

March 11, 2022

Dear shareholders

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

Notice of Convocation of the 25th Annual General Meeting of Shareholders

It gives us great pleasure to invite you to the 25th Annual General Meeting of Shareholders of GungHo Online Entertainment, Inc.

In order to give top priority to safety from the viewpoint of preventing the spread of COVID-19 infections, shareholders are kindly requested to exercise their voting rights in writing or via the Internet, etc., in advance, and refrain from attending the General Meeting of Shareholders.

Please review the attached Reference Materials for the General Meeting of Shareholders, and exercise your voting rights by March 29, 2022 (Tuesday) at 6 p.m.

1. Date and time March 30, 2022 (Wednesday) 10:00 a.m. (Doors open at 9:00 a.m.)
2. Venue 3-13-1 Takanawa, Minato-ku, Tokyo
Grand Prince Hotel New Takanawa "International Convention Center Pamir"

3. Purpose

- Matters to be reported
1. Report on the Business Report, the Consolidated Financial Statements, and the Audit Results of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors for the 25th term (from January 1, 2021 to December 31, 2021)
 2. Report on the Non-consolidated Financial Statements for the 25th term (from January 1, 2021 to December 31, 2021)

Matters to be resolved

- Proposal 1 Partial Amendment of the Article of Incorporation
Proposal 2 Election of Nine (9) Directors

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The distribution of souvenirs at the General Meeting of Shareholders has been cancelled in order to give top priority to safety from the viewpoint of preventing the spread of COVID-19 infections. Thank you for your understanding.

• **For shareholders who have exercised their voting rights via the Internet, etc., such exercise of voting rights will be deemed as a valid manifestation of intention even if the Voting Rights Exercise Form is returned.**

• **If you exercise your voting rights multiple times via the Internet, etc., the most recent exercise of such will be treated as a valid manifestation of intention.**

• Please be advised that non-shareholders such as proxies and persons accompanying shareholders are not permitted to attend the meeting.

• When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception.

• If the Reference Materials for the General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements, and the Consolidated Financial Statements are amended, the amendments will be announced on the Company's website (<https://www.gungho.co.jp/english/>).

### Notice of Measures to Prevent the Spread of COVID-19 Infections

- **In order to give top priority to safety from the viewpoint of preventing the spread of COVID-19 infections, shareholders are kindly requested to exercise their voting rights in writing or via the Internet, etc., in advance, and refrain from attending the General Meeting of Shareholders.**
- If there is any major change to the proceedings of the General Meeting of Shareholders due to the spread of infections by the day of the Meeting, a notice will be posted on the Company's website (<https://www.gungho.co.jp/>).
- Regarding the proceedings of this General Meeting of Shareholders, the Meeting may be substantially shortened, including the explanations for matters to be reported and those to be resolved, in order to shorten the meeting time for the purpose of preventing the spread of COVID-19 infections. Shareholders are kindly requested to read the Notice of Convocation in advance.
- Attending shareholders are also kindly requested to bring and wear masks.
- We will take your temperature by thermography, etc., in the reception area. In order to ensure the safety of other shareholders, we may refuse admission to those who are deemed to have a fever, seem to be in poor health, or who do not wear a mask.
- We will install alcohol-based hand sanitizers near reception.
- When setting up the venue, seating will be spaced out.
- Directors and operating staff attending the General Meeting of Shareholders shall receive you wearing masks after checking their physical condition, including temperature.

<<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: Tokyo Securities Transfer Agent Co., Ltd.

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.

Business Report  
( From January 1, 2021  
to December 31, 2021 )

## 1. Overview of the Company Group

(1) Consolidated business performance for the fiscal year ended December 31, 2021

### 1) Business progress and results

The Japanese game market grew 16.5% year-on-year to 2.188 trillion yen\* in 2020, supported by an expansion of the mobile-game market and strong sales of home-console game software. In 2020, both the global game content market and the mobile game market continued to grow, as did the home-console game market and the PC online-game market, resulting in a 31.6% year-on-year increase to 20.6417 trillion yen\*. In addition, while economic activity continued to stagnate due to the impact of COVID-19, there were signs of recovery in some areas, but the future remains uncertain.

Against this backdrop, our company continued to concentrate on game development with a focus on global distribution aiming for the "creation of new value," and in order to "maximize existing value," we have worked to maintain as well as 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. As a result, in the fiscal year under review, our group's performance saw an increase in both revenue and profits compared to the previous fiscal year.

As for existing games, "P&D" has had continuous updates and events held, such as adding new dungeons and other items, improving game contents, and collaborating with famous characters from other companies, all with the main objective of providing players with the ability to have continued long-term enjoyment of the game, and MAU continued to remain firm. As for "P&D," starting in October 2021, in addition to holding the P&D Appreciation Celebration, we will also hold events to celebrate the 10th anniversary of P&D, as February 20, 2022 marks 10 years since the initial launch of its service, and we are working to reinvigorate active users. "PUZZLE & DRAGONS Nintendo Switch Edition", the latest and the 10th anniversary commemorative edition of "P&D" which had been developed during the fiscal year under review, was released on February 20, 2022. The competitive Ninja Gum Battle Action game "Ninjala" for Nintendo Switch™ has made efforts to expand its user base by holding collaboration events and online competitions, implementing new maps and new weapons, implementing a wide range of cross-media deployment, and selling merchandise and the "Ninjala" TV anime started being broadcast on January 8, 2022.

As for new games, "Ragnarok Origin," an MMORPG for smartphones that was launched in Japan on June 28, 2021, continued to be updated and held events, resulting in a stable number of active users and contributing to our results.

Regarding subsidiary-related business, the MAU for Ragnarok-related titles distributed by Gravity Co., Ltd. and its consolidated subsidiaries continued to remain firm due to continuous updates and the holding of events. Additionally, "Ragnarok X: Next Generation," an MMORPG for smartphones that was launched in Southeast Asia on June 18, 2021, has continued to record strong sales. "Ragnarok Origin," an MMORPG for smartphones, began service in North America on November 10, 2021.

As a result, net sales for the fiscal year ended December 31, 2021 amounted to 104,626 million yen, (an increase of 5.8% year-on-year). Operating profit was 32,802 million yen, (an increase of 8.8% year-on-year), ordinary profit was 33,629 million yen, (an increase of 11.3% year-on-year), and profit attributable to owners of parent came to 22,883 million yen (an increase of 39.8% year on year)..

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

\*: Famitsu Game White Paper 2021

### 2) Capital expenditure

For the fiscal year ended December 31, 2021, capital expenditure totaled 1,775 million yen, consisting mainly of 980 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                                    | 22nd<br>From January 1,<br>2018 to December<br>31, 2018 | 23rd<br>From January 1,<br>2019 to December<br>31, 2019 | 24th<br>From January 1,<br>2020 to December<br>31, 2020 | 25th<br>From January 1,<br>2021 to December<br>31, 2021 |
|-----------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Net sales                               | 92,101                                                  | 101,392                                                 | 98,844                                                  | 104,626                                                 |
| Operating profit                        | 26,577                                                  | 28,349                                                  | 30,157                                                  | 32,802                                                  |
| Ordinary profit                         | 26,659                                                  | 28,617                                                  | 30,202                                                  | 33,629                                                  |
| Profit attributable to owners of parent | 16,585                                                  | 18,146                                                  | 16,369                                                  | 22,883                                                  |
| Net profit per share                    | 233.17 yen                                              | 258.04 yen                                              | 239.94 yen                                              | 341.44 yen                                              |
| Total assets                            | 96,032                                                  | 105,008                                                 | 122,257                                                 | 134,930                                                 |
| Net assets                              | 78,110                                                  | 90,765                                                  | 104,727                                                 | 118,672                                                 |
| Net assets per share                    | 1,035.90 yen                                            | 1,218.59 yen                                            | 1,422.35 yen                                            | 1,681.71 yen                                            |

(Note) Effective July 1, 2019, share consolidation was implemented at a ratio of 1 share per 10 shares of common stock. Net profit per share and net assets per share are calculated on the assumption that the share consolidation was conducted at the beginning of the 22nd consolidated fiscal year.

2) Non-consolidated

(Millions of yen)

| Item                 | 22nd<br>From January 1,<br>2018 to December<br>31, 2018 | 23rd<br>From January 1,<br>2019 to December<br>31, 2019 | 24th<br>From January 1,<br>2020 to December<br>31, 2020 | 25th<br>From January 1,<br>2021 to December<br>31, 2021 |
|----------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Net sales            | 62,340                                                  | 67,870                                                  | 62,643                                                  | 66,642                                                  |
| Operating profit     | 23,906                                                  | 24,144                                                  | 23,117                                                  | 23,258                                                  |
| Ordinary profit      | 23,981                                                  | 24,255                                                  | 23,197                                                  | 23,764                                                  |
| Net profit           | 15,351                                                  | 16,391                                                  | 12,816                                                  | 18,529                                                  |
| Net profit per share | 215.82 yen                                              | 233.09 yen                                              | 187.86 yen                                              | 276.47 yen                                              |
| Total assets         | 81,865                                                  | 92,432                                                  | 100,150                                                 | 107,091                                                 |
| Net assets           | 75,034                                                  | 84,601                                                  | 92,480                                                  | 99,005                                                  |
| Net assets per share | 1,042.17 yen                                            | 1,201.76 yen                                            | 1,348.22 yen                                            | 1,534.56 yen                                            |

(Note) Effective July 1, 2019, share consolidation was implemented at a ratio of 1 share per 10 shares of common stock. Net profit per share and net assets per share are calculated on the assumption that the share consolidation was conducted at the beginning of the 22nd consolidated fiscal year.

