



March 28, 2025

To Whom It May Concern

Company name	GungHo Online Entertainment, Inc.
Representative	Kazuki Morishita, Representative Director & President, CEO (Securities code : 3765)
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Notice on Issuance of Stock Options as Stock-based Compensation (Stock Acquisition Rights)

This is to inform you that the Company passed a resolution at the Board of Directors meeting held on March 28, 2025, that the Company would issue the following guideline on the subscription of the Stock Acquisition Rights and recruit shareholders accepting the subscription. The said Stock Acquisition Rights shall be granted as stock options as a stock-based compensation scheme for the Company's Executive Directors and Executive Officers with the intent of elevating the management awareness of the importance of shareholders and enhancing the Directors' and the Officers' motivation and morale toward the mid- and long-term business growth and improvement of corporate value, in accordance with provisions prescribed in Article 236, 238 and 240 of the Companies Act.

Terms and conditions for issuing stock acquisition rights

1. Title of the stock options.

The 13th Stock Acquisition Rights of GungHo Online Entertainment, Inc.
(hereinafter, referred to as "the Stock Acquisition Rights").

2. Aggregate number of the Stock Acquisition Rights

The aggregate number shall be 528 units.

However, please note that the above aggregate figures are the projected number of allocations, and in the event of a reduction in the aggregate number of the Stock Acquisition Rights for allocation, due to unfulfilled cases of acceptance of the offer, etc., the aggregate number of the Stock Acquisition Rights for allocation shall constitute the aggregate number of the Stock Acquisition Rights for issuance.

3. Calculation method for the payment amount of the Stock Acquisition Rights

The option price per share for the Company's common stock shall be calculated by using the Black-Sholes model on the date of allotment. The payment amount of the Stock Acquisition Rights shall be the value obtained by multiplying the aforementioned option price by the number of shares granted (defined in (1) of 5 below). (Any fraction less than one yen shall be rounded up.) It is the fair price of Stock Acquisition Rights and does not fall under an issuing at a discount from market price. However, the Company shall provide the grantees of the allotted Stock Acquisition Rights with the right to claim for remuneration which is equivalent to the aggregate amount to be paid for the allocated Stock Acquisition Rights, and set off the payment liability for the Stock Acquisition Rights by the right to claim for remuneration, replacing the monetary payment for the Stock Acquisition Rights.

4. Date of allotment of Stock Acquisition Rights

April 15, 2025

5. Contents of the Stock Acquisition Rights

(1) Targeted types and numbers of the Stock Acquisition Rights

The targeted type of stock for the Stock Acquisition Rights shall be the Company's common stock, and the targeted number of shares for the Stock Acquisition Rights (hereinafter, referred to as the "number of allotted shares") shall be 100 shares of the Company's common stock.

The number of allotted shares shall be adjusted by using the following formula in the event that the Company makes a share split (including allotment of shares without contribution hereinafter) or share consolidation after the allotment of the Stock Acquisition Rights. However, it is provided that the said adjustment shall be applied to the targeted stock's shares to which the Stock Acquisition Rights have not been exercised at the time of a share split or share consolidation, and any fraction less than one share resulting from the adjustment shall be discarded.

Number of allotted shares after the adjustment = Number of allotted shares before the adjustment x
Ratio of share split or share consolidation

The number of allotted shares after the adjustment shall be applied, in the case of a stock split, from the day following the record date of the said stock split (or, if no record date is determined, then the effective date) and, in the case of a share consolidation, from the effective date. However, when the Company makes a share split under the condition that the proposal for increasing the capital or reserve by reducing the surplus shall be approved at the Company's general meeting of shareholders and a date prior to the closing of the said general meeting of shareholders is set as the record date, the number of allotted shares after the adjustment shall be applied from the day following the date when the said general meeting of shareholders closed.

Furthermore, in the case that the Company carries out a merger, corporate split, share exchange, or any other event equivalent thereto necessitating an adjustment of the number of allotted shares, the Company shall be permitted to adjust the number of allotted shares to the extent that has been approved as appropriate at the resolution of the Board of Directors meeting.

