration system.

As stated in c. above, the Remuneration Determination Policy was revised by resolution of the Board of Directors dated February 14, 2025, and the Regulations of the Nomination and Remuneration Committee were revised to change the chair of the Nomination and Remuneration Committee to an independent outside director. The Company is committed to continuously reviewing the remuneration system for directors through the Nomination and Remuneration Committee and the Board of Directors, with a possibility of revising the remuneration system being one of the options, based on information such as data from external research organizations and trends at other companies, so that the remuneration system will contribute to expanding our business performance and increasing our corporate value.

Accordingly, the Board of Directors **opposes this proposal**.

Proposal 4: Proposal for the determination of remuneration to change the ratio of base remuneration to performance-linked compensation and the calculation method of the performance-linked compensation

1. Summary of the Proposal

This proposal requires the Company to (i) change the maximum total amount of base remuneration payable to directors from the current 300 million yen to 150 million yen and the maximum total amount of performance-linked compensation payable to directors from the current 300 million yen to 450 million yen, without changing the maximum total amount of base remuneration and performance-linked compensation together from the current 600 million yen, and (ii) change the basis for calculating the amount of performance-linked compensation from the current formula of “operating profit for the fiscal year x 0.5%” to “the difference in return on equity (“ROE”) from the previous fiscal year x 2.5 billion yen.”

The current director remuneration system and the post-amendment director remuneration system are set forth below. Matters relating to remuneration of the Company’s directors that are not set forth below shall be governed by the current remuneration system and the other proposals to be approved at this General Meeting.

(Current director remuneration system)

The maximum total amount of base remuneration payable to directors shall be 300 million yen per year (excluding employee salaries for directors who concurrently serve as employees).

With respect to performance-linked compensation payable to executive directors, the maximum total amount of remuneration payable to executive directors shall be 300 million yen per year (excluding employee salaries for directors who concurrently serve as employees), and the method for calculating the amount of performance-linked compensation payable to executive directors shall be as set forth below:

Consolidated operating profit x 0.5% x points granted to each Director / total number of points granted to Directors

- However, if consolidated operating profit x 0.5% exceeds 300 million yen, remuneration shall be up to 300 million yen.
- Points for each director shall be 44 points for the President and CEO, and 9 points for each Executive Director excluding the President and CEO.
- If the total number of points granted to Directors falls under 80, it shall be fixed at 80.

(Director remuneration system after amendment)

The maximum total amount of base remuneration payable to directors shall be 150 million yen per year (excluding employee salaries for directors who concurrently serve as employees).

With respect to performance-linked compensation payable to executive directors, the maximum total amount of remuneration payable to executive directors shall be 450 million yen per year (excluding employee salaries for directors who concurrently serve as employees), and the method for calculating the amount of performance-linked compensation payable to executive directors shall be as set forth below.

(ROE for the current fiscal year - ROE for the previous fiscal year) x 2.5 billion yen

- If the result of the above calculation is less than 0 yen, the amount of performance-linked compensation payable to executive directors shall be 0 yen, and if it exceeds 450 million yen, the amount of performance-linked compensation payable to executive directors shall be 450 million yen.

- If the ROE for the previous fiscal year is less than 10%, the ROE for the previous fiscal year shall be calculated at 10%.
- This evaluation method shall apply to the ROE for each fiscal year from and after the fiscal year ending December 31, 2025.
- The specific amount payable to each director shall be determined by the board of directors after consultation with the Nomination and Remuneration Committee.

2. Reasons for the Proposal (Regarding base remuneration)

The amount of base remuneration and performance-linked compensation paid by the Company to President Morishita for the fiscal year ended December 31, 2023 was 154 million yen (excluding 28 million yen paid by the Company's consolidated subsidiary) and 76 million yen, respectively. Even Nintendo Co., Ltd. ("Nintendo"), the top company in the game industry, paid only 78 million yen in base remuneration to its representative director and president for the fiscal year ended March 31, 2024, and the amount of base remuneration paid to President Morishita is outstandingly high compared not only to Nintendo but also to other major companies in the game industry, such as Square Enix Holdings Co., Ltd. and Capcom Co., Ltd. In addition, as shown below, the amount of President Morishita's base remuneration has gradually increased over the years, most recently from 149 million yen in the fiscal year ended December 31, 2022 to 154 million yen in the fiscal year ended December 31, 2023, despite the fact that the Company has been unable to produce hit titles for a long time.

Although the amount of President Morishita's individual base remuneration for the fiscal year ended December 31, 2012, when the Company's flagship title Puzzle & Dragons was released, is unknown, it is believed that the average amount of remuneration and employee salary paid to each director who is not an outside director for such fiscal year was only 31 million yen. Although it can be assumed that the Company's intention behind the increase in executive remuneration was to create an environment for the Company's executives to focus on game development, the Company's executives, including President Morishita, failed to demonstrate their abilities in such an environment.

The Company's management team should take responsibility for failing to produce a hit title in the 13 years since the release of Puzzle & Dragons and regain its hungry spirit by reducing base remuneration to the same level as before the release of Puzzle & Dragons and increasing the proportion of performance-linked compensation.

(Regarding performance-linked compensation)

Currently, the Company calculates performance-linked compensation using the formula of "consolidated operating profit x 0.5%," which has raised several issues.

First, for the purpose of calculating performance-linked compensation, the profit of Gravity Co., Ltd. ("Gravity"), in which the Company owns only 59% of the voting rights, is treated in the same manner as if it were a wholly-owned subsidiary, since the entire amount of its profit falls under "consolidated operating profit." In other words, the Company's method for calculating performance-linked compensation, which reflects 100% of Gravity's operating profit in remuneration, is inconsistent with the interests of the Company and its shareholders, who actually only have a 59% interest in Gravity's operating profit.

Furthermore, since performance-linked compensation is calculated based on "consolidated operating profit," a huge amount of performance-linked compensation has been generated, as shown below, despite the fact that the operating profit remained almost flat and the net profit decreased, and it cannot be said that such remuneration is appropriate as an incentive to improve business performance. The relationship between the Company's performance and President Morishita's remuneration is as follows.

(Fiscal year ended December 31, 2022 / fiscal year ended December 31, 2023)

(Performance)

Operating profit:	27.6 billion yen / 27.8 billion yen
Net profit:	19 billion yen / 16.4 billion yen

(Remuneration paid to President Morishita (excluding amounts paid by Gravity))

Total amount:	200 million yen / 312 million yen
Base remuneration, etc.:	149 million yen / 154 million yen
Performance-linked compensation:	0 million yen / 76 million yen
Remuneration-type SO:	51 million yen / 82 million yen

As shown above, comparing the fiscal year ended December 31, 2022 with the fiscal year ended December 31, 2023, it should be said that for President Morishita, the performance-linked compensation introduced by the resolution at the 26th Ordinary General Meeting of Shareholders held in March 2023 only meant an additional bonus of 76 million yen, which was not related to the improvement in business performance.

To address these issues, the Proposing Shareholders request that the basis for calculating the performance-linked compensation be changed to the fluctuation in ROE. In addition, if the ROE for the previous fiscal year is less than 10%, the ROE should be calculated at 10%, so that no performance-linked compensation is payable if the ROE fluctuates below 10%, which should serve as an incentive to maintain the ROE above 10% at all times.

3. Opinion of the Board of Directors Concerning This Proposal

Based on the reasons stated below, the Company's Board of Directors **opposes this Proposal**.

a. Process for determining director remuneration

For the purpose of enhancing transparency and objectivity of the evaluation and decision-making process regarding matters such as the nomination and remuneration of directors, the Company has established the Nomination and Remuneration Committee, the majority of whose members are independent outside directors, for the purpose of strengthening the supervisory function of the Board of Directors and further improving the corporate governance system.

To further enhance transparency of the process for determining remuneration, the Company revised the Regulations of the Nomination and Remuneration Committee on February 14, 2025 to provide that the chair of the Nomination and Remuneration Committee shall be appointed from among the independent outside directors. In addition, as of February 14, 2025, the Company changed the members of the Nomination and Remuneration Committee to Mr. Keiji Miyakawa and Mr. Susumu Tanaka, both of whom are independent outside directors, and Mr. Koji Yoshida, who is Director and Executive General Manager of Business Administration Division. Mr. Keiji Miyakawa, an independent outside director, assumed the role of chair of the Nomination and Remuneration Committee as of the same date.

The Nomination and Remuneration Committee reports to the Board of Directors its opinion on the level of the remuneration to directors after deliberating on matters related to the remuneration of directors based on the Remuneration Determination Policy. The specific Remuneration to directors is determined within the amount of remuneration approved by a general meeting of shareholders of the Company.

b. Ratio of base remuneration to performance-linked compensation

With respect to the ratio of base remuneration to performance-linked compensation, the Company's policy on the ratio of Remuneration is established to determine the ratio of fixed remuneration, performance-linked compensation,

and stock-based remuneration type stock options to the amount of Remuneration to each individual based on the Remuneration Determination Policy, without fixing them at a specific level, taking into account the range in which remuneration can effectively function as an incentive. The maximum amount of remuneration for the Company's directors has been determined by resolution of a general meeting of shareholders at 300 million yen per year (excluding employee salaries for directors who concurrently serve as employees) for base remuneration and performance-linked compensation, respectively.

The ratio of base remuneration to performance-linked compensation is determined by analyzing and reviewing elements such as the overall level of remuneration and the ratio of each type of remuneration, based on information such as data from external research organizations and other sources and trends at other companies.

As described above, the Board of Directors believes that the appropriateness and transparency of the ratio of base remuneration to performance-linked compensation have been ensured and that at present the ratio is appropriate.

c. Change in the calculation method of performance-linked compensation

The Company introduced the performance-linked compensation for executive directors with the aim of further increasing the incentive for executive directors to improve business performance. The Company calculates the amount of performance-linked remuneration using consolidated operating profit as an indicator, with a formula determined by a general meeting of shareholders, based on points allocated to each director according to such director's position, within the limit of the maximum amount of remuneration resolved by a general meeting of shareholders. The maximum amount and calculation method of performance-linked compensation were approved at the 26th Ordinary General Meeting of Shareholders held on March 30, 2023.

The reason the Company uses consolidated operating profit as the basis for calculating the amount of performance-linked compensation is that operating profit is an important indicator for evaluating the profitability and growth potential of a game business, which is the Company's core business. In addition, the Company believes that providing performance-linked compensation based on consolidated operating profit will further enhance shareholder-oriented management attitude as well as morale and motivation to expand the Company's business performance and increase its corporate value over the medium to long term.

On the other hand, if the Company adopts the maximum amount and calculation method of performance-linked compensation proposed in this Shareholder Proposal, it is highly likely that the amount of performance-linked compensation will become significantly high, and the ratio of performance-linked compensation will become excessive. Thus, the adoption of this Shareholder Proposal would result in a loss of balance between the base remuneration and the performance-based remuneration, beyond the extent to which the performance-linked compensation could function effectively as an incentive and would result in significant deviation from the Company's Remuneration Determination Policy. In addition, due to an aversion to an unstable remuneration system, there is concern that the Company's ability to attract talented human resources, who will contribute to the expansion of the Company's business performance and increase its corporate value, will be hindered.