(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 online PC games and smartphone games |
| Gravity Interactive,Inc.                          | USD 14,540 thousand | 100.00% (100.00%)                | Planning, development, operation and online distribution of online PC games and smartphone games |
| Gravity Communications Co.,Ltd.                   | TWD 155 million     | 100.00% (100.00%)                | Planning, development, operation and online distribution of online PC games and smartphone games |
| Gravity NeoCyon,Inc.                              | KRW 3,990 million   | 99.52% (99.52%)                  | Planning, development, operation and online distribution of online PC games and smartphone games |
| PT Gravity Game Link                              | Rp 30,254 million   | 70.00% (70.00%)                  | Planning, development, operation and online distribution of online PC games and smartphone games |
| Gravity Game Tech Co.,Ltd.                        | THB 88 million      | 100.00% (100.00%)                | Planning, development, operation and online distribution of online PC games and smartphone games |
| Gravity Game Arise Co., Ltd.                      | JPY 150 million     | 100.00% (100.00%)                | Planning, development, operation and online distribution of online PC games and smartphone games |
| Gravity Game Hub PTE.,Ltd.                        | SDG 3 million       | 100.00% (100.00%)                | Planning, development, operation and online distribution of online PC games and smartphone games |
| Acquire Corp                                      | JPY 100 million     | 50.07%                           | Planning, development, distribution and sales of smartphone games and consumer games             |
| GungHo Online Entertainment America,Inc.          | USD 300,000         | 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                                                                                  |
| GungHo Gamania Co.,Limited                        | USD 17,500 thousand | 51.00%                           | Planning, development, operation and distribution of smartphone games                            |

Note 1: Figures in parentheses for the Company's voting right ratio indicate the indirect ownership ratios as included numbers.

Note 2: mspo, Inc. was removed from material subsidiaries because it was resolved at the Board of Directors meeting held on March 30, 2021, that it would start special liquidation proceedings.

Note 3: Grasshopper Manufacture Inc. was removed from material subsidiaries because all shares held by the Company was sold during the fiscal year under review.

- 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 19th anniversary since the launch of the service, and "Puzzle & Dragons" for smartphones celebrated its 10th anniversary in February 2022.

Aiming for the long-term enhancement of the game brand "Puzzle & Dragons," we offer the brand's 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, the competitive environment is expected to be more severe in the future. 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 for PC online games, smartphone 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 video 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.

(5) Principal business activities (as of December 31, 2021)

- 1) Planning, development, operation and online distribution of PC online computer games and smartphone games
- 2) Planning, development, operation, distribution and sales of consumer games

(6) Principal offices (as of December 31, 2021)

- 1) The Company's business office  
Chiyoda-ku, Tokyo, Japan
- 2) Principal subsidiaries' business offices

| Company name                                      | Company location                                                          |
|---------------------------------------------------|---------------------------------------------------------------------------|
| Game Arts Co., Ltd.                               | Chiyoda-ku, Tokyo, Japan                                                  |
| Gravity Co.,Ltd.                                  | Seoul Special City, South Korea                                           |
| Gravity Interactive,Inc.                          | California, United States of America                                      |
| Gravity Communications Co.,Ltd.                   | Taipei City, Taiwan                                                       |
| Gravity NeoCyon,Inc.                              | Seoul Special City, South Korea                                           |
| PT Gravity Game Link                              | Special Capital Region of Jakarta, Republic of Indonesia                  |
| Gravity Game Tech Co.,Ltd.                        | Bangkok, Thailand                                                         |
| Gravity Game Arise Co., Ltd.                      | Chuo-ku, Tokyo, Japan                                                     |
| Gravity Game Hub PTE.,Ltd.                        | Singapore                                                                 |
| ACQUIRE Corp.                                     | Chiyoda-ku, Tokyo, Japan                                                  |
| GungHo Online Entertainment America,Inc.          | California, United States of America                                      |
| SUPERTRICK GAMES,Inc.                             | Chiyoda-ku, Tokyo, Japan                                                  |
| GungHo Online Entertainment Asia Pacific Pte.Ltd. | Singapore                                                                 |
| GungHo Gamanian Co.,Limited                       | Hong Kong Special Administrative Region of the People's Republic of China |

(7) Employees (as of December 31, 2021)

- 1) Employees of the corporate group

| Number of employees | Change from the end of the previous consolidated fiscal year |
|---------------------|--------------------------------------------------------------|
| 1,391 [144]         | Increase of 56                                               |

Note: Number of employees in the brackets denotes average number of temporary employees for the fiscal year

- 2) Employees of the Company

| Number of employees | Change from the end of the previous fiscal year | Average age           | Average number of service years |
|---------------------|-------------------------------------------------|-----------------------|---------------------------------|
| 413 [97]            | Increase of 9                                   | 40 years and 8 months | 8 years and 7 month             |

Notes: 1. Number of employees in the brackets denotes average number of temporary employees for the fiscal year  
2. Number of employees excludes GungHo employees on loan to other companies and includes other companies' employees on loan to GungHo.



(8) Principal lenders (as of December 31, 2021)

| Lender                    | Outstanding borrowings |
|---------------------------|------------------------|
| Japan Finance Corporation | 110 million yen        |

(9) Other material matters related to the current state of the corporate group  
Not applicable

## 2. Matters relating to shares of the Company

(1) Shares (as of December 31, 2021)

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

2) Total number of shares outstanding 91,199,116 shares

Note 1: Total number of shares outstanding includes the treasury shares (27,358,682 shares).

Note 2: The total number of shares outstanding has decreased by 4,011,200 from the end of the previous fiscal year due to the cancellation of treasury shares on December 30, 2021.

3) Number of shareholders 65,465

4) Major shareholders

| Shareholder name                                                              | Number of shares held | Shareholding ratio |
|-------------------------------------------------------------------------------|-----------------------|--------------------|
| SON Financial LLC.                                                            | 12,113,600 shares     | 18.97%             |
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account)                       | 6,611,000 shares      | 10.35%             |
| THE BANK OF NEW YORK MELLON<br>140044                                         | 2,500,080 shares      | 3.91%              |
| Custody Bank of Japan, Ltd. (Trust<br>Account)                                | 1,964,100 shares      | 3.07%              |
| Claude Co., Ltd.                                                              | 1,526,800 shares      | 2.39%              |
| Fractal Media Co., Ltd.                                                       | 1,396,500 shares      | 2.18%              |
| Kazuki Morishita                                                              | 1,009,600 shares      | 1.58%              |
| STATE STREET BANK AND TRUST<br>COMPANY 505001                                 | 934,366 shares        | 1.46%              |
| BBH FOR SEI INSTITUTIONAL INV TR-<br>WORLD EQU EX US FD/ALLIANCE<br>BERNSTEIN | 857,300 shares        | 1.34%              |
| BNYM AS AGT/CLTS NON TREATY<br>JASDEC                                         | 680,273 shares        | 1.06%              |

Note 1: The Company holds 27,358,682 shares of treasury stock, but is excluded from the above list of major shareholders.

Note 2: Shareholding ratio was calculated by excluding the treasury shares (27,358,682 shares).

5) Other important matters relating to shares

i. The Company acquired treasury shares as follows in accordance with the resolution of the Board of Directors held on August 13, 2021.

|                                        |                                            |
|----------------------------------------|--------------------------------------------|
| Type and the number of shares acquired | 2,272,700 common shares                    |
| Total acquisition price                | JPY 4,999,920,900                          |
| Acquisition period                     | From August 16, 2021 to September 21, 2021 |
| Acquisition method                     | Acquisition on the Tokyo stock exchange    |

ii. The Company acquired treasury shares as follows in accordance with the resolution of the Board of Directors held on November 12, 2021.

|                                        |                                             |
|----------------------------------------|---------------------------------------------|
| Type and the number of shares acquired | 1,738,500 common shares                     |
| Total acquisition price                | JPY 4,999,955,500                           |
| Acquisition period                     | From November 15, 2021 to December 17, 2021 |
| Acquisition method                     | Acquisition on the Tokyo stock exchange     |

iii. The Company cancelled treasury shares as follows in accordance with the resolution of the Board of Directors held on November 12, 2021.

|                                                      |                         |
|------------------------------------------------------|-------------------------|
| Type and the number of shares cancelled              | 4,011,200 common shares |
| Total number of issued shares after the cancellation | 91,199,116 shares       |
| Date of Cancellation                                 | December 30, 2021       |