When the Company makes an adjustment to the number of allotted shares, the Company shall notify or announce necessary matters to holders of the Stock Acquisition Rights (each such holder hereinafter referred to as a “grantee of the Stock Acquisition Rights”) by the day preceding the date of the start of the application of the number of allotted shares after the adjustment. However, in the case that the Company is unable to notify or announce by the day preceding the said applicable date, a notice or announcement shall be made promptly.

(2) Amount of assets to be contributed upon the exercise of Stock Acquisition Rights

The exercise price (hereinafter, referred to as the “exercise price”) for one share of the stock that is granted upon the exercise of the said Stock Acquisition Rights shall be 1 yen. The amount of assets to be contributed upon each exercise of the Stock Acquisition Rights shall be the amount obtained by multiplying the exercise price of 1 yen by the number of the allotted shares.

(3) Period during which the Stock Acquisition Rights can be exercised

The period during which the Stock Acquisition Rights can be exercised (hereinafter, referred to as the “exercise period”) shall be from April 15, 2028 to April 14, 2043. However, in the case that the last day of the exercise period falls on the Company’s holiday, the business day preceding the date of the holiday shall be set as the last day of the exercise period.

(4) Conditions for the exercise

(i) The grantee of the Stock Acquisition Rights shall be, at the time of exercising the Stock Acquisition Rights, a director, an auditor, or an employee of the Company or the Company’s affiliates (i.e., companies having a capital relationship with the Company, such as the Company’s subsidiaries). However, this shall not be applied to cases of retirement from office due to the expiry of tenure, mandatory retirement, or any other justifiable reasons.

(ii) The exercise of the Stock Acquisition Rights by the holder’s heir shall be permitted only at once in the event of the death of the grantee of the Stock Acquisition Rights.

(iii) The exercise of a Stock Acquisition Right which is less than one unit shall not be permitted.

(iv) If the grantee of the Stock Acquisition Rights gives up the Stock Acquisition Rights, the said Stock Acquisition Rights cannot be exercised.

(5) Matters concerning the capital and capital reserve that would increase upon the issuance of shares due to the exercise of the Stock Acquisition Rights

(i) The amount of the capital that shall increase upon the issuance of shares due to the exercise of the Stock Acquisition Rights shall be half of the maximum capital increase calculated pursuant to Article 17-1 of the Corporate Accounting Regulations, with any decimal places smaller than one whole yen remaining after calculation thereof rounded up to the next whole number.

- (ii) The amount of the capital reserve that shall increase upon the issuance of shares due to the exercise of the Stock Acquisition Rights shall be the amount calculated by deducting the increased capital defined in the aforementioned (i) from the maximum capital increase stated in the above (i).

(6) Restriction on the acquisition of the Stock Acquisition Rights through the transfer of ownership
The acquisition of the Stock Acquisition Rights through the transfer of ownership shall require approval by a resolution of the Board of Directors.

(7) Acquisition terms for the Stock Acquisition Rights

The Company shall be able to acquire Stock Acquisition Rights without contribution on a date separately set by the Company's Board of Directors, if any one of the proposals stated in the following (1) through (5) is approved by the Company's general meeting of shareholders (or if the general meeting of shareholders is not required, then a resolution at the Board of Directors meeting).

- (i) A proposal to approve a corporate merger agreement that will make the Company a dissolving company
- (ii) A proposal to approve a corporate split agreement or a corporate split plan that will make the Company a split company
- (iii) A proposal to approve a share exchange agreement or a share transfer plan that will make the Company a wholly-owned subsidiary
- (iv) A proposal to approve the amendment of the articles of incorporation for establishing the rules on the requirement of the Company's approval for the acquisition of all the said shares through transfer of ownership
- (v) A proposal to approve the amendment of the articles of incorporation for establishing rules on the requirement of the Company's approval for the acquisition of shares of the said stock type through transfer of ownership, with respect to the targeted stock type of the Stock Acquisition Rights or rules on the Company's acquisition of all shares of the said stock type through the resolution of the general meeting of shareholders.