Furthermore, the game industry, to which the Company belongs, is becoming increasingly competitive and has unique characteristics such as that while upfront investment is necessary for game development, it is uncertain whether the game will be a hit or not, and that accordingly the possibility of rapid deterioration in business performance cannot be denied. The Company's financial strategy is inevitably affected by these industry characteristics - while there are certain limitations and management hesitations regarding the extensive use of interest-bearing debt, it is essential for the Company to maintain its stable financial base for medium to long term game planning and development, as well as for improving corporate value over medium to long term.

Therefore, the Board of Directors believes that it is not appropriate to design performance-linked compensation in a manner that is overly focused on ROE, which can be significantly affected by the absolute amount and level of

shareholder equity. In addition, in the game industry, to which the Company belongs, there are cases where the Company is required to take certain amount of risk in implementing agile and flexible investment and spending, in order to respond to new trends and technologies. The Company considers ROE to be an important management indicator and does not deny the importance of incentivizing executive directors to improve ROE. However, for the reasons described above, the Company believes that designing performance-linked compensation in a manner that is overly focused on ROE, as in this Shareholder Proposal, does not reflect the reality of the Company's management and would likely be inappropriate.

d. Conclusion

As described above, the appropriateness and transparency of the decision-making process regarding the ratio of base remuneration to performance-linked compensation and the calculation method for performance-linked compensation have been ensured, and the details of such ratio and calculation method are appropriate.

As this proposal relates to executive compensation, the Nomination and Remuneration Committee, the majority of whose members are independent outside directors, also reviewed the content of the proposal. First, the Nomination and Remuneration Committee unanimously resolved that it is not necessary to change the current ratio of base remuneration to performance-linked compensation, as such ratio has been determined based on information such as data from external research organizations and trends at other companies. In addition, with respect to the calculation method for performance-linked compensation, the Nomination and Remuneration Committee unanimously resolved that it is not necessary to change the calculation method, as it is expected that setting performance-linked compensation based on consolidated operating profit will further enhance shareholder-oriented management attitude as well as morale and motivation to expand the Company's business performance and increase its corporate value over the medium to long term, and that it cannot be denied that this Shareholder Proposal could motivate executive directors to overly focus on ROE in managing the Company, which could in turn hinder the maintenance and improvement of the Company's corporate value.

Accordingly, the Board of Directors **opposes this proposal**.

The Company is committed to continuously reviewing the remuneration system for directors through the Nomination and Remuneration Committee and the Board of Directors, with a possibility of revising the optimal mix of base remuneration and performance-linked compensation being one of the options, based on information such as data from external research organizations and trends at other companies, so that the remuneration system will contribute to expanding our business performance and increasing our corporate value.

Proposal 5: Proposal for the determination of remuneration to abolish the stock-based remuneration type stock option plan for executive directors and to grant stock-based remuneration as a long-term incentive

1. Summary of the Proposal

(1) Overview of this proposal

This proposal requests the Company to abolish the stock-based remuneration type stock option plan ("Remuneration-type SO") approved at the 24th Ordinary General Meeting of Shareholders held on March 30, 2021 and, in its place, to grant to executive directors a stock-based remuneration for up to 750,000 shares, representing 0.9% of the total number of issued shares (150,000 shares per year, representing 0.18% of the total issued shares), or 10 billion yen (2 billion yen per year) in five years, based on the excess of the Company's total shareholder return over TOPIX for the five-year period from the end of the fiscal year ended December 31, 2024 to the end of the fiscal year ending December 31, 2029 (the remuneration plan for the grant of restricted shares with price-based vesting conditions ("Restricted Shares with Price-based Vesting Conditions") to be established in place of the Remuneration-type SO is hereinafter referred to as the "Plan").

(2) Purpose of the Plan

The purpose is to abolish the current Remuneration-type SO plan and to provide remuneration to the Company's executive directors (the "Eligible Directors") for the grant of Restricted Shares with Price-based Vesting Conditions in order to adopt a new form of remuneration that is in line with the Company's growth strategy of "creating the 'World's No.1 Entertainment Company' which competes on a global level" and to share risks and returns with shareholders who invest in the high-risk game business.

(3) Details of the Plan

The form of remuneration to be provided to the Eligible Directors under the Plan for the grant of Restricted Shares with Price-based Vesting Conditions shall be monetary compensation claims, and the total amount of such claims shall be an amount considered reasonable in light of the above purpose, which shall not exceed 2 billion yen per year, separate from the current remuneration plan (excluding the Remuneration-type SO) and the other proposals to be approved at this General Meeting (provided that if an early termination event for the Stock Price Valuation Period set forth in (c) below occurs, "2 billion yen per year" shall be replaced with "10 billion yen in total").

The specific timing and allocation of the remuneration to each Eligible Director shall be determined by the board of directors after consultation with the Nomination and Remuneration Committee.

The Eligible Directors shall, based on the resolution of the board of directors of the Company, provide all of the monetary compensation claims paid under this proposal as assets contributed in kind and receive issuance or disposition of shares of the Company's common stock. The total number of shares of the Company's common stock to be issued or disposed of as a result thereof shall not exceed 150,000 shares per year (provided that if an early termination event for the Stock Price Valuation Period set forth in (c) below occurs, "150,000 shares per year" shall be replaced with "750,000 shares in total"). The total number of shares to be granted to directors as a result of this proposal shall be less than 1.0% of the total number of issued shares. If any stock split (including allotment of shares of the Company's common stock without contribution) or reverse stock split of shares of the Company's common stock, or any other event requiring adjustment of the total number of shares of the Company's common stock to be issued or disposed of under the Plan occurs after the date of this shareholder proposal, the total number of shares shall be adjusted to a reasonable extent.

The amount to be paid per share shall be determined by the board of directors of the Company on the basis of the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the board of directors (or, if no such closing price was quoted on such date, on the immediately preceding business day on which a closing price was quoted), to the extent not particularly

favorable to the Eligible Directors who subscribe for such shares of common stock.

Overview of Restricted Shares with Price-based Vesting Conditions

Restricted Shares with Price-based Vesting Conditions shall be the shares of the Company's common stock that are issued or disposed of by the Company to the Eligible Directors by (i) providing the Eligible Directors with monetary compensation claims for the grant of Restricted Shares with Price-based Vesting Conditions after the period of five fiscal years from the fiscal year ending December 31, 2025 to the fiscal year ending December 31, 2029 (the "Stock Price Valuation Period") based on the degree of achievement of the target relating to the stock price as set forth in (a) below (the "Stock Price Target") and (ii) having the Eligible Directors contribute all of such monetary compensation claims as assets contributed in kind. The Eligible Directors may not transfer, create a security interest in, or otherwise dispose of the Restricted Shares with Price-based Vesting Conditions until the time immediately following their retirement from the position determined in advance by the board of directors of the Company. The method for calculating the amount of monetary compensation claims to be paid to the Eligible Directors and the conditions of the allotment of the shares of the Company's common stock to the Eligible Directors shall be as set forth below.

The provision of such monetary compensation claims and the allotment of shares of the Company's common stock shall be subject to the execution of an agreement which, in addition to the consent to the above-mentioned contribution-in-kind, shall contain provisions regarding the grounds for acquisition without consideration and other matters to be determined by the board of directors after consultation with the Nomination and Remuneration Committee.

(a) Method for calculating the amount of monetary compensation claims

The amount of monetary compensation claims to be provided to the Eligible Directors for the grant of Restricted Shares with Price-based Vesting Conditions shall be determined by multiplying the number of shares of the Company's common stock to be finally allotted to the Eligible Directors (the "Final Number of Allotted Shares") by a price that is not particularly favorable to the Eligible Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the board of directors to determine the issuance or disposal of the shares for such allotment, which is to be held after the end of the Stock Price Valuation Period. The Final Number of Allotted Shares shall be calculated by multiplying the number of shares previously determined by the board of directors for each director position by the ratio calculated based on the degree of achievement of the Stock Price Target as follows.

- (i) If the excess of the Company's total shareholder return over TOPIX is 0 or less: 0 yen
- (ii) If the excess of the Company's total shareholder return over TOPIX exceeds 0: the cube of (the excess of the Company's total shareholder return over TOPIX + 1) x 0.1 billion yen - 0.1 billion yen

(Note) The "excess of the Company's total shareholder return over TOPIX" means the value of the Company's total shareholder return as of the last business day of the fiscal year ending December 31, 2029, calculated based on the last business day of the fiscal year ended December 31, 2024, less the total shareholder return of TOPIX for the same period; provided, however, that the amount of dividends to be included in the calculation of the total shareholder return shall be limited to the amount of dividends actually paid by the last business day of the fiscal year ending December 31, 2029.

If an early termination event for the Stock Price Valuation Period set forth in (c) below occurs, "the last business day of the fiscal year ending December 31, 2029" shall be replaced with "the business day immediately following the date on which the Stock Price Valuation Period is terminated early."

(b) Conditions of allotment of shares of the Company's common stock to the Eligible Directors

The Company shall allot the shares of the Company's common stock in the Final Number of Allotted Shares to the Eligible Director following the Stock Price Valuation Period if the Eligible Director satisfies both of the following conditions or if the board of directors of the Company otherwise deems it necessary to do so in order to achieve the purpose of the Plan.

- (I) The Eligible Director has served continuously as a director of the Company for at least six months during the Stock Price Valuation Period; and
- (II) The Eligible Director has not engaged in any misconduct as determined by the board of directors of the Company.

If an Eligible Director retires from the position of Eligible Director during the Stock Price Valuation Period due to the expiration of his/her term of office, death, or other justifiable reasons, the Company shall reasonably adjust the number of shares of the Company's common stock to be allotted to the retired director (or, in the case of retirement due to death, his/her successor) based on his/her term in office and other factors.

(c) Treatment upon early termination of the Stock Price Valuation Period

Notwithstanding the foregoing, if any of the following events occurs during the Stock Price Valuation Period, the Company's board of directors shall, by resolution, allocate to the Eligible Directors a reasonably adjusted number of shares of the Company's common stock:

- (i) If a merger agreement under which the Company becomes the dissolving company, a share exchange agreement under which the Company becomes a wholly-owned subsidiary, a share transfer plan, or other matters relating to organizational restructuring or similar procedures are approved at a general meeting of shareholders of the Company (or, if an approval by a general meeting of shareholders of the Company is not required with respect to such organizational restructuring or similar procedures, at the board of directors of the Company); or
- (ii) If the excess of the Company's total shareholder return over TOPIX, calculated based on the closing price of the Company's common stock on the Tokyo Stock Exchange as of the end of the fiscal year ended December 31, 2024, exceeds 366% for ten or more consecutive business days.

2. Reasons for the Proposal

(Abolition of Remuneration-type SO)

The Company's Remuneration-type SO plan was adopted in March 2015 with the aim of "further enhancing morale and motivation to expand the Company's business performance and increase its corporate value over the medium to long term," and has been partially amended to date. However, in the nearly ten years since the plan was adopted, operating profit has fallen from 94.2 billion yen in the fiscal year ended December 31, 2014, just before the plan was adopted, to 27.8 billion yen in the fiscal year ended December 31, 2023. In addition, the stock price has declined from 4,700 yen to 3,334 yen during the period from the end of March 2015, when the plan was adopted, to the end of December 2024. Since the adoption of the Remuneration-type SO plan, the Company's business performance has stagnated and its corporate value has been damaged in the medium to long term.