## (2) Share subscription rights

## 1) Outline of share subscription rights held by the Company's Directors as of December 31, 2021

|                                                                                         | 2015 3rd<br>share subscription<br>rights | 2016 4th<br>share subscription<br>rights | 2017 5th<br>share subscription<br>rights | 2018 6th<br>share subscription<br>rights |
|-----------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|
| Date of issue                                                                           | June 25, 2015                            | August 18, 2016                          | May 15, 2017                             | April 10, 2018                           |
| Number of share subscription rights                                                     | 4,675 rights                             | 8,051 rights                             | 6,976 rights                             | 4,113 rights                             |
| Number of holders<br>The Company's Directors<br>(excluding outside Directors)           | 3 persons                                | 4 persons                                | 4 persons                                | 4 persons                                |
| The Company's Auditors<br>(excluding outside Auditors)                                  | 1person                                  | 1person                                  | 1person                                  | 1person                                  |
| Type and number of shares to which share subscription rights apply                      | Common shares<br>46,750 shares           | Common shares<br>80,510 shares           | Common shares<br>69,760 shares           | Common shares<br>41,330 shares           |
| Issue price of subscription rights                                                      | 4,680 yen per share                      | 2,293.9 yen per share                    | 2,507.8 yen per share                    | 3,404.7 yen per share                    |
| Value of capital to be contributed at the time of exercise of share subscription rights | 1 yen per share                          | 1 yen per share                          | 1 yen per share                          | 1 yen per share                          |
| Exercise period for share subscription rights                                           | From June 25, 2016 to June 24, 2031      | From August 18, 2017 to August 17, 2032  | From May 15, 2018 to May 14, 2033        | From April 10, 2019 to April 9, 2034     |
| Main terms and conditions of exercise of share subscription rights                      | (Note)                                   | (Note)                                   | (Note)                                   | (Note)                                   |

|                                                                                         | 2019 7th<br>share subscription<br>rights | 2020 8th<br>share subscription<br>rights | 2021 9th<br>share subscription<br>rights |
|-----------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|
| Date of issue                                                                           | April 9, 2019                            | April 14, 2020                           | April 14, 2021                           |
| Number of share subscription rights                                                     | 3,190 rights                             | 936 rights                               | 781 rights                               |
| Number of holders<br>The Company's Directors<br>(excluding outside Directors)           | 5 persons                                | 5 persons                                | 5 persons                                |
| The Company's Auditors<br>(excluding outside Auditors)                                  | 1person                                  | 1person                                  | 0person                                  |
| Type and number of shares to which share subscription rights apply                      | Common shares<br>31,900 shares           | Common shares<br>93,600 shares           | Common shares<br>78,100 shares           |
| Issue price of subscription rights                                                      | 3,444.5 yen per Share                    | 1,359.37 yen per share                   | 2,002.45 yen per share                   |
| Value of capital to be contributed at the time of exercise of share subscription rights | 1 yen per share                          | 1 yen per share                          | 1 yen per share                          |
| Exercise period for share subscription rights                                           | From April 9, 2020 to April 8, 2035      | From April 14, 2021 to April 13, 2036    | From April 14, 2024 to April 13, 2039    |
| Main terms and conditions of exercise of share subscription rights                      | (Note)                                   | (Note)                                   | (Note)                                   |

Notes: Due to the share consolidation of the Company's common stock at a ratio of 1 share for every 10 shares as of July 1, 2019, "Type and number of shares to which share subscription rights apply" and "Issue price of subscription rights" from the 3rd to 7th share subscription rights above were adjusted accordingly.

2) Outline of share subscription rights granted to employees of the Company during the fiscal year under review

|                                                                                                                                    | 2021 9th<br>share subscription rights |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| Date of issue                                                                                                                      | April 14, 2021                        |
| Number of share subscription rights                                                                                                | 177 rights                            |
| Number of grantees<br>The Company's Corporate Officers (excluding any Corporate Officer concurrently in service as Director of it) | 3 persons                             |
| Type and number of shares to which share subscription rights apply                                                                 | Common shares<br>17,700 shares        |
| Issue price of share subscription rights                                                                                           | 2,002.45 yen per share                |
| Value of capital to be contributed at the time of exercise of share subscription rights                                            | 1 yen per share                       |
| Exercise period for share subscription rights                                                                                      | From April 14, 2024 to April 13, 2039 |
| Main terms and conditions of share subscription rights                                                                             | (Note)                                |

Notes: 1. Any exerciser of the share subscription rights is required to be in the position of a Director, Corporate Auditor or employee of GungHo or a related company of it (referring to any of its subsidiaries and other companies having a capital relationship with GungHo) when exercising the rights in question. This, however, does not apply to cases where the exerciser resigns from GungHo due to the expiration of his/her service term or old-age retirement or if there is any other legitimate reason for the intended exercise.

2. In the event of the death of a share subscription right holder, his/her inheritor is allowed to exercise the share subscription rights solely in one single bulk transaction.

3. No share subscription right less than one unit of the share subscription rights is allowed to be exercised.

4. In the event of a share subscription right holder relinquishing his/her share subscription rights, these rights are not allowed to be exercised.

### 3. Matters relating to Directors of the Company

#### (1) Director and Auditors (as of December 31, 2021)

| Position                            | Name               | Assignment, and Significant Concurrent Positions                                                                                                                                                                                                                                                        |
|-------------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| President & Representative Director | Kazuki Morishita   | President & Representative Director of Game Arts Co., Ltd.<br>Executive Director of Gravity Co., Ltd.                                                                                                                                                                                                   |
| Director                            | Kazuya Sakai       | Executive General Manager of Finance Accounting Division and CFO of the Company<br>Director of Game Arts Co., Ltd.<br>Executive Director of Gravity Co., Ltd.<br>Director of Acquire Corp.<br>Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.<br>Director of GungHo Gamania Co., Limited |
| Director                            | Yoshinori Kitamura | Executive General Manager of GV business division of the company<br>Executive Director of Gravity Co., Ltd.                                                                                                                                                                                             |
| Director                            | Koji Yoshida       | Executive General Manager of Business Administration Division, CCO and CCMO of the Company<br>Director of Acquire Corp.<br>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.<br>Director of J.Score CO., LTD.<br>Director of SoftBank Group Japan Corporation                                                                                                                                             |
| Director                            | Hidetsugu Onishi   | Co-CEO, Integrity Partners LLC<br>CEO, Avergence Incorporated<br>Outside Auditor of Arcland Sakamoto Co., LTD                                                                                                                                                                                           |
| Director                            | Keiji Miyakawa     | Senior Advisor of Japan of Lincoln International<br>Outside Director of H.U. Group Holdings, Inc.                                                                                                                                                                                                       |
| Director                            | Susumu Tanaka      | —                                                                                                                                                                                                                                                                                                       |
| Full-time Auditor                   | Masato Ochi        | Auditor of Game Arts Co., Ltd.<br>Auditor of Acquire Corp.                                                                                                                                                                                                                                              |
| Auditor                             | Hiroto Uehara      | Representative of Uehara Hiroto Certified Public Accountant Firm                                                                                                                                                                                                                                        |
| Auditor                             | Kaba Toshiro       | Representative of Shiroyama-Tower Law Office<br>Director, Toin Legal Research Support Center<br>Visiting Professor, Graduate School of Laws, Toin University of Yokohama<br>Outside Auditor of T-Gaia Corporation<br>Outside Auditor of J.Score CO., LTD<br>Outside Auditor of PIALA Inc.               |

Notes: 1. Hidetsugu Onishi, Director; Keiji Miyakawa, Director, Susumu Tanaka, Director fell under the category of outside directors, and the Tokyo Stock Exchange was notified that they are independent director.

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 directors.

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 and Susumu Tanaka 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 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 and Auditors 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.

(4) Amounts of remunerations for Directors and Auditors

1) Policies on determining remuneration for Directors

Remuneration for Directors consists of fixed compensation and, for Executive Directors, stock options as stock-based compensation; their amounts are decided within the upper limit established by the resolution of the General Meeting of Shareholders. At the Board of Directors meeting held on February 16, 2021, the Company set forth its policies on determining remuneration for individual Directors as below, and they were reconfirmed as appropriate in light of the subsequent business environment and other factors and were adopted by a resolution of the Board of Directors meeting held on December 15, 2021.

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 Representative Director, with advice from Independent Outside Directors when necessary.

II. 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.

III. Policy on ratio of compensation

The ratio of fixed 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, while avoiding excessive dependence on remuneration other than fixed compensation, at the time of the resolution to allocate share subscription rights to be granted as the stock options.

IV. Policy on timing and conditions for granting remuneration

Fixed compensation for Directors is paid in the same amount every month. As non-monetary compensation, 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                                     | Stock option as compensation |                              |
| Directors (from Outside Directors) | 261(18)                      | 187(18)                                                | 74(-)                        | 10(3)                        |
| Auditor (from Outside Auditors)    | 49(14)                       | 49(14)                                                 | -(-)                         | 4(3)                         |
| Total (from Outside Directors)     | 310(32)                      | 236(32)                                                | 74(-)                        | 14(6)                        |

- Notes:
- 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: 5 persons, 155 million yen.
  - The number of directors is (9) Directors and (3) Auditors as of December 31, 2021. The difference from the number recipients above is due to the inclusion of one (1) Director and Auditor who retired at the conclusion of the 24th Annual General Meeting of Shareholders held on March 30, 2021.
  - 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 their granting are described in "2. Matters relating to shares of the Company."
  - Regarding fixed compensation for 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 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).)
  - Regarding remuneration for 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.
  - 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 considering advice from Independent Outside Directors when necessary.
  - 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. Also, stock options as stock-based compensation are determined by the Board of Directors, including Independent Outside Directors, 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 policies adopted by the Board of Directors.

(5) Matters relating to Outside Directors

1) Relationship between the Company and significant organization concurrently served in by Director

- Hidetsugu Onishi, Director concurrently serves as Co-CEO of Integrity Partners LLC, CEO of Avergence Incorporated, Outside Auditor of Arcland Sakamoto Co., LTD neither of which has any particular relationship with GungHo.
- Keiji Miyakawa, Director concurrently serves as Senior Advisor of Japan of Lincoln International, Outside Director of H.U. Group Holdings, Inc. neither of which has any particular relationship with GungHo.
- Hiroto Uehara, Auditor concurrently serves as Representative of Uehara Hiroto Certified Public Accountant Firm, which doesn't have any particular relationship with GungHo.
- Toshiro Kaba, Auditor, concurrently serves as Representative of Shiroyama-Tower Law Office, Director of Toin Legal Research Support Center, Visiting Professor of Graduate School of Laws of Toin University of Yokohama, Outside Auditor of T-Gaia Corporation, Outside Auditor of J.Score CO., LTD. and Outside Auditor of PIALA Inc., and none of these entities has any particular relationship with GungHo.