(8) Matters concerning the issuance of stock acquisition rights of the reorganized company under the reorganization

If the Company carries out a merger (limited to cases where the Company is to be dissolved through the merger), absorption-type demerger or incorporation-type demerger (in each case only if the Company becomes a split company), or share exchange or share transfer (in each case only if the Company becomes a wholly-owned subsidiary) (each of which is called a "Restructuring Transaction"), the Company shall provide the grantees of the Stock Acquisition Rights who hold the remaining Stock Acquisition Rights (hereinafter, referred to as the "Remaining Stock Acquisition Rights") at the effective date of the Restructuring Transaction (i.e., in an absorption-type merger, the

date when the absorption-type merger comes into effect; in a merger by incorporating a new company, the date when a new consolidated company is incorporated; in an absorption-type demerger, the date when the absorption-type demerger takes effect; in the incorporation-type demerger, the date when a new split company is incorporated; in the share exchange, the date when the share exchange comes into effect; and in a share transfer, the date when a wholly-owning parent company is established with the completion of the share transfer; the same shall apply hereinafter) with the stock acquisition rights of the corporations (hereinafter referred to as the “Reorganized Company”), based on the respective conditions as stated in Article 236, Paragraph 1-8 (a)-(e) of the Companies Act . However, it is provided that the grant of stock acquisition rights of the Reorganized Company, in line with the following paragraphs, shall be stipulated in an absorption-type merger agreement, an agreement for the merger by incorporating a new company, an absorption-type demerger agreement, an incorporation-type demerger agreement, an agreement for share exchange, or an agreement for share transfer.

- (i) Number of stock acquisition rights issued by the Reorganized Company
The number of stock acquisition rights to be issued shall be the same number as the Remaining Stock Acquisition Rights held by the grantee of the Stock Acquisition Rights.
- (ii) Targeted stock type of the Reorganized Company for stock acquisition rights
It shall be the common stock of the Reorganized Company.
- (iii) Targeted number of shares of the Reorganized Company for stock acquisition rights
With consideration of the conditions, etc. in the implementation of the reorganization, it shall be determined in accordance with the aforementioned (1) of 5.
- (iv) Amount of assets to be contributed upon the exercise of the stock acquisition rights
The amount of assets to be contributed upon each exercise of the stock acquisition rights shall be the amount calculated by multiplying the exercise price following the reorganization, as defined below, by the number of shares to be issued for the stock acquisition rights of the targeted Reorganized Company, determined based on the aforementioned (iii). The exercise price after the reorganization shall be 1 yen per share of the stock of the targeted Reorganized Company that is granted through the exercise of the granted stock acquisition rights.
- (v) Period during which stock acquisition rights can be exercised
The exercise period shall start on the day specified in the above (3) of 5, or the effective date of the reorganization, whichever is later, and end on the day stipulated in the aforementioned (3) of 5 as the last day permitting the exercise of the stock acquisition rights.
- (vi) Matters concerning the capital and capital reserve that would increase due to the issuance of shares upon the exercise of stock acquisition rights
These matters shall be determined in accordance with the aforementioned (5) of 5.
- (vii) Restriction of the acquisition of stock acquisition rights through transfer of ownership
The acquisition of the stock acquisition rights through transfer of ownership shall require

approval by a resolution of the Board of Directors meeting of the Reorganized Company.

(viii) Acquisition terms for the stock acquisition rights

They shall be determined in accordance with the aforementioned (7) of 5.

(ix) Other exercise conditions of the stock acquisition rights

They shall be determined in accordance with the following (4) of 5.

(9) Treatment of fractions

In the case that shares issued for the grantee of the Stock Acquisition Rights upon the exercise of the Stock Acquisition Rights have a fractional portion less than one share, the fraction shall be discarded.

(10) Non-issuance of the stock acquisition rights certificate

The stock acquisition rights certificate pertaining to the Stock Acquisition Rights shall not be issued.

(11) Date for payment in exchange for the Stock Acquisition Rights

April 15, 2025

The Stock Acquisition Rights to be issued based on the aforementioned terms and conditions are intended to be allocated to the Company's Executive Directors and Executive Officers (total 9 people). The Company plans to grant 404 units to the Executive Directors and 124 units to the Executive Officers respectively out of total 528 units of the Acquisition Stock Rights described in the aforementioned Terms and Conditions, Paragraph 2. The final allocation will be determined at the Board of Directors' meeting which will be held later.