As described above, in light of the Company's performance and stock price, it is clear that the Remuneration-type SO plan has not achieved the purpose for which it was originally adopted and should be abolished immediately.

(Grant of stock-based remuneration as a long-term incentive)

The Proposing Shareholders request the Company to adopt a stock-based remuneration plan linked to the excess of its total shareholder return over TOPIX over a five-year period in lieu of the Remuneration-type SO plan as an incentive to increase the Company's shareholder value over the medium to long term.

While the Company has been unable to produce a new hit for approximately 13 years since the release of Puzzle & Dragons, this proposal sets a five-year grace period from this point and requires the Company to produce a hit by the end of 2029. The Company's management team should fully recognize the fact that it has continuously failed to meet the expectations of its shareholders in the medium to long term and should diligently pursue the achievement of results within the clear deadline of five years.

As mentioned above, while the Proposing Shareholders believe that setting a clear deadline will contribute to the enhancement of the Company's shareholder value in light of the Company's current business situation, providing an incentive to simply make a profit within the deadline may lead to results such as the release of game software with a low degree of perfection, thereby hindering the Company's enhancement of shareholder value in the medium to long term.

Therefore, in addition to establishing a clear evaluation period of five years, the Proposing Shareholders request the adoption of a stock-based remuneration plan that uses total shareholder return as the evaluation measure. The reason for using total shareholder return as the evaluation measure is that total shareholder return is an indicator that is strongly influenced by the stock price, and the stock price is an indicator that reflects the market's assessment of both the Company's condition in five years and the expectations for the Company further into the future in the medium to long term, and thus is expected to function appropriately as an incentive to enhance the Company's shareholder value.

The plan is designed so that the Stock Price Valuation Period is subject to early termination events and the stock-based remuneration as a long-term incentive may be granted early without waiting for the five-year period to expire if shareholder value increases dramatically for reasons such as the production of a hit title comparable to Puzzle & Dragons within the next five years.

3. Opinion of the Board of Directors Concerning This Proposal

Based on the reasons stated below, the Company's Board of Directors **opposes this Proposal**.

a. Process for determining director remuneration

For the purpose of enhancing the transparency and objectivity of the evaluation and decision-making process regarding matters such as the nomination and remuneration of directors, strengthening the supervisory function of the Board of Directors, and further improving the corporate governance system, the Company has established the Nomination and Remuneration Committee, the majority of whose members are independent outside directors.

To further enhance transparency of the process for determining remuneration, the Company revised the Regulations of the Nomination and Remuneration Committee on February 14, 2025 to provide that the chair of the Nomination and Remuneration Committee shall be appointed from among the independent outside directors. In addition, as of February 14, 2025, the Company changed the members of the Nomination and Remuneration Committee to Mr. Keiji Miyakawa and Mr. Susumu Tanaka, both of whom are independent outside directors, and Mr. Koji Yoshida, who is Director and Executive General Manager of Business Administration Division. Mr. Keiji Miyakawa, an independent outside director, assumed the role of chair of the Nomination and Remuneration Committee as of the same date.

The Nomination and Remuneration Committee reports to the Board of Directors its opinion on the level of the remuneration to directors after deliberating on matters related to the remuneration of directors based on the Remuneration Determination Policy. The specific Remuneration to directors is determined within the amount of

remuneration approved by a general meeting of shareholders of the Company.

b. Form of non-monetary remuneration for directors

The Company grants stock-based remuneration type stock options to its executive directors with the objective of further enhancing shareholder-oriented management attitude as well as morale and motivation to expand the Company's business performance and increase its corporate value over the medium to long term. The fair value of the stock-based remuneration type stock options is calculated based on the stock price at the time of grant, and the number of stock options granted to each director is determined in the same manner as for base remuneration, taking into account the position and responsibilities of each director and other factors. The details of the stock-based remuneration type stock options have been determined after deliberation based on information such as data from external research organizations and trends at other companies.

As described in a. above, with respect to the stock-based remuneration type stock options, the appropriateness and transparency of the decision-making process are ensured, and the level and calculation method of the remuneration are also appropriate.

c. Problems with the remuneration plan in the Shareholder Proposal

In this Shareholder Proposal, the Proposing Shareholders propose to abolish the Company's stock-based remuneration type stock options and to adopt a stock-based remuneration plan linked to the excess of the Company's total shareholder return over TOPIX over a five-year period. Under the remuneration plan proposed in this Shareholder Proposal, the remuneration will generally be paid after the end of the fiscal year ending December 31, 2029, five years from now, and incentives related to day-to-day management efforts will not be provided at an appropriate timing. The Board of Directors believes that this will create an unstable situation in which the amount of directors' remuneration will remain undetermined for a long period of time and is therefore not appropriate. In addition, if the remuneration plan in this Shareholder Proposal is adopted, unlike stock options or restricted stocks that are commonly granted as incentive remuneration, the remuneration will generally be paid in a lump sum for the first time after the evaluation period ending at the end of the fiscal year ending December 31, 2029, i.e., five years from now. Accordingly, it is expected that there may be situations in which (i) a director who has contributed to the expansion of the Company's business performance but must retire for any reason during such period will not be able to receive appropriate remuneration, or (ii) directors will not be able to receive the remuneration if the remuneration plan is subsequently changed by resolution of a general meeting of shareholders. Therefore, the plan in this Shareholder Proposal is not considered to be an appropriate and adequate incentive plan. In addition, with respect to the directors that may be newly appointed after fiscal 2026, the stock-based remuneration plan will reflect the Company's business performance prior to their appointment, making the plan less of an incentive for their day-to-day management efforts and deviating from the objective of incentive remuneration, which is to further enhance shareholder-oriented management attitude as well as morale and motivation to expand the Company's business performance and increase its corporate value over the medium to long term. On the other hand, since the Company's business performance prior to their appointment will be reflected in their incentive remuneration, it may discourage talented individuals essential to the Company from joining the Company if the Company's business performance deteriorates in the next five years before the stock-based remuneration is granted ,.

d. Conclusion

As this proposal relates to executive compensation, the Nomination and Remuneration Committee, the majority of whose members are independent outside directors, also reviewed the content of the proposal. As a result, the Nomination and Remuneration Committee unanimously resolved that it is not necessary to make the determination of remuneration to abolish the stock-based remuneration type stock option plan for executive directors and to grant stock-based remuneration as a long-term incentive at this General Meeting.

The Company is also committed to continuously reviewing the remuneration system for directors through the Nomination and Remuneration Committee based on information such as data from external research organizations and trends at other companies, so that the remuneration system will contribute to expanding our business performance and increasing our corporate value. Specifically, the Company will review the current remuneration plan related to incentives for directors, including the possibility of revising or abolishing the current stock-based remuneration type stock options, from the perspective of promoting further value sharing with shareholders and further enhancing shareholder-oriented management attitude as well as morale and motivation to expand the Company's business performance and increase its corporate value over the medium to long term.

In addition, the Company is currently actively considering the details of such remuneration plan with the aim of finalizing them by the end of fiscal 2025. Once the details of the new remuneration plan related to incentives for directors are finalized, the Company will disclose them in a timely and appropriate manner.

Accordingly, the Board of Directors **opposes this proposal**.

Proposal 6: Proposal for the appropriation of surplus

1. Summary of the Proposal

(1) Type of dividend property

Cash

(2) Matters concerning allocation of dividend property and the total amount of dividend property

318 yen, less (i) the amount of dividend per share of common stock under the proposal for the appropriation of surplus submitted by the board of directors of the Company and approved at the General Meeting and (ii) the amount of dividend per share of common stock determined by the board of directors of the Company as the appropriation (including planned appropriation) of surplus as of the end of the fiscal year ended December 31, 2024 by the date of the General Meeting in accordance with Article 41 of the Company's Articles of Incorporation (the "Company Dividend Amount"), shall be paid as a dividend per share in addition to the Company Dividend Amount.

The total amount of dividends shall be calculated by multiplying the above amount by the number of shares entitled to dividends as of the record date for voting at the General Meeting.

(3) Effective date of dividends from surplus

(4) Date of commencement of dividend payments

April 18, 2025

The day immediately following the date of the General Meeting

For the avoidance of doubt, this proposal is additionally submitted as a proposal independent of and compatible with the other proposals to be approved at the General Meeting.

2. Reasons for the Proposal

This proposal requests the Company to pay a dividend equivalent to 20% of the Company's non-consolidated cash and deposits as of the end of the fiscal year ended December 31, 2023, which was 88.9 billion yen, continuously over a five-year period.

Since game development is an inherently risky business, it is not unacceptable for a game company to maintain a certain amount of cash and deposits to prepare for risk. Shareholders are also aware of the risks associated with game companies and invest in them in the hope that they will produce a hit title that will result in a return on their investment. Therefore, the common understanding between game companies and their shareholders is that even if the game company maintains a certain amount of cash and deposits, such funds are a buffer against risk and a source for the creation of the next hit title.

However, although the Company has invested approximately 13 years and an estimated 100 billion yen* or more in releasing new titles and has released more than 20 titles since the release of Puzzle & Dragons, sometimes with the help of influential IPs such as "Disney" and "Yo-kai Watch," it has failed to produce another hit title. In other words, the cash and deposits of the Company, which has not produced a new hit title for a long time, cannot be regarded as a source for the production of the next hit title. In fact, the Company's net cash as of the end of September 2024 was 140.1 billion yen, while its market capitalization as of the end of December 2024 was 186.1 billion yen, which implies that the majority of the shareholders' positive evaluation of the Company is based on the current balance of cash and deposits held by the Company, rather than the expectation of creating the next hit title.

Moreover, the Company has enough cash and deposits to easily survive for another ten years or more, or a quarter

of a century in total, without producing a hit title that will be the main source of its revenue. It must be said that this is an excessive level of cash and deposits, as evidenced by the fact that even in the game hardware industry, which requires fewer trials than game software, the longest interval between the release of hit products is 16 years (between Nintendo's release of the SUPER Famicom in 1990 and Wii in 2006). In other words, the Company's cash and deposits are at an excessive level as a buffer against risk.

Therefore, the Proposing Shareholders demand that the Company fundamentally reform the current situation, which lacks a sense of urgency, by putting itself in a situation where cash and deposits will continue to gradually decrease unless the Company produces a hit title.

The Company should fully recognize the fact that although it has a large amount of cash and deposits and an environment in which it can safely focus on game development, it has failed to produce results, unlike most game companies, while continuing to increase management remuneration, and as a result is losing the trust of its shareholders.

* The estimated amount of investment in the release of new titles was calculated as the sum of 20% of personnel expenses, 50% of advertising expenses and 100% of outsourcing expenses in the Company's non-consolidated selling, general, and administrative expenses, and 50% of other expenses and 100% of impairment losses since the fiscal year ended December 31, 2013.