2) Principal activities during the fiscal year under review

a. Attendance at Board of Directors meetings and Board of Corporate Auditors meetings

|                            | Board of Directors meeting<br>(held 13 times) |                 | Board of Corporate Auditors<br>meeting (held 15 times) |                 |
|----------------------------|-----------------------------------------------|-----------------|--------------------------------------------------------|-----------------|
|                            | Number of<br>attendances                      | Attendance rate | Number of<br>attendances                               | Attendance rate |
| Hidetsugu Onishi, Director | 13 times                                      | 100%            | - times                                                | - %             |
| Keiji Miyakawa, Director   | 13 times                                      | 100%            | - times                                                | - %             |
| Susumu Tanaka, Director    | 13 times                                      | 100%            | - times                                                | - %             |
| Hiroto Uehara, Auditor     | 13 times                                      | 100%            | 15 times                                               | 100%            |
| Toshiro Kaba, Auditor      | 13 times                                      | 100%            | 15 times                                               | 100%            |

b. Remarks at Board of Directors meetings and an overview of the duties performed in relation to the roles expected of Outside Directors

Hidetsugu Onishi, Director, has sufficient experience and extensive knowledge gained mainly as a corporate executive. Keiji Miyakawa, Director, has sufficient experience and expertise gained mainly as an executive of financial service business. Susumu Tanaka, Director, has sufficient experience and high-level knowledge mainly regarding both at home and abroad game business. Hiroto Uehara, Auditor, has sufficient experience and extensive knowledge gained mainly as a certified public accountant. Toshiro Kaba, Auditor, has sufficient experience and advanced knowledge gained as an attorney-at-law. They have provided the Company with advice and proposals from their respective viewpoints so that the legitimacy and validity of decisions made by the Board of Directors can be ensured.

These two Auditors have also made necessary remarks at the Board of Corporate Auditors meetings.

4. Accounting Auditor

(1) Name PricewaterhouseCoopers Aarata LLC

(2) Fee

|                                                                                                                                      | Amount of fee  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Fee for the Accounting Auditor for the fiscal year under review                                                                      | 32 million yen |
| Total amount of money and other compensation reward obliged to be paid to the Accounting Auditor by the Company and its subsidiaries | 32 million yen |

Notes: 1. The audit contract between the Company and the Accounting Auditor neither distinguishes between the audit fee for an audit under the Companies Act and the audit fee for an audit under the Financial Instruments and Exchange Act, nor is able to do so practically. Therefore, the total fee is shown above.

2. Bearing in mind the "Practical Guidelines on Collaboration with Accounting Auditor" published by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors ascertained the results of audit hours by audit item and hierarchical level under the previous fiscal year audit plan as well as the audit fee trend and the state of execution of duties by the Accounting Auditor. It then examined the reasonableness of the audit plan and fee for the fiscal year under review. As a result, the Board of Corporate Auditors consented to the fee for the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act.

(3) Matters concerning audits of subsidiaries

Gravity Co., Ltd., a subsidiary of the Company, is subject to audit by an accounting auditor other than the Company's Accounting Auditor.



(4) Policy on decision to dismiss or not reappoint the Accounting Auditor

The Board of Corporate Auditors conducts overall an assessment of the Accounting Auditor's qualifications, independence, communication with Corporate Auditors, etc. in accordance with internal assessment procedures. If considered necessary (e.g. cases where it is difficult for the Accounting Auditor to perform his/her duties), the Board of Corporate Auditors determines an agenda to dismiss or not reappoint the Accounting Auditor, and has the Board of Directors submit it to the General Meeting of Shareholders.

If any of the items of Article 340, Paragraph 1 of the Companies Act is deemed to apply to the Accounting Auditor, the Board of Corporate Directors will dismiss the former after obtaining the consent of all Auditors. In such event, an Auditor selected by the Board of Corporate Auditors will report on the dismissal in question and the reason for it at the first General Meeting of Shareholders to be held after the dismissal.

## 5. System to secure the appropriateness of operations and an outline of the system operation

Pursuant to the Companies Act and the Companies Act Enforcement Regulations, the Company has in place a basic policy to develop a system to secure the appropriateness of its operations (the Basic Policy on Development of Internal Control System). The contents of it and an outline of its operation are as shown below.

### (1) System to secure the appropriateness of operations

#### 1) System to ensure that the execution of duties of Directors and employees adheres to laws and ordinances and the Articles of incorporation

- a. In addition to ensuring the sharing of the corporate philosophy of the GungHo Group, we have established the GungHo Online Entertainment Group Charter, a charter that stipulates matters relating to the enhancement of its corporate governance platform and compliance, as well as the GungHo Group Compliance Code for Directors and Employees as compliance-related behavior guidelines obliged to be adhered to by all Directors and employees, as well as other relevant regulations.
- b. The Company elects a Chief Compliance Officer (CCO) as manager charged with promoting compliance.
- c. The Company develops whistleblowing internal/external contact points (hotline) to which a compliance-related whistleblowing report can be submitted by Directors or employees and at which any of them can have the relevant consultation. Moreover, the Company ensures that no such whistleblowing or consulting members become subjected to disadvantageous treatment.
- d. The Company's Internal Auditing Department performs an audit on the effectiveness of the organization's framework to comply with laws and ordinances and the Articles of Incorporation, and reports the audit results to the President & CEO and board meetings. Moreover, the Internal Auditing Department reports the audit results to Auditors, thereby collaborating with the latter.

#### 2) System for storage and management of information related to the execution of duties of the Company's Directors

- a. In addition to putting in place standards required for storing and managing documents, the Company develops a system to appropriately store and manage documents and other material information that are related to Directors' execution of duties, including minutes of Board of Directors meetings and approval procedure documents, pursuant to the Document Storage Management Regulations, regulations aimed to ensure the efficient operation of duties to store and manage documents.
- b. The Company elects the Chief Information Security Officer (CISO) as an officer to lead its information security activities pursuant to the Basic Information Security Regulations. Moreover, the Company puts in place the Information Security Committee chaired by CISO, thereby pursuing its information security activities.

#### 3) Regulations on and other system for management of loss risk

- a. The Company prescribes the Regulations on Risk Management System in order to avoid, mitigate and take necessary actions against various risks for its business operation. As for risk prevention, the Company establishes, pursuant to these regulations, the Risk Management Committee as a deliberation body to address risks. Further, individual business units, each responsible for handling different types of risks, perform risk management, striving to mitigate risks and prevent them from occurring.
- b. In the event of an unforeseen incident or an emergency, the Company will immediately establish the countermeasure headquarters pursuant to the Regulations on Risk Management System. In turn, the Chief Crisis Management Officer (CCMO), the top crisis manager under the Chairman of the headquarters (President & CEO), will lead the efforts to put in place a system to deal with the situation in a well-supervised manner.
- c. The Internal Auditing Department performs an audit on the state of the Company's risk management before reporting the audit results to President & CEO board meetings and Auditors.

4) System to ensure that the duties of Directors are executed efficiently

The Company has established the Regulations on Segregation of Duties and the Regulations on Official Authority, in addition to the Regulations on Board of Directors. Thus, the Company strives to clarify the scope of procedure for entity-level decision-making and that of duties required for executing operations as well as authority and responsibilities, thereby developing a system for Directors to execute their duties efficiently.

5) System to secure the appropriateness of operations of the corporate group comprising the Company and its subsidiaries

- a. The Company has established the Related Company Management Regulations to secure the appropriateness of its group companies' operations under the GungHo Online Entertainment Group Charter. Moreover, the Company develops a system to manage each of its subsidiaries in a manner befitting its size and importance.
- b. Subsidiaries of the Company prescribe to various regulations obliged to be complied with by Directors and employees, and develop a system in which, for determining a significant matter for its business management, the subsidiary engages in prior consultation with the Company while keeping the former's operational autonomy and independence respected. Each of the subsidiaries also develops a system in which its operating results and financial position are periodically reported to the Company with any significant event experienced by its operations being reported to the latter when appropriate.
- c. The Company guides each of its subsidiaries to develop a system equivalent to the former's risk management system according to the latter's size and importance in order to avoid, mitigate and take necessary steps against risks. Further, the Company develops a system in which each subsidiary's risk management-related information is delivered to the former appropriately.
- e. The Company installs compliance officers at each of its subsidiaries in light of its size and importance, thereby solidifying and bolstering the group's compliance platform. Moreover, the Company arranges for the subsidiary to develop its unique whistleblowing internal/external contact points (hotlines) to which a compliance-related whistleblowing report can be submitted by its Directors or employees and at which relevant consultation can be obtained by them. At the same time, the Company ensures that no such whistleblowing or consulting members become subjected to disadvantageous treatment.
- d. The Company checks its subsidiaries with respect to the appropriateness of the financial reporting of the former and the latter, thus securing the appropriateness of the contents of the Company's Securities Report while developing its internal controls. If any internal control problem occurs, the organization will strive to develop its structure in an effort to improve the situation.
- e. The Company's Internal Auditing Department performs an internal audit on each of its subsidiaries according to its past internal audit results and to its size and importance.

6) Matters on employees obliged to assist Auditors' duties and matters on the securing of such employees' independence from Directors as well as the effectiveness of instructions issued to the employees

- a. The Company may install employees as assistants dedicated to assisting Auditors' duties or appoint employees in the Internal Auditing Division as such assistants with regard to individual audit items upon consulting with the Internal Auditing Division.
- b. If the Company has installed dedicated assistants for Auditors' duties or appointed such assistants with regard to individual audit items, the Company has audit duties-related directions and orders issued by Auditors, thereby securing the appropriateness of the relevant instructions. Personnel change and employee evaluation for such assistants require the consent of Auditors.

- 7) System for reporting to Auditors and a system to ensure that no members reporting to them becomes subjected to disadvantageous treatment on account of having provided the report
- a. The Company secures a system in which Directors and employees of it and its subsidiaries report the following matters to Auditors:
    - a) Material matter relating to the business management, finances and business execution of the Company and its subsidiaries;
    - b) Matter that is feared to cause serious damage to the Company;
    - c) Information on the state of development of internal control system;
    - d) Matter breaching laws or ordinances or the Articles of Incorporation;
    - e) Matter associated with compliance system and information on the state of reporting to the hotline;
    - f) Internal audit results;
    - g) Any matter deemed by any of Auditors necessary to be reported for the purpose of executing its duties.
  - b. The Company ensures that no member reporting to any Corporate Auditor as mentioned above becomes subjected to disadvantageous treatment on account of having provided the report.

- 8) System to ensure that Auditors' audits are carried out effectively
- a. The Company provides an opportunity for the President & CEO and Auditors to exchange opinions with each other on a periodic basis, as well as an opportunity to hold hearing sessions with subsidiary Directors and employees if deemed necessary by any Auditor. Auditors have an opportunity to exchange information with the Accounting Auditor and Auditors of significant subsidiaries of the Company, thus collaborating with them.
  - b. Expenses deemed necessary for Auditors to execute their duties are borne by the Company through a prescribed procedure.

9) System for excluding anti-social forces

The GungHo Group Compliance Code for Directors and Employees declares the Company's intention to maintain a sound relationship with local communities and battle anti-social forces in a resolute manner. If the Company receives any unfair demand from an anti-social force entity, the former's relevant business unit responds to it sternly and resolutely rejects the demand by collaborating with the police and other external specialized agencies.

(2) Outline of the operation of the system to secure the appropriateness of the Company's business operations

1) Execution of Directors' duties

Pursuant to the Regulations on Board of Directors, the Company holds an Ordinary Meeting of Directors on a monthly basis and an Extraordinary Meeting of Directors as required. In this way, it makes decisions on matters stipulated in laws or ordinances or the Articles of Incorporation as well as matters for execution of significant duties while overseeing the execution of duties by Directors.

2) Compliance system

The Company periodically provides compliance training to Directors and employees to enhance their understanding and awareness about compliance. As for its whistleblowing system, the Company has in place contact points (hotlines) composed partly of outside lawyers while running the system with whistleblower protection stipulated in its relevant internal regulations.

3) Risk management

In addition to having in place the Regulations on Crisis Management System, the Company strives to reduce and prevent risks through the process of identifying risks, devising countermeasures and periodically revising them, including prevention measures of spread of infection for COVID-19. Moreover, the Company implements a disaster scenario-based training program when appropriate.

#### 4) Business management of subsidiaries

As for business management of the Company's subsidiaries, it arranges for its Director or employees to be appointed as a Director or Auditor of each subsidiary, thereby securing the appropriateness of the subsidiary. Under the Related Company Management Regulations, material business management information of subsidiaries is reported to the Company's Board of Directors in an appropriate manner.

#### 5) Auditors

Auditors periodically exchange opinions with the President & CEO and collaborate with the Accounting Auditor and the Internal Auditing Department, thus securing the effectiveness of audits. The Auditors ascertain the state of development and operation of the Company's internal controls and provide advice for securing a sounder business management structure by attending Board of Directors meetings, having Full-time Corporate Auditors attend significant meetings and having hearing sessions with Directors and employees.

### 6. Policy for decision on dividends from retained earnings

Believing that returning profits to shareholders is a significant managerial challenge, the GungHo Group has in place a basic policy to enhance its enterprise value and maximize its competitiveness in future. This also relates to distributing profits in a manner commensurate with its operating results and with due regard for internal reserves, intended for bolstering its business structure. The Company intends to utilize the internal reserves effectively to strengthen its financial structure and business foundation and pursue operations aggressively towards future growth.

While adhering to the above-mentioned dividend policy, the Company intends to pay 30 yen per share as a commemorative dividend for the year in recognition of the 20th anniversary of the establishment of the game business which commenced in August 2002.

Accordingly, the Company's year-end dividend for the fiscal year will total 60 yen per share including 30 yen per share in ordinary dividend.

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, 2021)

(Millions of yen)

| Account Items                   | Amount         | Account Items                                    | Amount         |
|---------------------------------|----------------|--------------------------------------------------|----------------|
| Assets                          |                | Liabilities                                      |                |
| Current assets                  | 127,510        | Current liabilities                              | 14,893         |
| Cash and deposits               | 115,008        | Notes and accounts payable-trade                 | 3,156          |
| Accounts receivable-trade       | 9,608          | Current portion of long-term loans payable       | 193            |
| Securities                      | 1,455          | Income taxes payable                             | 5,542          |
| Merchandise                     | 6              | Provision for bonuses                            | 11             |
| Work in progress                | 65             | Other                                            | 5,989          |
| Other                           | 1,433          | Non-current liabilities                          | 1,364          |
| Allowance for doubtful accounts | (67)           | Long-term loans payable                          | 315            |
| Non-current assets              | 7,420          | Net defined benefit liability                    | 3              |
| Property, plant and equipment   | 1,211          | Other                                            | 1,045          |
| Intangible asset                | 390            | <b>Total liabilities</b>                         | <b>16,258</b>  |
| Software                        | 191            | Net assets                                       |                |
| Other                           | 198            | Shareholders' equity                             | 107,329        |
| Investments and other assets    | 5,818          | Capital stock                                    | 5,338          |
| Investment securities           | 62             | Capital surplus                                  | 5,487          |
| Deferred tax assets             | 2,557          | Retained earnings                                | 181,675        |
| Other                           | 3,198          | Treasury shares                                  | (85,172)       |
|                                 |                | Accumulated other comprehensive income           | 31             |
|                                 |                | Valuation difference on available-for-securities | 0              |
|                                 |                | Foreign currency translation adjustment          | 31             |
|                                 |                | Stock option                                     | 1,039          |
|                                 |                | Non-controlling interests                        | 10,272         |
|                                 |                | <b>Total net assets</b>                          | <b>118,672</b> |
| <b>Total assets</b>             | <b>134,930</b> | <b>Total liabilities and net assets</b>          | <b>134,930</b> |

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

## Consolidated Statements of Income

( From January 1, 2021  
to December 31, 2021 )

(Millions of yen)

| Account Items                                                | Amount |         |
|--------------------------------------------------------------|--------|---------|
| Net sales                                                    |        | 104,626 |
| Cost of sales                                                |        | 43,566  |
| Gross profit                                                 |        | 61,059  |
| Selling, general and administrative expenses                 |        | 28,256  |
| Operating profit                                             |        | 32,802  |
| Non-operating profit                                         |        |         |
| Interest income                                              | 135    |         |
| Foreign exchange gains                                       | 606    |         |
| Subsidy income                                               | 108    |         |
| Other                                                        | 14     | 864     |
| Non-operating expenses                                       |        |         |
| Interest expenses                                            | 14     |         |
| Treasury stock acquisition costs                             | 13     |         |
| Other                                                        | 10     | 37      |
| Ordinary profit                                              |        | 33,629  |
| Extraordinary income                                         |        |         |
| Gain on liquidation on investment securities                 | 16     |         |
| Gain on sales of shares of subsidiaries and affiliates       | 3,191  | 3,207   |
| Extraordinary losses                                         |        |         |
| Impairment loss                                              | 131    | 131     |
| Profit before income taxes and minority interests            |        | 36,705  |
| Income taxes, residential taxes and enterprise taxes-current |        | 10,926  |
| Income taxes and others-deferred                             |        | 325     |
| Profit                                                       |        | 25,454  |
| Profit attributable to non-controlling interests             |        | 2,570   |
| Profit attributable to owners of parent                      |        | 22,883  |

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

## Consolidated Changes in Net Assets

( January 1, 2021 through  
December 31, 2021 )

(Millions of yen)

|                                                                       | Shareholders' equity |                 |                   |                 |                            |
|-----------------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                                       | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of current period                            | 5,338                | 5,487           | 173,321           | (87,646)        | 96,500                     |
| Changes of items during the period                                    |                      |                 |                   |                 |                            |
| Dividends paid                                                        |                      |                 | (2,035)           |                 | (2,035)                    |
| Profit attributable to owners of parent                               |                      |                 | 22,883            |                 | 22,883                     |
| Change in equity due to acquisition of consolidated subsidiary shares |                      | (0)             |                   |                 | (0)                        |
| Subscription rights to shares                                         |                      | (5)             |                   | 49              | 43                         |
| Acquisition of treasury shares                                        |                      |                 |                   | (10,063)        | (10,063)                   |
| Disposal of treasury shares                                           |                      | (0)             |                   | 0               | 0                          |
| Cancelation of treasury shares                                        |                      | (12,487)        |                   | 12,487          | —                          |
| Transfer of loss on disposal of treasury shares                       |                      | 12,493          | (12,493)          |                 | —                          |
| Net changes of items other than shareholders' equity                  |                      |                 |                   |                 |                            |
| Total changes of items during the period                              | —                    | (0)             | 8,354             | 2,474           | 10,828                     |
| Balance at the end of current period                                  | 5,338                | 5,487           | 181,675           | (85,172)        | 107,329                    |