3. Opinion of the Board of Directors Concerning This Proposal

Based on the reasons stated below, the Company's Board of Directors **opposes this Proposal.**

As described in the "Notice regarding Change to Shareholder Return Policy and Revision to Year-end Dividend Forecast" dated February 14, 2025, the Company recognizes that one of its important management challenges is to achieve profits on an ongoing basis and to provide a stable return to shareholders, and its basic policy for returning profits to shareholders is to combine stable dividends in line with profit levels and forecasts with flexible share buybacks. In accordance with this basic policy, in determining the specific total amount of returns to shareholders, the Company comprehensively considers the management environment, business performance, financial soundness, and investment for growth, while striving to increase its corporate value over the long term. In particular, in the game industry to which the Company belongs, the market is becoming increasingly competitive, and circumstances such as that it is uncertain whether the game will be a hit or not while upfront investment is necessary for game development, and that accordingly the possibility of rapid deterioration in business performance cannot be denied, and that attracting and maintaining talented individuals is an essential element of game development require the Company to maintain a stable financial base. Given these unique characteristics of the industry, the Company determines the specific amount of dividends to be paid to shareholders and the total return ratio taking into account such factors.

The Company, at its Board of Directors' meeting held on February 14, 2025, resolved that the Company's basic policy regarding dividends will be to maintain a consolidated dividend payout ratio of 30% or more, and to implement such dividend payout on a stable and continuous basis. As announced in the "Notice regarding Change to Shareholder Return Policy and Revision to Year-end Dividend Forecast" dated February 14, 2025, the Company plans to pay a dividend of 60 yen per share of the Company's common stock in accordance with such dividend policy of a consolidated dividend payout ratio of 30% or more. Further, together with the Company's buyback of a total of 4,094,500 shares of its common stock (total acquisition cost: 9,862,026,000 yen) as announced in the "Notice Regarding Results and Completion of Treasury Share Acquisition" dated March 13, 2024 and the "Notice Regarding the Status and Completion of Acquisition of Treasury Shares, and Cancellation of Treasury Shares" dated June 24, 2024, the Company will achieve a consolidated dividend payout ratio of approximately 32.8% and total return ratio of approximately 118.3% in fiscal 2024.

In addition, as announced in the "Notice regarding the Acquisition of Treasury Shares and the Cancellation of Treasury Shares" dated February 14, 2025, the Company plans to implement share buybacks in a continuous and

flexible manner in fiscal 2025 and beyond.

This Shareholder Proposal requests for the payment of a dividend of 318 yen per share, or a total dividend of 17,750,786,712 yen. If this amount is paid as dividends from surplus, the consolidated dividend payout ratio will be approximately 174.1% (the non-consolidated dividend payout ratio will be approximately 360.1%).

In addition, in the reasons for this Shareholder Proposal, the Proposing Shareholders state that they request the Company to pay out its non-consolidated cash and deposits of 88.9 billion yen as of the end of the fiscal year ended December 31, 2023 (the "Cash and Deposits at the end of FY 2023") continuously over five years at 20% per year, and it is clear that the Proposing Shareholders' aim is to have the Company eventually return all of the Cash and Deposits at the end of FY 2023 to shareholders, substantially reducing its cash and deposits.

Considering the characteristics of the Company's core businesses of smartphone games, PC online games, and consumer games, the proposed consolidated dividend payout ratio of approximately 174.1% would have a significant negative impact on the company's financial base, and considering that the Proposing Shareholders have indicated their intention to repeat similar shareholder proposals next year and beyond, the Board of Directors believes that this Shareholder Proposal will impede the enhancement of the Company's corporate value in the medium to long term, and is only aimed at realizing short-term profits without regard to the enhancement of the Company's corporate value.

Accordingly, the Board of Directors **opposes this proposal**.

Proposal 7: Proposal to amend the Articles of Incorporation with respect to the organization for determining dividends from surplus

1. Summary of the Proposal

Article 41 of the current Articles of Incorporation shall be amended as set forth below.

Current Articles of Incorporation:

Article 41 (Dividends from Surplus, etc.)

1. The Company may, by the resolution of the board of directors, determine matters concerning dividends from surplus and other matters listed in Article 459, Paragraph 1, Items 2 through 4 of the Companies Act.
- 2.-4. (Omitted)

Proposed amendment (underline indicates the amendment):

Article 41 (Dividends from Surplus, etc.)

1. The Company may, by the resolution of the board of directors, determine matters concerning dividends from surplus and other matters listed in Article 459, Paragraph 1, Items 2 through 4 of the Companies Act; provided, however, that the board of directors may determine the matters listed in Article 459, Paragraph 1, Item 4 of the Companies Act only when it is objectively and reasonably expected that the Company will be unable to convene an ordinary general meeting of shareholders within the period set forth in these Articles of Incorporation.
- 2.-4. (Omitted)

2. Reasons for the Proposal

This proposal requests the Company to determine the amount of the year-end dividend in principle by the resolution of a general meeting of shareholders, rather than a meeting of the board of directors.

As described above, the Company has excessive cash and deposits, sufficient to survive for a quarter of a century without producing a hit title. One of the factors that has contributed to the holding of such excessive cash and deposits is the lack of visibility of shareholders' opinions on dividend policy.

Although the Company has a "basic policy of returning profits to shareholders in line with business performance," the actual amount of common dividends has been fixed at 30 yen per share, and the dividend payout ratio has remained below 15% for more than ten years. In addition, since the Company has fixed the amount of common dividends while repurchasing treasury shares each fiscal year, the total amount of dividends has decreased year by year. Considering that the Company has excessive cash and deposits, the Proposing Shareholders do not believe that the Company's rigid dividend policy is the result of a sincere consideration from the standpoint of its shareholders.

Therefore, the Proposing Shareholders request that the Articles of Incorporation be amended to provide that the amount of the year-end dividend shall in principle be subject to a resolution of the general meeting of shareholders, thereby making the shareholders' opinions on the Company's dividend policy visible through the exercise of voting rights and, in turn, improving the dividend policy based on the shareholders' opinions.

3. Opinion of the Board of Directors Concerning This Proposal

Based on the reasons stated below, the Company's Board of Directors **opposes this Proposal.**

As described in the "Notice regarding Change to Shareholder Return Policy and Revision to Year-end Dividend Forecast" dated February 14, 2025, the Company recognizes that one of its important management challenges is to achieve profits on an ongoing basis and to provide a stable return to shareholders, and its basic policy for returning profits to shareholders is to combine stable dividends in line with profit levels and forecasts with flexible

share buybacks. In accordance with this basic policy, in determining the specific total amount of returns to shareholders, the Company comprehensively considers the management environment, business performance, financial soundness, and investment for growth, while striving to increase its corporate value over the long term. In particular, in the game industry to which the Company belongs, the market is becoming increasingly competitive, and circumstances such as that it is uncertain whether the game will be a hit or not while upfront investment is necessary for game development, and that accordingly the possibility of rapid deterioration in business performance cannot be denied, and that attracting and maintaining talented individuals is an essential element of game development require the Company to maintain a stable financial base. Given these unique characteristics of the industry, the Company determines the specific amount of dividends to be paid to shareholders and the total return ratio taking into account such factors.

The Company, at its Board of Directors' meeting held on February 14, 2025, resolved that the Company's basic policy regarding dividends will be to maintain a consolidated dividend payout ratio of 30% or more, and to implement such dividend payout on a stable and continuous basis. As announced in the "Notice regarding Change to Shareholder Return Policy and Revision to Year-end Dividend Forecast" dated February 14, 2025, the Company plans to pay a dividend of 60 yen per share of the Company's common stock in accordance with such dividend policy of a consolidated dividend payout ratio of 30% or more. Further, together with the Company's buyback of a total of 4,094,500 shares of its common stock (total acquisition cost: 9,862,026,000 yen) as announced in the "Notice Regarding Results and Completion of Treasury Share Acquisition" dated March 13, 2024 and the "Notice Regarding the Status and Completion of Acquisition of Treasury Shares, and Cancellation of Treasury Shares" dated June 24, 2024, the Company will achieve a consolidated dividend payout ratio of approximately 32.8% and total return ratio of approximately 118.3% in fiscal 2024. In addition, as announced in the "Notice regarding the Acquisition of Treasury Shares and the Cancellation of Treasury Shares" dated February 14, 2025, the Company plans to implement share buybacks in a continuous and flexible manner in fiscal 2025 and beyond.

Article 41, Paragraph 1 of the Articles of Incorporation of the Company provides: "The Company may, by the resolution of the Board of Directors, determine matters concerning dividends from surplus and other matters listed in Article 459, Paragraph 1, Items 2 through 4 of the Companies Act," and matters concerning dividends from surplus may be determined either by resolution of a general meeting of shareholders or the Board of Directors. This Shareholder Proposal, on the other hand, proposes to amend the Articles of Incorporation to disallow the Board of Directors from adopting resolutions on dividends from surplus, except in emergency situations such as when a general meeting of shareholders cannot be held within three months from the record date. In the Company's core businesses of smartphone games, PC online games, and consumer games, there is uncertainty as to whether the games will be a hit or not while upfront investment is required for game development, and there is a possibility of rapid deterioration in business performance. In view of such characteristics unique to the industry, it is reasonable for the Board of Directors to flexibly determine the amount of dividends from surplus and other details based on medium to long term management policy, taking into account factors such as current business performance and capital investment status. However, if the amendment to the Articles of Incorporation pursuant to this Shareholder Proposal is approved, it will not be possible to determine the amount of dividends from surplus by resolution of the Board of Directors, except in emergency situations such as when a general meeting of shareholders cannot be held within three months from the record date, which would rather make it difficult for the Company to flexibly distribute surplus, thereby hindering the return of profits to shareholders. In addition, the Board of Directors believes that the ability of the Board of Directors to determine and pay dividends from surplus in an agile and flexible manner will contribute to the interests of shareholders and increase the Company's corporate value in the medium to long term.

Accordingly, the Board of Directors **opposes this proposal**.

Proposal 8: Proposal to amend the Articles of Incorporation with respect to the cancellation of treasury shares

1. Summary of the Proposal

The following new chapter and article shall be added to the current Articles of Incorporation.

Chapter 7. Cancellation of Treasury Shares

Article 43 (Cancellation of Treasury Shares)

The Company may, by the resolution of the general meeting of shareholders, implement cancellation of treasury shares (including determination of the class of treasury shares and the number of treasury shares of each class to be cancelled).

2. Reasons for the Proposal

As of the end of September 2024, the Company held approximately 27.32 million treasury shares, representing 32.8% of the total issued shares.

In general, there are cases where treasury shares are held with the expectation that they may be used as consideration in M&A or similar transactions. However, as the Company has ample cash and deposits, there is little need to use treasury shares as consideration in M&A or similar transactions. In addition, the Company's management team has been wasting its assets for approximately 13 years, which has put the Company in a position to be acquired by another company that can utilize the Company's assets, rather than in a position to acquire others.

On the other hand, the current situation, in which the Company continues to hold a large number of treasury shares, means for shareholders that the shares of the Company's stock could be diluted at any time.

Therefore, it is considered that the cancellation of treasury shares will contribute to the enhancement of the Company's shareholder value. However, the Company has not done so to date.