|                                                                       | Accumulated other comprehensive income |                                         |                                        | Stock Option | Non-controlling interests | Total net assets |
|-----------------------------------------------------------------------|----------------------------------------|-----------------------------------------|----------------------------------------|--------------|---------------------------|------------------|
|                                                                       | Net unrealized gains on securities     | Foreign currency translation adjustment | Accumulated other comprehensive income |              |                           |                  |
| Balance at the beginning of current period                            | —                                      | 21                                      | 21                                     | 988          | 7,216                     | 104,727          |
| Changes of items during the period                                    |                                        |                                         |                                        |              |                           |                  |
| Dividends paid                                                        |                                        |                                         |                                        |              |                           | (2,035)          |
| Profit attributable to owners of parent                               |                                        |                                         |                                        |              |                           | 22,883           |
| Change in equity due to acquisition of consolidated subsidiary shares |                                        |                                         |                                        |              |                           | (0)              |
| Subscription rights to shares                                         |                                        |                                         |                                        |              |                           | 43               |
| Acquisition of treasury shares                                        |                                        |                                         |                                        |              |                           | (10,063)         |
| Disposal of treasury shares                                           |                                        |                                         |                                        |              |                           | 0                |
| Cancelation of treasury shares                                        |                                        |                                         |                                        |              |                           | —                |
| Transfer of disposal losses of treasury shares                        |                                        |                                         |                                        |              |                           | —                |
| Net changes of items other than shareholders' equity                  | 0                                      | 9                                       | 9                                      | 50           | 3,056                     | 3,116            |
| Total changes of items during the period                              | 0                                      | 9                                       | 9                                      | 50           | 3,056                     | 13,944           |
| Balance at the end of current period                                  | 0                                      | 31                                      | 31                                     | 1,039        | 10,272                    | 118,672          |

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

Notes on consolidated financial statements

1. Significant matters serving as bases for the preparation for consolidated financial statements

(1) Matters concerning the coverage of consolidation

- Number of consolidated companies 16

- Major consolidated subsidiaries

GAME ARTS Co., Ltd.  
Gravity Co.,Ltd.  
Gravity Interactive,Inc.  
Gravity Communications Co.,Ltd.  
Gravity NeoCyon,Inc.  
PT Gravity Game Link  
Gravity Game Tech Co.,Ltd.  
Gravity Game Arise Co., Ltd.  
Gravity Game Hub PTE.,Ltd.  
ACQUIRE Corp.  
GungHo Online Entertainment America,Inc.  
SUPERTRICK GAMES,Inc.  
GungHo Online Entertainment Asia Pacific Pte.Ltd.  
GungHo Gamania Co.,Limited

\*In accordance with the sale of shares of one of the consolidated subsidiaries during the fiscal year under review, the Company has excluded the consolidated subsidiary in question from the coverage of consolidation.

- There are no non-consolidated subsidiaries.

(2) Matters concerning equity method

- Number of equity method affiliated companies  
None

(3) Matters concerning consolidated subsidiaries' fiscal years, etc.

Consolidated subsidiaries have a fiscal year that ends on the same date as the consolidated financial statements.

(4) Matters concerning accounting principles and standards

1) Appraisal standards and appraisal methods for principal assets

a. Marketable securities

- Held-to-maturity bonds Cost method
- Other marketable securities

Securities of market value Stated by using the market value method based on the market price, etc. as of the last day of the consolidated fiscal period, and valuation differences are reported as a component of shareholders' equity and costs of securities sold are calculated by the moving-average method

Securities of no market value Stated at cost by using the moving-average method, except for securities held in some of subsidiaries overseas that are stated at cost by using the gross average method.

b. Inventory assets

- Merchandise and Work in process Stated at cost by using the specific cost method (the carrying amount on the balance sheet is reduced for decrease in profitability)

Note that some overseas subsidiaries use the lower-of-cost-or-market method by the gross average method.

- 2) Methods for depreciation of significant depreciable assets
  - a. Tangible fixed assets except lease assets
    - a. Assets acquired prior to or on March 31, 2007: The former declining-balance method is used.
    - b. Assets acquired on or after April 1, 2007: The declining-balance method is used. The straight-line method is used for some of the overseas subsidiaries. However, the straight-line method is used for building fixtures and structures acquired on or after April 1, 2016. . Shown below are principal useful lives:
      - Buildings: 3 to 18 years
      - Others: 3 to 15 years
  - b. Intangible fixed assets except lease assets Stated by using primarily the straight-line method, and software for internal use is depreciated over the period from one to five years based on its availability period. However, intangible fixed assets related to portable device games are depreciated based on expected proceeds from sales.
  - c. Lease assets Lease assets are depreciated by using the straight-line method over the useful lives of the respective lease period with zero residual value. Note some overseas subsidiaries use the economic useful lives up to the lease period.
- 3) Accounting standards for significant allowances
  - a. Allowance for doubtful accounts The Company records allowances for doubtful accounts at an estimated uncollectable amount determined based on past credit loss experiences for general debts, and in consideration of their collectability of each.
  - b. Provision for bonuses To provide employees with bonuses, the Company accrues reserves at an amount subject to fiscal year 2021 based on estimated future obligation.
- 4) Standards for translation of principal assets and liabilities denominated in foreign-currencies into yen

Monetary receivables and payables denominated in foreign currencies were translated into yen at a spot exchange rate on the consolidated fiscal year settlement date and resulting exchange gains and losses were charged to profit (loss).
- 5) Accounting treatment of consumption taxes

The tax exclusion method is used for accounting treatment of consumption taxes and municipal consumption taxes.

## 2. Notes on changes in presentation method

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements at the end of the fiscal year under review, and notes on accounting estimates are included in the consolidated financial statements.

## 3. Notes on accounting estimates

(Recoverability of deferred tax assets)

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Deferred tax assets                      2,557 million yen

(2) Information on the content of significant accounting estimates for identified items

Deferred tax assets are recorded at amounts deemed highly recoverable based on future taxable income estimates, etc. Since the recoverability of deferred tax assets depends on future taxable income, etc., it is possible that deferred tax assets will be adjusted and recorded as a tax expense if conditions or assumptions change and the amount decreases.

## 4. Additional information

Impact of COVID-19 Infections on Accounting Estimates

Regarding the impact of COVID-19, estimating the time of the settlement and spread for COVID-19 precisely is difficult. Although COVID-19 may affect the estimation for future cash flow and business environment to some extent at this moment, the Company considers the impact is limited.

However, the Company will continue to monitor the developments in the future, because the change of the situation may affect the consolidated financial statements after the next consolidated fiscal year.

## 5. Notes to consolidated balance sheets

|                                                          |                   |
|----------------------------------------------------------|-------------------|
| Cumulative depreciation of property, plant and equipment | 2,943 million yen |
|----------------------------------------------------------|-------------------|

## 6. Notes to consolidated changes in net assets

(1) Total number of shares outstanding

Number of shares as of December 31, 2021 (shares)                      91,199,116 shares

(2) Dividends

1) Dividends from retained earnings paid out in the consolidated fiscal year under review

| Resolution                                           | Share class   | Total dividends   | Dividend per share | Record date       | Date of coming into effect |
|------------------------------------------------------|---------------|-------------------|--------------------|-------------------|----------------------------|
| Board of Directors meeting held on February 16, 2021 | Common shares | 2,035 million yen | 30.00 yen          | December 31, 2020 | March 16, 2021             |

2) Dividends that would come into effect in the next fiscal year, among dividends whose record date fell in the consolidated fiscal year under review

The Board of Directors meeting held on February 14, 2022 adopted the following proposed resolution for the payment of dividends on common shares.

1. Total dividends                                              3,830 million yen  
2. Dividend per share                                              60.00 yen  
3. Record date                                              December 31, 2021  
4. Date of coming into effect                                              March 14, 2022

## 5. Source of dividends

## Retained earnings

- (3) The type and number of shares issuable upon the exercise of share subscription rights at the end of the consolidated fiscal year under review (excluding these rights whose start date of the exercise period has not yet arrived)

Common stock: 382,420 shares

## 7. Notes on financial instruments

### (1) Matters pertaining to the state of financial instruments

#### 1) Policy on handling financial instruments

Although essentially using internal reserves to fund operations, the GungHo Group obtains bank loans to fund some of them. It invests temporarily available excess cash mainly in financial instruments offering high stability.

#### 2) Description of financial products, risks involved and risk management platform

Accounts receivable-trade representing operating receivables are exposed to credit risk associated with potential default by customers. With respect to this type of risk, the GungHo Group continues to monitor the state of its principal customers on a periodic basis, managing payment due dates and the balance of receivables on a customer-by-customer basis. Moreover, the Group strives to detect early and rein in any potential case of low recoverability due to deterioration of customer finances, among other factors. Foreign currency-denominated accounts receivable-trade are exposed to foreign exchange fluctuation risk.

Marketable securities and investment securities are exposed to price fluctuation risk and issuer credit risk. To manage this type of risk, the GungHo Group continuously monitors market values and issuer companies' financial positions.

Accounts payable-trade representing operating payables are mostly due within 1 year.

Income taxes payable represent accrued taxes and are due within 1 year.

Loans payable are chiefly intended as financing to fund operations (short term) and capital expenditure (long term). Although exposed to liquidity risk and interest fluctuation risk, loans payable are managed by creating and renewing a cash flow management plan on a timely basis.

#### 3) Supplementary information on market prices of financial instruments

Market values of financial instruments include, in addition to those based on market prices, reasonably computed values for cases where no market price is available. With certain assumptions employed to compute market values, using different assumptions may alter the values.

(2) Information on the market prices of financial instruments

The following shows the values of financial instruments recorded on the consolidated balance sheet as of December 31, 2021, their market values on the same date and the difference between the former and latter.

(Millions of yen)

|                                                   | Value recorded on consolidated balance sheets | Market value | Difference |
|---------------------------------------------------|-----------------------------------------------|--------------|------------|
| (1) Cash and deposits                             | 115,008                                       | 115,008      | —          |
| (2) Accounts receivable-trade                     | 9,608                                         | 9,608        | —          |
| Allowance for doubtful accounts*                  | (66)                                          | (66)         | —          |
| (3) Marketable securities & investment securities | 9,541                                         | 9,541        | —          |
| Held-to-maturity bonds                            | 970                                           | 970          | —          |
| Other securities                                  | 486                                           | 486          | —          |
| Total assets                                      | 126,006                                       | 126,006      | —          |
| (1) Accounts payable-trade                        | 3,156                                         | 3,156        | —          |
| (2) Long-term loans payable within one year       | 193                                           | 193          | —          |
| (3) Income taxes payable                          | 5,542                                         | 5,542        | —          |
| (4) Long-term loans payable                       | 315                                           | 311          | (4)        |
| Total liabilities                                 | 9,208                                         | 9,203        | (4)        |

\* Allowance for doubtful accounts that is recorded for accounts receivable-trade is deducted.

Note 1: Information on the method for computing the market value of financial instruments and on marketable securities

Assets

(1) Cash and deposits (2) accounts receivable-trade

Market value of these accounts is stated at balance sheet value since these accounts are settled in a short period of time, making the market value almost identical to the balance sheet value.

(3) Marketable securities & investment securities

Market value of shares is stated at exchange price and that of bonds at a price quoted by counterparty financial institution. Market value of negotiable certificates of deposit is stated at balance sheet value since they are settled in a short period of time, making the market value almost identical to the balance sheet value.

Liabilities

(1) Accounts payable-trade (2) long-term loans payable within 1 year (3) income taxes payable

Market value of these accounts is stated at balance sheet value since they are settled in a short period of time, making the market value almost identical to the balance sheet value.

(4) Long-term loans payable

Market value of long-term loans payable is stated at the present value determined by discounting the total amount of principal and interest at an interest rate expected to be applicable if the amount were newly borrowed in a comparable manner.

Note 2: Financial instruments whose market value is deemed to be very difficult to identify

(Millions of yen)

| Category        | Value recorded on consolidated balance sheets |
|-----------------|-----------------------------------------------|
| Unlisted shares | 61                                            |

No market price is available for unlisted shares whose market value is deemed to be very difficult to identify. Thus, they are not included in “(3) Marketable securities & investment securities.”

Note 3: Values of monetary claims and securities with maturity expected to be redeemed after the consolidated closing date

(Millions of yen)

|                                                 | Within 1 year | Over 1 year and within 5 years | Over 5 years and within 10 years | Over 10 years |
|-------------------------------------------------|---------------|--------------------------------|----------------------------------|---------------|
| Cash and deposits                               | 115,008       | —                              | —                                | —             |
| Accounts receivable-trade                       | 9,608         | —                              | —                                | —             |
| Marketable securities and investment securities |               |                                |                                  |               |
| Held-to-maturity bonds                          | 970           | —                              | —                                | —             |
| Of other securities, those with maturity        | 485           | —                              | —                                | 1             |
| Total                                           | 126,072       | —                              | —                                | 1             |

Note 4: Value of expected repayments of long-term loans payable after consolidated balance sheet date

(Millions of yen)

|                         | Within 1 year | Over 1 year and within 2 years | Over 2 years and within 3 years | Over 3 years |
|-------------------------|---------------|--------------------------------|---------------------------------|--------------|
| Long-term loans payable | 193           | 111                            | 36                              | 167          |

#### 8. Notes on per-share information

|                          |              |
|--------------------------|--------------|
| (1) Net assets per share | 1,681.71 yen |
| (2) Net income per share | 341.44 yen   |

#### 9. Notes on significant subsequent events

##### Acquisition of treasury shares

At the meeting of the Board of Directors held on February 14, 2022, The Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the same.

The details were as follows:

##### (1) Purpose of acquisition of treasury shares

To improve shareholder profits by implementing capital policies flexibly in response to changes in the business environment and by improving capital efficiency.

##### (2) Acquisition details

|                                          |                                  |
|------------------------------------------|----------------------------------|
| 1) Type of shares to be acquired         | Common stock of our company      |
| 2) Total number of shares to be acquired | 2,600,000 shares (maximum)       |
| 3) Total purchase price of shares        | 5 billion yen (maximum)          |
| 4) Acquisition period                    | February 15, 2022–March 24, 2022 |
| 5) Acquisition method                    | Market purchase                  |

## Balance Sheets

(As of December 31, 2021)

(Millions of yen)

| Account Items                   | Amount  | Account Items                     | Amount   |
|---------------------------------|---------|-----------------------------------|----------|
| Assets                          |         | Liabilities                       |          |
| Current assets                  | 96,292  | Current liabilities               | 7,748    |
| Cash and deposits               | 90,842  | Notes and accounts payable-trade  | 809      |
| Accounts receivable-trade       | 4,740   | Accounts payable-other            | 1,503    |
| Advance payments                | 613     | Lease obligations                 | 1        |
| Other                           | 96      | Accrued expenses                  | 65       |
| Non-current assets              | 10,798  | Income taxes payable              | 4,417    |
| Property, plant and equipment   | 59      | Consumption taxes payable         | 669      |
| Buildings                       | 1       | Other                             | 281      |
| Equipment                       | 57      | Non-current liabilities           | 337      |
| Intangible assets               | 156     | Asset disposal obligation         | 337      |
| Software                        | 16      | Total liabilities                 | 8,085    |
| Other                           | 139     | Net assets                        |          |
| Investments and other assets    | 10,582  | Shareholders' equity              | 97,966   |
| Stock of affiliates             | 1,236   | Capital stock                     | 5,338    |
| Long-term loans                 | 4,893   | Capital surplus                   | 5,331    |
| Long-term prepaid expenses      | 60      | Legal capital surplus             | 5,331    |
| Deferred tax assets             | 6,627   | Retained earnings                 | 172,469  |
| Deposit                         | 2,461   | Other retained earnings           | 172,469  |
| Allowance for doubtful accounts | (4,697) | Retained earnings brought forward | 172,469  |
|                                 |         | Treasury shares                   | (85,172) |
|                                 |         | Stock option                      | 1,039    |
|                                 |         | Total net assets                  | 99,005   |
| Total assets                    | 107,091 | Total liabilities and net assets  | 107,091  |

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



## Profit and Loss Statement

( From January 1, 2021  
to December 31, 2021 )

(Millions of yen)

| Account Items                                         | Amount |        |
|-------------------------------------------------------|--------|--------|
| Net sales                                             |        | 66,642 |
| Cost of sales                                         |        | 24,587 |
| Gross profit on sales                                 |        | 42,054 |
| Total selling, general and administrative expenses    |        | 18,795 |
| Operating profit                                      |        | 23,258 |
| Non-operating profit                                  |        |        |
| Interest income                                       | 20     |        |
| Foreign exchange gains                                | 454    |        |
| Subsidy income                                        | 68     |        |
| Others                                                | 6      | 549    |
| Non-operating expenses                                |        |        |
| Interest expenses                                     | 0      |        |
| Treasury stock acquisition costs                      | 13     |        |
| Bad debts expenses                                    | 27     |        |
| Others                                                | 2      | 43     |
| Ordinary profit                                       |        | 23,764 |
| Extraordinary income                                  |        |        |
| Reversal of allowance for doubtful accounts           | 800    |        |
| Gain on sale of shares of subsidiaries and affiliates | 2,688  | 3,488  |
| Extraordinary loss                                    |        |        |
| Provision of allowance for doubtful accounts          | 418    |        |
| Loss on valuation of stocks of affiliates             | 138    | 557    |
| Income before income taxes                            |        | 26,695 |
| Income taxes—current                                  |        | 7,721  |
| Income taxes—deferred                                 |        | 444    |
| Net profit                                            |        | 18,529 |

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

## Changes in Net Assets

( January 1, 2021 through  
December 31, 2021 )

(Units: Million yen)

|                                                      | Shareholders' equity |                                   |                       |                                   |                         |                         |                 |                            |
|------------------------------------------------------|----------------------|-----------------------------------|-----------------------|-----------------------------------|-------------------------|-------------------------|-----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus                   |                       |                                   | Retained earnings       |                         | Treasury shares | Total shareholders' equity |
|                                                      |                      | Legal capital surplus             | Other capital surplus | Total capital surplus             | Other retained earnings | Total retained earnings |                 |                            |
|                                                      |                      | Gains on sales of treasury shares |                       | Retained earnings brought forward |                         |                         |                 |                            |
| Balance at the beginning of current period           | 5,338                | 5,331                             | —                     | 5,331                             | 168,468                 | 168,468                 | (87,646)        | 91,492                     |
| Changes of items during the period                   |                      |                                   |                       |                                   |                         |                         |                 |                            |
| Dividends paid                                       |                      |                                   |                       |                                   | (2,035)                 | (2,035)                 |                 | (2,035)                    |
| Net Income                                           |                      |                                   |                       |                                   | 18,529                  | 18,529                  |                 | 18,529                     |
| Subscription rights to shares                        |                      |                                   | (5)                   | (5)                               |                         |                         | 49              | 43                         |
| Acquisition of treasury shares                       |                      |                                   |                       |                                   |                         |                         | (10,063)        | (10,063)                   |
| Disposal of treasury shares                          |                      |                                   | (0)                   | (0)                               |                         |                         | 0               | 0                          |
| Cancellation of treasury shares                      |                      |                                   | (12,487)              | (12,487)                          |                         | 12,487                  |                 | —                          |
| Transfer to capital surplus from retained earnings   |                      |                                   | 12,493                | 12,493                            | (12,493)                | (12,493)                |                 | —                          |
| Net changes of items other than shareholders' equity |                      |                                   |                       |                                   |                         |                         |                 |                            |
| Total changes of items during the period             | —                    | —                                 | —                     | —                                 | 4,000                   | 4,000                   | 2,474           | 6,474                      |
| Balance at the end of current period                 | 5,338                | 5,331                             | —                     | 5,331                             | 172,469                 | 172,469                 | (85,172)        | 97,966                     |

|                                                      | Stock option | Total net assets |
|------------------------------------------------------|--------------|------------------|
| Balance at the beginning of current period           | 988          | 92,480           |
| Changes of items during the period                   |              |                  |
| Dividends paid                                       |              | (2,035)          |
| Net Income                                           |              | 18,529           |
| Subscription rights to shares                        |              | 43               |
| Acquisition of treasury shares                       |              | (10,063)         |
| Disposal of treasury shares                          |              | 0                |
| Cancellation of treasury shares                      |              | —                |
| Transfer to capital surplus from retained earnings   |              | —                |
| Net changes of items other than shareholders' equity | 50           | 50               |
| Total changes of items during the period             | 50           | 6,525            |
| Balance at the end of current period                 | 1,039        | 99,005           |