Accordingly, the Company should make it possible to cancel treasury shares by the resolution of a general meeting of shareholders and then cancel its treasury shares.

3. Opinion of the Board of Directors Concerning This Proposal

Based on the reasons stated below, the Company's Board of Directors **opposes this Proposal**.

The Board of Directors believes that the cancellation of treasury shares should be decided by the Board of Directors in an agile and flexible manner based on management decision, comprehensively taking into account aspects such as consistency with the Company's capital policy, which is contemplated based on its medium to long term management strategy, changes in the business environment, and the interests of shareholders, while also considering matters such as the use of treasury shares for capital policy, such as for financing, M&A, and stock-based remuneration in the future. In addition, the Board of Directors believes that it is appropriate to determine the cancellation of treasury shares by resolution of the Board of Directors, as prescribed by the Companies Act, from the perspective of its management strategy and the interests of shareholders.

This Shareholder Proposal is a proposal to amend the Articles of Incorporation in order to make the cancellation of treasury shares a matter to be decided by resolution of a general meeting of shareholders and, if this Shareholder Proposal and the "Proposal to cancel treasury shares" simultaneously proposed by the Proposing Shareholders are approved, all treasury shares of the Company will be cancelled and the Company will no longer be able to use treasury shares for its capital policy, which is contemplated based on its medium to long term management strategy. This will limit the options of the Board of Directors with respect to management decisions and is rather against the interests of shareholders.

In order to improve shareholder returns by implementing a flexible capital policy in response to changes in the business environment and enhancing capital efficiency, the Company cancelled 4,094,500 treasury shares on June

28, 2024 pursuant to the resolution of the Board of Directors at its meeting held on May 9, 2024, and has been cancelling treasury shares as and when needed.

In addition, as announced in the “Notice regarding the Acquisition of Treasury Shares and the Cancellation of Treasury Shares” dated February 14, 2025, the Company plans to cancel approximately 14 million treasury shares (16.83% of the total number of issued shares before cancellation) in fiscal 2025, and the Board of Directors will continue to consider the cancellation of treasury shares and the use of treasury shares from the perspective of the Company’s management strategy and the interests of its shareholders.

Accordingly, the Board of Directors **opposes this proposal**.

Proposal 9: Proposal to cancel treasury shares

1. Summary of the Proposal

Subject to the approval and adoption of Proposal 8, all treasury shares held by the Company shall be cancelled.

2. Reasons for the Proposal

As stated in the reasons for Proposal 8, the cancellation of treasury shares will contribute to the enhancement of the Company's shareholder value. Therefore, the Proposing Shareholders propose that all treasury shares held by the Company be cancelled if the amendment to the Articles of Incorporation proposed in Proposal 8 is approved.

3. Opinion of the Board of Directors Concerning This Proposal

Based on the reasons stated below, the Company's Board of Directors **opposes this Proposal**.

This Shareholder Proposal is for the cancellation of all of the Company's treasury shares, subject to the approval of the "Proposal to amend the Articles of Incorporation with respect to the cancellation of treasury shares."

As stated in the opinion of the Board of Directors of the Company on the "Proposal to amend the Articles of Incorporation with respect to the cancellation of treasury shares," in order to improve shareholder returns by implementing a flexible capital policy in response to changes in the business environment and enhancing capital efficiency, the Company cancelled 4,094,500 treasury shares on June 28, 2024 pursuant to the resolution of the Board of Directors at its meeting held on May 9, 2024, and has been cancelling treasury shares as and when needed. In addition, as announced in "Notice regarding the Acquisition of Treasury Shares and the Cancellation of Treasury Shares" dated February 14, 2025, the Company plans to cancel approximately 14 million treasury shares (16.83% of the total number of issued shares before cancellation) in fiscal 2025, and in light of the consistency with the capital policy, which is contemplated by the Company based on its medium to long term management strategy, changes in the business environment, and the interests of shareholders, the Board of Directors does not believe it is necessary to cancel all of its treasury shares at this time.

Accordingly, the Board of Directors **opposes this proposal**.

Business Report
(From January 1, 2024
to December 31, 2024)

1. Overview of the Company Group

(1) Consolidated business performance for the fiscal year ended December 31, 2024

1) Business progress and results

Regarding the economic circumstances in the fiscal year under review, the situation continued to be unpredictable owing to factors including inflation, foreign exchange fluctuation, and an unstable international situation. As for the domestic gaming market, the mobile gaming sector still maintains a certain size, and smartphone users' use of leisure time is diversifying into various kinds of content, including video content.

Against this backdrop, the Company continued to concentrate on game development with a focus on global distribution, and we have worked to maintain and expand MAU (Monthly Active Users: the number of users who log into the game at least once a month) and have made efforts to strengthen the brands of each of our games to maximize the value of existing games.

Regarding "Puzzle & Dragons," we have been making comprehensive efforts for ensuring players continue to enjoy the game over the long term such as updates including the addition of new contents, and holding the events including the appreciation celebration and collaboration with famous characters from other companies.

As for "Ragnarok" related titles in Japan, the MMORPG "Ragnarok X" was launched for smartphones on November 20, 2024, as the latest title of "Ragnarok" series, including the PC online game "Ragnarok Online," which celebrated its 22nd anniversary on December 1, 2024.

Looking at "Ragnarok" related titles, which subsidiary Gravity Co., Ltd. and its consolidated subsidiaries are operating, it continued to contribute to the consolidated financial result due to the new launches including "The Ragnarok," which was released in Southeast Asia on October 31, 2024, and "Ragnarok: Rebirth," which was released in Taiwan, Hong Kong and Macau on October 31, 2024, as well as continuous updates and events of existing titles.

As a result, net sales for the fiscal year ended December 31, 2024 amounted to 103,600 million yen, (a decrease of 17.3% year-on-year). Operating profit was 17,491 million yen, (a decrease of 37.3% year-on-year), ordinary profit was 20,013 million yen, (a decrease of 31.7% year-on-year), and profit attributable to owners of parent came to 11,171 million yen, (a decrease of 32.0% year-on-year).

The GungHo Group is a single-segment company; therefore, no segment information is disclosed.

2) Capital expenditure

For the fiscal year ended December 31, 2024, capital expenditure totaled 6,447 million yen, consisting mainly of 5,652 million yen in game development expenditure.

3) Financing

No financing of importance was obtained by the Company in the consolidated fiscal year under review.

4) Acquisition and disposal of shares, equity interest or share subscription rights in other companies

Not applicable

(2) Assets and income

1) Consolidated

(Millions of yen)

Item	25th From January 1, 2021 to December 31, 2021	26th From January 1, 2022 to December 31, 2022	27th From January 1, 2023 to December 31, 2023	28th From January 1, 2024 to December 31, 2024
Net sales	104,626	105,505	125,315	103,600
Operating profit	32,802	27,649	27,880	17,491
Ordinary profit	33,629	28,985	29,308	20,013
Profit attributable to owners of parent	22,883	19,022	16,433	11,171
Net profit per share	341.44 yen	305.61 yen	272.65 yen	182.67 yen
Total assets	134,930	152,210	168,045	175,464
Net assets	118,672	132,834	149,495	153,535
Net assets per share	1,681.71 yen	1,894.36 yen	2,127.98 yen	2,280.75 yen

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied since the beginning of the fiscal year ended December 31, 2022. The figures for the following years are disclosed in accordance with these standards.

2) Non-consolidated

(Millions of yen)

Item	25th From January 1, 2021 to December 31, 2021	26th From January 1, 2022 to December 31, 2022	27th From January 1, 2023 to December 31, 2023	28th From January 1, 2024 to December 31, 2024
Net sales	66,642	58,986	48,128	49,731
Operating profit	23,258	16,995	10,499	7,731
Ordinary profit	23,764	17,797	11,139	7,831
Net profit	18,529	9,144	7,494	5,400
Net profit per share	276.47 yen	146.92 yen	124.34 yen	88.31 yen
Total assets	107,091	105,314	105,370	102,666
Net assets	99,005	98,388	99,194	93,137
Net assets per share	1,534.56 yen	1,571.35 yen	1,634.31 yen	1,642.30 yen

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied since the beginning of the fiscal year ended December 31, 2022. The figures for the following years are disclosed in accordance with these standards.

(3) Material parent company and subsidiaries

1) Relationship with parent company

Not applicable

2) Material subsidiaries

Company name	Capital stock	The Company's voting right ratio	Principal business activities
Game Arts Co., Ltd.	JPY 78 million	100.00%	Planning, development and sales of PC online games and consumer games
Gravity Co., Ltd.	KRW 3,474 million	59.31%	Planning, development, operation and online distribution of PC online games and smartphone games
Gravity Interactive, Inc.	USD 10,540 thousand	100.00% (100.00%)	
Gravity Communications Co., Ltd.	TWD 155 million	100.00% (100.00%)	
Gravity NeoCyon, Inc.	KRW 6,990 million	100.00% (100.00%)	
PT Gravity Game Link	Rp 43,221 million	70.00% (70.00%)	
Gravity Game Tech Co., Ltd.	THB 188 million	100.00% (100.00%)	
Gravity Game Arise Co., Ltd.	JPY 100 million	100.00% (100.00%)	
Gravity Game Hub PTE., Ltd.	SGD 6 million	100.00% (100.00%)	
Gravity Game Vision Limited	HKD 3 million	100.00% (100.00%)	
GungHo Online Entertainment America, Inc.	USD 300 thousand	100.00%	Planning, development, operation, distribution and sales of smartphone games and consumer games
SUPERTRICK GAMES, Inc.	JPY 50 million	100.00%	Planning and development of consumer games
GungHo Online Entertainment Asia Pacific Pte. Ltd.	USD 55,491 thousand	100.00%	Holding company
SQUAD STARS, Inc.	JPY 10 million	100.00%	Planning and development of consumer games
Alim Co., Ltd.	JPY 100 million	100.00%	Planning, development, production, sales and maintenance of digital content distribution services Planning, production, processing and sales of digital content

(Notes) 1. The number in parentheses of the Company's voting right ratio indicates the indirect ownership ratio.

2. As the Company acquired 100% of the shares in Alim Co., Ltd. in December 2024 and made it a subsidiary, Alim Co., Ltd. is included in the scope of consolidation.

3) Specified wholly-owned subsidiaries as of the end of the fiscal year under review

Not applicable

(4) Challenges to be addressed

The GungHo Group has been continuing to quickly and correctly ascertain the ever-changing operating environment for the game industry, identify material challenges to be addressed and pursue a business strategy befitting the endeavors.

1) Maximization of existing values

One of our corporate policies is to diversify the use of content assets, which are already established as game brands: "Ragnarok Online" is now celebrating its 22nd anniversary since the launch of the service, and "Puzzle & Dragons" for smartphones celebrated its 13th anniversary in February 2025.

Aiming for the long-term enhancement of the game brand "Puzzle & Dragons," we offer the brand through a variety of channels including console game, expansion to animation, character-related goods, comic books, and e-sports events, in order to satisfy a wide range of preference and age groups. We believe these multiple approaches will contribute to gaining loyal customers and ensuring our long-term success.

2) Venturing into creation of new values

A new game market may be created by rapid technological evolution now and in the future. Besides, the online game market is expected to receive more newcomers, or to consolidate further, so the competitive environment is expected to be more severe in the future. The GungHo Group will make maximum use of its developmental and operational knowhow and experience, as well as planning and developmental skills, which are highly evaluated in smartphone and console game fields. Our five development policies, "Instinctive," "Innovative," "Attractive," "Continuing," and "Dramatic," are the key values we promise to offer customers, targeting a wide range of platforms.

3) Pursuing growth in the global market

The online game market in general, including smartphone games, is expected to grow further while the smartphone market grows on a worldwide scale and technologies including communication environment are progressing.

Our business reach is extending to overseas markets not only for smartphone games but also for PC online games and consumer games. These games require continual support, using content in events and campaigns regardless of platforms. We will develop a customized operational system of PC online games, smartphone games, and consumer games for global expansion, offer quality games to loyal customers worldwide, and enhance profitability.

4) Strengthening corporate governance

One of our most significant business challenges is maximizing enterprise value while securing soundness.

The purpose is to build a good relationship with stakeholders, i.e., shareholders, customers, business partners, local communities, and employees, and achieve long-term and steady growth. Based on this recognition, we take various measures to enhance corporate governance.

5) Securing consumer safety

The online game industry is required to provide an environment where every user, including young people, can play online games safely because a wide range of age groups of smartphone users can play online games due to improvement of the internet environment, spreads of smartphones and evolution of game devices. As a member of the Japan Online Game Association and other industry organizations, the Company is fully committed to protecting consumers from any disadvantages and to resolving issues through information exchange among industry players. We believe this should contribute to society's economic growth.

6) Strengthening corporate structure including product development

The game market has been experiencing rapid changes and technological innovations. To achieve sustainable growth, we are in the process of establishing a solid foundation for our business and a responsive operating system, while improving management efficiency. Game development capabilities, which are the source of the Group's revenue, are provided with flexibility based on an amoeba development concept and appropriate personal allocation.

2. Matters relating to shares of the Company

(as of December 31, 2024)

1) Total number of authorized shares 321,200,000 shares

2) Total number of shares issued 83,161,416 shares

Notes: 1. Total number of shares issued includes the treasury shares (27,341,332 shares).

2. The total number of shares issued decreased by 4,094,500 shares from the end of the previous fiscal year due to the cancellation of treasury shares on June 28, 2024.

3) Number of shareholders 47,702

4) Major shareholders

Shareholder name	Number of shares held	Shareholding ratio
SON Financial LLC.	9,327,600 shares	16.71%
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,609,000 shares	13.63%
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	3,051,500 shares	5.46%
SON Capital Partners LLC.	2,381,200 shares	4.26%
Custody Bank of Japan, Ltd. (Trust Account)	2,359,000 shares	4.22%
STATE STREET BANK AND TRUST COMPANY 505103	2,313,999 shares	4.14%
STATE STREET BANK AND TRUST COMPANY 505001	2,066,822 shares	3.70%
THE BANK OF NEW YORK MELLON 140044	1,208,820 shares	2.16%
INTERTRUST TRUSTEES CAYMAN LIMITED AS TRUSTEE OF JAPAN-UP UNIT TRUST	1,200,000 shares	2.14%
Kazuki Morishita	1,009,600 shares	1.80%

Notes: 1. The Company holds 27,341,332 shares of treasury stock, but is excluded from the above list of major shareholders.

2. Shareholding ratio was calculated by excluding the treasury shares (27,341,332 shares).

5) Other important matters relating to shares

I. By resolution of the Board of Directors meeting held on February 14, 2024, the Company acquired treasury shares as follows.

Type and number of shares acquired	Common shares - 2,200,000 shares
Total acquisition value	4,862,185,600 yen
Period of acquisition	February 15, 2024 - March 12, 2024
Method of acquisition	Market purchase on the Tokyo Stock Exchange

II. By resolution of the Board of Directors meeting held on May 9, 2024, the Company acquired treasury shares as follows.

Type and number of shares acquired	Common shares - 1,894,500 shares
Total acquisition value	4,999,840,400 yen
Period of acquisition	May 10, 2024 - June 21, 2024
Method of acquisition	Market purchase on the Tokyo Stock Exchange

III. By resolution of the Board of Directors meeting held on May 9, 2024, the Company cancelled treasury shares as follows.

Type and number of shares cancelled	Common shares – 4,094,500 shares
Total number of shares outstanding after cancellation	83,161,416 shares
Date of cancellation	June 28, 2024

3. Matters relating to Directors of the Company

(1) Directors and Auditors (as of December 31, 2024)

Position	Name	Assignment, and Significant Concurrent Positions
President & CEO	Kazuki Morishita	President & Representative Director of Game Arts Co., Ltd. Executive Director of Gravity Co., Ltd.
Director	Kazuya Sakai	Executive General Manager of Finance Accounting Division and CFO of the Company Director of Game Arts Co., Ltd. Executive Director of Gravity Co., Ltd. Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.
Director	Yoshinori Kitamura	Executive General Manager of GV Business Division of the Company Executive Director, COO and CCO of Gravity Co., Ltd.
Director	Koji Yoshida	Executive General Manager of Business Administration Division, CCO and CCMO of the Company Executive Director of Gravity Co., Ltd. Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.
Director	Akihiko Ichikawa	Executive General Manager of Partner Publishing Division of the Company
Director	Norikazu Oba	General Manager of the Finance Planning Department of SoftBank Group Corp. Director of SoftBank Group Japan Corporation
Director	Hidetsugu Onishi	Co-CEO, Integrity Partners LLC Representative Director of Avergence Co, Ltd. Outside Director of CUBE CO., LTD.
Director	Keiji Miyakawa	Senior Advisor of Japan of Lincoln International Outside Director of H.U. Group Holdings, Inc.
Director	Susumu Tanaka	—
Director	Etsuko Hara	Partner, Anderson Mōri & Tomotsune
Full-time Auditor	Masato Ochi	Auditor of Game Arts Co., Ltd.
Auditor	Hiroto Uehara	Representative of Uehara Hiroto Certified Public Accountant Firm Outside Auditor of DIAL SERVICE CO., LTD.
Auditor	Toshiro Kaba	Representative of Shiroyama-Tower Law Office Director, Toin Legal Research Support Center Visiting Professor, Graduate School of Laws, Toin University of Yokohama Outside Auditor of T-Gaia Corporation Outside Auditor of PIALA Inc.

- Notes: 1. Hidetsugu Onishi, Director, Keiji Miyakawa, Director, Susumu Tanaka, Director, and Etsuko Hara, Director fell under the category of outside directors, and the Tokyo Stock Exchange was notified that they are independent directors.
2. Hiroto Uehara, Auditor, and Toshiro Kaba, Auditor fell under the category of outside auditors, and the Tokyo Stock Exchange was notified that they are independent auditors.
3. Being a Certified Public Accountant, Hiroto Uehara, Auditor is equipped with a reasonable level of knowledge in finance and accounting.

(2) Outline of liability limitation agreement

An agreement has been entered into by and between the Company and Directors, Norikazu Oba, Hidetsugu Onishi, Keiji Miyakawa, Susumu Tanaka and Etsuko Hara and Auditors, Masato Ochi, Hiroto Uehara and Toshiro Kaba, on limitation of damage compensation liability pursuant to Article 427, Paragraph 1 of the Companies Act. The upper limit of damage compensation liability under this agreement shall be the higher of 1 million yen and an amount equivalent to one stipulated as the minimum liability value in Article 425, Paragraph 1.

(3) Outline of indemnity agreement

The Company has concluded an indemnification agreement with Directors Kazuki Morishita, Kazuya Sakai, Yoshinori Kitamura, Koji Yoshida, Akihiko Ichikawa, Norikazu Oba, Hidetsugu Onishi, Keiji Miyakawa, Susumu Tanaka, Etsuko Hara, and Auditors Masato Ochi, Hiroto Uehara, and Toshiro Kaba, as provided for in Article 430-2, Paragraph 1 of the Companies Act. The Company will indemnify the expenses of Item 1 of the same paragraph and the losses of Item 2 of the same paragraph to the extent stipulated in the Act.

However, if it is found that a person has performed his/her duties for the purpose of unlawfully benefiting himself/herself or a third party or inflicting damage on the Company, the compensation expenses equivalent to the amount paid by the Company shall be returned to ensure that the proper execution of duties by company officers is not impaired by such compensation agreement.

(4) Outline of Directors and Officers liability insurance policy

The Company has concluded a Directors and Officers liability insurance (D&O insurance) policy with an insurance company, with Directors, Auditors, and Executive Officers of the Company and its subsidiaries (excluding Gravity Co., Ltd.) as insured persons. The Company is to bear the full amount of the insurance premiums under the policy to indemnify for legal damages and litigation costs, etc., in the event that an insured person compensates damages to a third party arising from their duties after a representative shareholder litigation, etc., is filed against the insured person for damage compensation and claims for damages are made against the insured person.

(5) Remuneration for Directors and Auditors for the fiscal year under review

1) Policies on determining remuneration for Directors

Remuneration for Directors consists of fixed compensation, performance-linked compensation, and stock options as stock-based compensation for Executive Directors; their amounts are decided within the upper limit established by the resolution of the General Meeting of Shareholders. However, the remuneration of Directors other than Executive Directors consists of fixed compensation only, in view of the fact that they are in a position to supervise and advise management without executing business. In addition, the Board of Directors, at its meeting held on February 14, 2024, established the following policy for determining the details of each Director's compensation.

Remuneration levels, etc., are deliberated by the Nomination and Remuneration Committee, of which the majority are Independent Outside Directors, and are reported to the Board of Directors.

I. Policy on basic remuneration

Basic remuneration for each Director shall be fixed monetary compensation that is determined based on performance, business environment, etc., considering factors such as the position and responsibility of each Director. Decisions on specific allocations are, by the resolution of the Board of Directors, left to the discretion of the President & CEO.

II. Policy on performance-linked compensation

The Company provides performance-linked compensation to Executive Directors from the viewpoint of further enhancing incentives for them to improve their performance. The remuneration is based on consolidated operating profit, and the amount of remuneration for each individual is determined based on points corresponding to the position of each Director within the range of the maximum amount of remuneration resolved at the General Meeting of Shareholders. The calculation method of the compensation amount is deliberated by the Nomination and Remuneration Committee based on the formula determined at the General Meeting of Shareholders and resolved by the Board of Directors.

III. Policy on non-monetary compensation

The Company grants stock options as stock-based compensation to the Company's Executive Directors,

with the intent of further raising management awareness of the importance of shareholders, and motivation and morale toward medium- to long-term business growth as well as corporate value enhancement. In calculating the fair value, the stock price at the time of the granting is taken into consideration. The number of units to be granted to each Director is determined in light of factors such as the position and responsibility of each Director, as in the case of fixed compensation. The decision needs to be approved by the resolution of the Board of Directors including Independent Outside Directors.

IV. Policy on ratio of compensation

The ratio of fixed compensation, performance-linked compensation and stock options as stock-based compensation to the compensation amount for each Director is not fixed at a certain level. It is determined by taking into consideration the extent to which the compensation can effectively function as an incentive.

V. Policy on timing and conditions for granting remuneration

Fixed compensation for Directors is paid in the same amount every month. Performance-linked compensation and stock options as stock-based compensation are granted at a time the Company considers appropriate.

2) Total amount of remuneration for the fiscal year under review

Director category	Total amount of remuneration	Total amount by type of remuneration (Millions of yen)			Number of eligible Directors
		Fixed compensation	Performance-linked compensation	Stock option as stock-based compensation	
Directors (from Outside Directors)	472 (24)	218 (24)	87 (-)	167 (-)	11 (5)
Auditors (from Outside Auditors)	58 (12)	58 (12)	- (-)	- (-)	3 (2)
Total (from Outside Directors)	530 (36)	276 (36)	87 (-)	167 (-)	14 (7)

Notes: 1. The amounts paid do not include employee salaries for Directors concurrently in service as employees.

Shown below are the employee salaries for Directors concurrently in service as employees.

Directors concurrently in service as employees: 4 persons, 178 million yen

2. The number of directors is 10 Directors and 3 Auditors as of December 31, 2024. The difference from the number of paid persons shown above is due to the inclusion of one Director who retired at the conclusion of the 27th Annual General Meeting of Shareholders held on March 28, 2024.

3. Since the amount of performance-linked compensation has not been fixed at this time, the amount of allowance calculated in the current fiscal year is shown at the above table.

4. Stock options as stock-based compensation are granted to Directors as non-monetary compensation. The details of the stock options as stock-based compensation and the status of the grant are described in the "Matters relating to share subscription rights of the Company" of the Contents Excluded from Documents to Be Sent.

5. Regarding fixed compensation of the Directors, the Company decided to set the maximum amount at 300 million yen a year (excluding the employee salary portion for Directors concurrently serving as employees), with the resolution of the Extraordinary General Meeting of Shareholders held on July 30, 2004. (The number of Directors at the time of the meeting was four (4).)

Regarding performance-linked compensation, at the 26th Annual General Meeting of Shareholders held on March 30, 2023, the Company determined a calculation method and resolved that the amount of such remuneration would be within 300 million yen per year (excluding salaries as employees for Directors concurrently serving as employees) in a separate frame from the remuneration framework for the above fixed compensation. (The number of Executive Directors at the time of the resolution at the Annual General Meeting of Shareholders was five (5).)

Regarding stock options as stock-based compensation for Directors, the Company decided to set their yearly upper limit separately from the maximum amount of fixed compensation as stated above. With the resolution of the 24th Annual General Meeting of Shareholders held on March 30, 2021, the yearly upper limit was set at 300 million yen for remuneration corresponding to the share subscription rights granted in the form of stock options as stock-based compensation, and 1,500 units (150,000 shares of common stock) for the share subscription rights. (The number of Executive Directors subject to the proposal submitted to the meeting was five (5).)

6. Regarding remuneration of the Auditors, the Company decided to set the maximum amount at 70 million yen a year with the resolution of the 24th Annual General Meeting of Shareholders held on March 30, 2021. (The number of Auditors at the conclusion of the meeting was three (3).) In consideration of independence in auditing the execution of duties by Directors, the Company pays only fixed compensation to Auditors according to their positions (full-time/part-time), within the range of the total amount decided by the resolution of the General Meeting of Shareholders. Amount of remuneration for each Auditor is decided through consultation among Auditors within the range of the total amount decided by the resolution of the General Meeting of Shareholders.

7. For the fiscal year under review, the Board of Directors has delegated the decision of the amount of fixed compensation for each Director to Mr. Kazuki Morishita, President & CEO. This is because the Board of Directors has determined that the Representative Director, who can evaluate the responsibilities of each Director while overlooking the overall performance of the Company and other factors, is in the most suitable position for the role. The decision of the amount of fixed compensation for

each Director is made after the discussion of Nomination and Remuneration Committee where the majority members are Independent Outside Directors.

At the Board of Directors meeting held on February 14, 2025, the "Policies on determining remuneration for Directors" were revised. We believe that conducting independent and objective evaluations of each Director's responsibilities within the Nomination and Remuneration Committee will lead to a fairer assessment and further enhance the transparency of the process for determination of remuneration. Therefore, the Board resolved that the determination of the amount of fixed compensation for each Director be left to the decision of the Nomination and Remuneration Committee where the majority of members are Outside Directors and which is chaired by an Independent Outside Director.

8. The amount of fixed compensation for each Director during the fiscal year under review was determined by Mr. Kazuki Morishita, President & CEO, with the delegation by the Board of Directors, within the upper limit of compensation resolved at the General Meeting of Shareholders, taking into consideration factors such as the position and responsibility of each Director, as well as the performance and business environment, etc. of the Company as a whole. Performance-linked compensation for Executive Directors is based on consolidated operating profit as an indicator to raise awareness of the need to improve performance. It is calculated within the maximum amount of remuneration resolved at the General Meeting of Shareholders, based on the formula determined at the General Meeting of Shareholders, and is deliberated by the Nomination and Remuneration Committee and resolved by the Board of Directors. The actual consolidated operating profit for the current fiscal year is as stated in "1. Overview of the Company Group (2) Assets and income" in the Business Report. Also, stock options as stock-based compensation are determined by the Board of Directors after deliberations by Nomination and Remuneration Committee within the yearly upper limit of remuneration and the units of share subscription rights to be granted, which was resolved at the General Meeting of Shareholders, taking into consideration the extent to which the compensation can effectively function as an incentive, as well as factors such as the positions and responsibilities of each Director.

Based on the above, the Company has determined that the details of compensation for each Director for the fiscal year under review is in accordance with the Determination Policy adopted by the Board of Directors.

4. Policy for decision on dividends from retained earnings

The GungHo Group believes that securing continuous profits and providing stable returns to shareholders is one of the most significant managerial challenges. We return profits to shareholders by comprehensively taking into account the business environment, business performance, financial soundness, and investments for growth, while striving to enhance the enterprise value over the long term. The Company's basic policy for shareholder return is to combine stable dividends in a manner commensurate with its profit level and forecasts with flexible acquisition of the treasury shares.

Specifically, in terms of dividends, the Company's policy is to pay dividends in a stable and continuous manner, with a consolidated dividend payout ratio of 30% or more. The acquisition of treasury shares is positioned as a flexible capital policy that contributes to improving capital profitability, while also taking into consideration market share prices and the Company's financial condition. The Company intends to implement the acquisition of treasury shares on an ongoing basis based on decisions made by the Board of Directors.

In accordance with the above-mentioned dividend policy, the Board of Directors is scheduled to resolve at a meeting to be held on March 28, 2025 that the year-end dividend for the fiscal year ended December 31, 2024 will be an ordinary dividend of 60.00 yen per share.

The Company's Articles of Incorporation provide that it may pay dividends from retained earnings by the resolution of the Board of Directors, without a resolution of the General Meeting of Shareholders.

Consolidated Balance Sheets

(As of December 31, 2024)

(Millions of yen)

Account Items	Amount	Account Items	Amount
Assets		Liabilities	
Current assets	120,875	Current liabilities	19,453
Cash and deposits	99,598	Accounts payable-trade	5,861
Accounts receivable-trade and contract assets	13,515	Income taxes payable	2,989
Securities	5,018	Allowance for performance linked compensation	87
Merchandise	16	Other	10,515
Other	2,785	Non-current liabilities	2,475
Allowance for doubtful accounts	(59)	Long-term accounts payable	1,277
Non-current assets	54,588	Retirement benefit liability	17
Property, plant and equipment	1,326	Other	1,180
Intangible assets	748	Total liabilities	21,929
Software	197	Net assets	
Other	551	Shareholders' equity	125,624
Investments and other assets	52,513	Share capital	5,338
Long-term deposit	40,000	Capital surplus	5,487
Deferred tax assets	7,122	Retained earnings	195,670
Other	5,391	Treasury shares	(80,872)
		Accumulated other comprehensive income	1,687
		Foreign currency translation adjustment	1,687
		Stock option	1,464
		Non-controlling interests	24,759
		Total net assets	153,535
Total assets	175,464	Total liabilities and net assets	175,464

(Note) Figures shown in millions of yen are rounded down to the nearest million.

Consolidated Statements of Income

(From January 1, 2024
to December 31, 2024)

(Millions of yen)

Account Items	Amount	
Net sales		103,600
Cost of sales		50,185
Gross profit		53,415
Selling, general and administrative expenses		35,923
Operating profit		17,491
Non-operating profit		
Interest income	1,955	
Foreign exchange gains	428	
Other	168	2,552
Non-operating expenses		
Interest expenses	15	
Treasury stock acquisition costs	11	
Other	3	30
Ordinary profit		20,013
Extraordinary losses		
Impairment loss	174	174
Profit before income taxes		19,838
Income taxes, residential taxes and enterprise taxes-current		6,363
Income taxes and others-deferred		(1,532)
Profit		15,007
Profit attributable to non-controlling interests		3,835
Profit attributable to owners of parent		11,171

(Note) Figures shown in millions of yen are rounded down to the nearest million.

Accounting Auditor's report on consolidated financial statements

Independent Auditor's Report

February 19, 2025

To the Board of Directors of
GungHo Online Entertainment, Inc.

PricewaterhouseCoopers Japan LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:
Soichirou Hayashi

Designated Engagement Partner,
Certified Public Accountant:
Kenji Murata

Audit Opinion

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act of Japan, the consolidated financial statements of GungHo Online Entertainment, Inc. (hereinafter referred to as the "Company") for the consolidated fiscal year from January 1, 2024 to December 31, 2024, which consist of consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets and notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries, applicable to the fiscal year ended December 31, 2024, in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan.

Basis for the Audit Opinion

We have conducted our audit in accordance with auditing standards generally accepted and recognized as fair and appropriate in Japan. Our responsibility in auditing standards is described in the "Auditor's Responsibility for Auditing the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as auditors in accordance with the Code of Professional Ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We draw attention to notes on significant subsequent events, which describes that the Company resolved its acquisition of treasury shares and the cancellation of treasury shares at the Board of Directors meeting held on February 14, 2025.

Our opinion is not modified in respect of this matter.

Other Information

The term "other information" herein refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, the responsibility of the Auditors and the Board of Corporate Auditors is to monitor the performance of duties of the Directors in the development and operation of the reporting process for other statements.

The scope of our audit opinion on the consolidated financial statements does not include the other information and we do not express an opinion on the other information.

Our responsibility in auditing the consolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

Responsibility of Management, Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan. This includes the development and operation of internal controls deemed necessary by management for the preparation and fair presentation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on the going concern assumption and for disclosing such matters if it is necessary to disclose matters for the going concern in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan.

Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the Directors' performance of their duties in the development and operation of the financial reporting process.

Auditor's Responsibility for Auditing the Consolidated Financial Statements

Our responsibility is to, based on our audit, express an opinion on the consolidated financial statements from an independent standpoint in the audit report, after obtaining reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement due to fraud or error. A misstatement is likely to arise from fraud or error, and shall be deemed material if it is, separately or aggregated, reasonably expected to affect the decision-making by users of the consolidated financial statements.

Auditors shall, in accordance with auditing standards generally accepted and recognized as fair and appropriate in Japan, make professional judgments throughout the auditing process and, with professional skepticism, shall conduct the following:

- Auditors shall identify and assess the risk of material misstatements due to fraud or error. Auditors also plan and implement audit procedures to address the risks of material misstatements. The procedures selected and applied depend on the auditors' judgment. Furthermore, the auditors shall obtain the audit evidence that is sufficient and appropriate to provide a basis for audit opinion.
- In making risk assessments, the auditors consider internal controls relevant to the audit in order to design audit procedures that are appropriate under the circumstances, although the purpose of auditing the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal controls.
- Auditors shall assess the appropriateness of accounting policies used and methods of their application adopted by management as well as the reasonableness of accounting estimates made by management and the appropriateness of any related notes.
- Auditors shall decide whether it is appropriate for management to prepare the consolidated financial statements on a going concern assumption, and, based on the audit evidence obtained, whether there are significant uncertainties regarding the events or circumstances that may raise significant doubt about the going concern assumption. The audit report shall be required to draw attention to the notes to the consolidated financial statements if significant uncertainties regarding the going concern assumption are recognized, or to express a qualified opinion with exceptive items on the consolidated financial statements if the notes for significant uncertainties in the statements are not appropriate. The auditor's conclusions are based on audit evidence obtained by the date of the audit report, but future events and circumstances may prevent the company from continuing as a going concern.
- Auditors shall assess whether the presentation of the consolidated financial statements and notes thereto conform to accounting standards generally accepted and recognized as fair and appropriate in Japan, as well as whether the presentation, composition, and content of the consolidated financial statements including related notes and consolidated financial statements present fairly the transactions and accounting events on which they are based.
- Auditors shall plan and perform an audit of the consolidated financial statements in order to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to provide a basis for opinions on the consolidated financial statements. The auditors are responsible for directing, supervising and reviewing audits on the consolidated financial statements. Auditors are solely responsible for the audit opinion.

Auditors shall report to the Corporate Auditors and the Board of Corporate Auditors on the scope and timing of the planned audit, material audit findings including material defects in internal controls identified during the audit process, and other matters required by the auditing standards.

Auditors shall report to the Corporate Auditors and the Board of Corporate Auditors on compliance with the Code of Professional Ethics in Japan on independence, matters reasonably considered to affect the independence of the auditors, and the content of safeguards, if any, to eliminate or mitigate impediments.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

We have no interest in the Company and its consolidated subsidiaries that should be disclosed in compliance with the Certified Public Accountants Act.

Accounting Auditor's report on non-consolidated financial statements

Independent Auditor's Report

February 19, 2025

To the Board of Directors of
GungHo Online Entertainment, Inc.

PricewaterhouseCoopers Japan LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:
Soichirou Hayashi

Designated Engagement Partner,
Certified Public Accountant:
Kenji Murata

Audit Opinion

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, the non-consolidated financial statements of GungHo Online Entertainment, Inc. (hereinafter referred to as the "Company") for the 28th fiscal year from January 1, 2024 to December 31, 2024, which consist of non-consolidated balance sheets, non-consolidated profit and loss statement, non-consolidated statement of changes in net assets, notes to non-consolidated financial statements and their supplementary schedules.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and the results of operations, applicable to the fiscal year ended December 31, 2024, in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan.

Basis for the Audit Opinion

We have conducted our audit in accordance with auditing standards generally accepted and recognized as fair and appropriate in Japan. Our responsibility in auditing standards is described in the "Auditor's Responsibility for Auditing the Non-Consolidated Financial Statements, etc." We are independent of the Company and fulfill our other ethical responsibilities as auditors in accordance with the Code of Professional Ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We draw attention to notes on significant subsequent events, which describes that the Company resolved its acquisition of treasury shares and the cancellation of treasury shares at the Board of Directors meeting held on February 14, 2025.

Our opinion is not modified in respect of this matter.

Other Information

The term "other information" herein refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, the responsibility of the Auditors and the Board of Corporate Auditors is to monitor the performance of duties of the Directors in the development and operation of the reporting process for other statements.

The scope of our audit opinion on the consolidated financial statements does not include the other information and we do not express an opinion on the other information.

Our responsibility in auditing the consolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

Responsibility of Management, Corporate Auditors and the Board of Corporate Auditors for the Non-Consolidated Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan. This includes the development and operation of internal controls deemed necessary by management for the preparation and fair presentation of non-consolidated financial statements, etc. free of material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. based on the going concern assumption and for disclosing such matters if it is necessary to disclose matters for the going concern in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan.

Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the Directors' performance of their duties in the development and operation of the financial reporting process.

Auditor's Responsibility for Auditing the Non-Consolidated Financial Statements, etc.

Our responsibility is to, based on our audit, express an opinion on the non-consolidated financial statements, etc. from an independent standpoint in the audit report, after obtaining reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free of material misstatement due to fraud or error. A misstatement is likely to arise from fraud or error, and shall be deemed material if it is, separately or aggregated, reasonably expected to affect the decision-making by users of the non-consolidated financial statements, etc.

Auditors shall, in accordance with auditing standards generally accepted and recognized as fair and appropriate in Japan, make professional judgments throughout the auditing process and, with professional skepticism, shall conduct the following:

- Auditors shall identify and assess the risk of material misstatements due to fraud or error. Auditors also plan and implement audit procedures to address the risks of material misstatements. The procedures selected and applied depend on the auditors' judgment. Furthermore, the auditors shall obtain the audit evidence that is sufficient and appropriate to provide a basis for audit opinion.
- In making risk assessments, the auditors consider internal controls relevant to the audit in order to design audit procedures that are appropriate under the circumstances, although the purpose of auditing the non-consolidated financial statements, etc. is not to express an opinion on the effectiveness of the entity's internal controls.
- Auditors shall assess the appropriateness of accounting policies used and methods of their application adopted by management as well as the reasonableness of accounting estimates made by management and the appropriateness of any related notes.
- Auditors shall decide whether it is appropriate for management to prepare the non-consolidated financial statements, etc. on a going concern assumption, and, based on the audit evidence obtained, whether there are significant uncertainties regarding the events or circumstances that may raise significant doubt about the going concern assumption. The audit report shall be required to draw attention to the notes to the non-consolidated financial statements, etc. if significant uncertainties regarding the going concern assumption are recognized, or to express a qualified opinion with exceptive items on the non-consolidated financial statements, etc. if the notes for significant uncertainties in the statements are not appropriate. The auditor's conclusions are based on audit evidence obtained by the date of the audit report, but future events and circumstances may prevent the company from continuing as a going concern.
- Auditors shall assess whether the presentation of the non-consolidated financial statements, etc. and notes thereto conform to accounting standards generally accepted and recognized as fair and appropriate in Japan, as well as whether the presentation, composition, and content of the non-consolidated financial statements, etc. including related notes and non-consolidated financial statements, etc. present fairly the transactions and accounting events on which they are based.

Auditors shall report to the Corporate Auditors and the Board of Corporate Auditors on the scope and timing of the planned audit, material audit findings including material defects in internal controls identified during the audit process, and other matters required by the auditing standards.

Auditors shall report to the Corporate Auditors and the Board of Corporate Auditors on compliance with the Code of Professional Ethics in Japan on independence, matters reasonably considered to affect the independence of the auditors, and the content of safeguards, if any, to eliminate or mitigate impediments.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

We have no interest in the Company that should be disclosed in compliance with the Certified Public Accountants Act.

Audit report by the Board of Corporate Auditors

Audit Report

Regarding the performance of duties by Directors for the 28th fiscal year from January 1 to December 31, 2024, the Board of Corporate Auditors hereby submits its audit report, which has been prepared upon deliberations based on audit reports each prepared by Auditors.

1. Contents and Method of Audit by Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors determined its auditing policy, an allocation of duties and other relevant matters, and received reports from Auditors on their audit and the results, and also received reports from Directors and the Accounting Auditors regarding the performance of their duties, and sought explanations, as required.
- (2) Auditors, in conformity to the auditing standards of Auditors established by the Board of Corporate Auditors, and obeying the auditing policy and allocation of duties, among other relevant matters, communicated with Directors and the Internal Auditing Division, other employees and any other relevant personnel, and made efforts to collect information and prepare the environment for audit, while conducting the audit by the method set forth below.
 - (i) Auditors participated in Board of Directors meetings and other important meetings, received reports from Directors, employees and other relevant personnel on the performance of their duties, sought explanations as required, examined important authorization documents and associated information, and studied the operations and financial position at the head office and principal business offices. With respect to subsidiaries, Auditors communicated and exchanged information with Directors and Auditors of subsidiaries, and received business reports from the subsidiaries, as required.
 - (ii) Auditors examined the system to ensure that the performance of duties by Directors stated in the Business Report conforms to applicable laws and ordinances and the Articles of Incorporation. They also examined the system prepared based on the contents of the resolutions of the Board of Directors and on such resolutions on the development of the system stipulated in Article 100, Paragraphs 1 and 3 of the Companies Act Enforcement Regulations (internal control system), as measures required to secure the appropriateness of the operations of the corporate group comprising the Company and its consolidated subsidiaries. Auditors received regular reports from Directors, employees and other relevant personnel regarding the building and operation of the system, requested explanations as required and expressed opinions.
 - (iii) In addition to monitoring and verifying whether the Accounting Auditor maintained its independence and implemented appropriate audits, Auditors received reports from the Accounting Auditor on the performance of its duties and sought explanations, as required. Moreover, we received a notice from the Accounting Auditor stating that the "system for ensuring that duties are performed properly" (matters set forth in the items of Article 131 of the Company Accounting Regulations) was developed in accordance with the "Audit Quality Control Standards" (Business Accounting Council), etc., and sought explanations, as required.

Based on the above method, we examined the Business Report, its supplementary schedules, non-consolidated financial statements (non-consolidated balance sheets, non-consolidated profit and loss statement, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements) and their supplementary schedules for the fiscal year ended December 31, 2024, as well as consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets and notes to consolidated financial statements) for the same fiscal year.

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

- 1) In our opinion, the Business Report and its supplementary schedules fairly represent the Company's situation in conformity to applicable laws and ordinances and the Articles of Incorporation.
- 2) Our audit did not discover any wrongful act or any material breach of applicable laws or ordinances or the Articles of Incorporation with respect to the performance of duties by Members of the Board of Directors.
- 3) In our opinion, the resolutions of the Board of Directors for the Company's internal control system are appropriate. We did not discover any matter required to be pointed out concerning the contents of the Business Report and the execution of duties by Members of the Board of Directors with respect to the internal control system.

(2) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules

In our opinion, the audit method employed by PricewaterhouseCoopers Japan LLC and the audit results are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the audit method employed by PricewaterhouseCoopers Japan LLC and the audit results are fair and reasonable.

February 26, 2025

Board of Corporate Auditors
GungHo Online Entertainment, Inc.

Masato Ochi
Full-time Auditor

Hiroto Uehara
Auditor

Toshiro Kaba
Auditor

Note: Hiroto Uehara, Auditor and Toshiro Kaba, Auditor are both outside auditors stipulated in Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act of Japan.