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

## Notes to non-consolidated financial statements

### 1. Notes on matters pertaining to significant accounting policies

#### (1) Valuation standard and method for securities

Shares in subsidiaries                      Stated at cost by using the moving-average method

#### (2) Methods for depreciation and amortization of non-current assets

1) Property, plant and equipment other than lease assets                      a. Assets acquired prior to or on March 31, 2007: The former declining-balance method is used.  
b. Assets acquired on or after April 1, 2007: The declining-balance method is used.

However, the straight-line method is used for building fixtures and structures acquired on or after April 1, 2016

Shown below are principal useful lives:

Buildings: 3 to 4 years

Tools and fixtures: 3 to 10 years

2) Intangible non-current assets other than lease assets                      Amortized mainly by using the straight-line method. Software for in-house use is amortized based on available period (1 to 5 years); provided, however, that intangible non-current assets for portable device games are amortized based on expected sales.

3) Lease assets                      Lease assets are depreciated by using the straight-line method with the lease period as the useful life and with the residual value at zero.

#### (3) Accounting standards of allowances

Allowance for doubtful accounts                      To prepare for potential credit losses on receivables, the Company records allowances for doubtful accounts at an estimated uncollectible amount assigned based on the historical credit loss experience for general receivables, and in consideration of individual collectability for specific receivables such as doubtful receivables.

#### (4) Standard for translation of foreign currency-denominated assets and liabilities into yen

Foreign currency-denominated monetary claims and liabilities are translated into yen by using the spot foreign exchange rate prevailing on the closing date with any translation difference accounted for as a profit or loss.

#### (5) Accounting treatment of consumption taxes

The tax exclusion method is used for accounting treatment of consumption taxes and municipal consumption taxes.

### 2. Notes on changes in presentation method

#### (Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements at the end of the fiscal year under review, and notes on accounting estimates are included in the consolidated financial statements.

### 3. Notes on accounting estimates

#### (Recoverability of deferred tax assets)

(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

|                     |                   |
|---------------------|-------------------|
| Deferred tax assets | 6,627 million yen |
|---------------------|-------------------|

(2) Information on the content of significant accounting estimates for identified items

The contents are the same as those in "Notes on consolidated financial statements" (Notes on accounting estimates).

### 4. Additional information

#### Impact of COVID-19 Infections on Accounting Estimates

Regarding the impact of COVID-19, estimating the time of the settlement and spread for COVID-19 precisely is difficult. Although COVID-19 may affect the estimation for future cash flow and business environment to some extent at this moment, the Company considers the impact is limited.

However, the Company will continue to monitor the developments in the future, because the change of the situation may affect the consolidated financial statements after the next consolidated fiscal year.

### 5. Notes on balance sheet

(1) Cumulative depreciation of property, plant and equipment

|  |                   |
|--|-------------------|
|  | 1,330 million yen |
|--|-------------------|

(2) Monetary claims and liabilities to related companies

|                            |                |
|----------------------------|----------------|
| Short-term monetary claims | 29 million yen |
|----------------------------|----------------|

|                           |                   |
|---------------------------|-------------------|
| Long-term monetary claims | 4,893 million yen |
|---------------------------|-------------------|

|                                 |                 |
|---------------------------------|-----------------|
| Short-term monetary liabilities | 744 million yen |
|---------------------------------|-----------------|

### 6. Notes to profit and loss statement

#### Transactions with related companies

|                                 |                |
|---------------------------------|----------------|
| Operating transactions (income) | 11 million yen |
|---------------------------------|----------------|

|                                      |                   |
|--------------------------------------|-------------------|
| Operating transactions (expenditure) | 5,003 million yen |
|--------------------------------------|-------------------|

|                                     |                |
|-------------------------------------|----------------|
| Non-operating transactions (income) | 20 million yen |
|-------------------------------------|----------------|

|                                          |                |
|------------------------------------------|----------------|
| Non-operating transactions (expenditure) | 27 million yen |
|------------------------------------------|----------------|

### 7. Notes to changes in net assets

|                                                   |                   |
|---------------------------------------------------|-------------------|
| Number of treasury shares as of December 31, 2021 | 27,358,682 shares |
|---------------------------------------------------|-------------------|

### 8. Notes on tax effect accounting

#### Breakdown of deferred tax assets by cause

##### Deferred tax assets

|                          |                 |
|--------------------------|-----------------|
| Enterprise taxes payable | 218 million yen |
|--------------------------|-----------------|

|                                          |                   |
|------------------------------------------|-------------------|
| Depreciation & amortization excess value | 1,406 million yen |
|------------------------------------------|-------------------|

|                                |                   |
|--------------------------------|-------------------|
| Allowance of doubtful accounts | 1,438 million yen |
|--------------------------------|-------------------|

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Loss on valuation of shares in related companies | 2,979 million yen |
|--------------------------------------------------|-------------------|

|                                   |                 |
|-----------------------------------|-----------------|
| Stock-based compensation expenses | 318 million yen |
|-----------------------------------|-----------------|

|       |                 |
|-------|-----------------|
| Other | 267 million yen |
|-------|-----------------|

|          |                   |
|----------|-------------------|
| Subtotal | 6,627 million yen |
|----------|-------------------|

|                     |   |
|---------------------|---|
| Valuation provision | — |
|---------------------|---|

|                           |                   |
|---------------------------|-------------------|
| Total deferred tax assets | 6,627 million yen |
|---------------------------|-------------------|

## 9. Notes on transactions with interested parties

### Subsidiaries and affiliates

| Category   | Company name                              | Voting rights holding ratio (%) | Relationship with interested party                   | Transaction description | Transaction value (millions of yen) | Account        | Period-end balance (millions of yen) |
|------------|-------------------------------------------|---------------------------------|------------------------------------------------------|-------------------------|-------------------------------------|----------------|--------------------------------------|
| Subsidiary | GungHo Online Entertainment America, Inc. | 100.00                          | Concurrent service as director<br>Provision of loans | Provision of loans      | —                                   | Long-term loan | 4,693                                |

### Terms and conditions of transaction and policy on determining terms and conditions

- Notes:
- Consumption taxes are not included in transaction values and period-end balances.
  - Provision of loans is determined upon negotiations based on the terms and conditions (loan interest rate) proposed by the Company in consideration of market interest rates.
  - The Company recorded 4,497 million yen as an allowance for doubtful accounts related to long-term loans to GungHo Online Entertainment America, Inc.

## 10. Notes on per-share information

- |                          |              |
|--------------------------|--------------|
| (1) Net assets per share | 1,534.56 yen |
| (2) Net income per share | 276.47 yen   |

## 11. Notes on companies to which regulation on consolidated dividend applies

GungHo is a company to which regulation on consolidated dividend applies.

## 12. Notes on significant subsequent events

### Acquisition of treasury shares

At the meeting of the Board of Directors held on February 14, 2022, The Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the same.

The details were as follows:

#### (1) Purpose of acquisition of treasury shares

To improve shareholder profits by implementing capital policies flexibly in response to changes in the business environment and by improving capital efficiency.

#### (2) Acquisition details

- |                                          |                                  |
|------------------------------------------|----------------------------------|
| 1) Type of shares to be acquired         | Common stock of our company      |
| 2) Total number of shares to be acquired | 2,600,000 shares (maximum)       |
| 3) Total purchase price of shares        | 5 billion yen (maximum)          |
| 4) Acquisition period                    | February 15, 2022–March 24, 2022 |
| 5) Acquisition method                    | Market purchase                  |

## Accounting Auditor's report on consolidated financial statements

### Independent Auditor's Report

February 24, 2022

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

Designated and Engagement Partner  
Soichirou Hayashi  
Certified Public Accountant  
Designated and Engagement Partner

Designated and Engagement Partner  
Kenji Murata  
Certified Public Accountant  
Designated and Engagement Partner

#### 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, 2021 to December 31, 2021, 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, 2021, 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 at Board of Directors meeting held on February 14, 2022.

Our opinion is not modified in respect of this matter.

#### 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 obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries for the purpose of expressing an opinion on the consolidated financial statements. The auditors are responsible for the instructions, supervision, and implementation of 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.

#### Conflicts of Interest

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 24, 2022

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

Designated and Engagement Partner  
Soichirou Hayashi  
Certified Public Accountant  
Designated and Engagement Partner

Designated and Engagement Partner  
Kenji Murata  
Certified Public Accountant  
Designated and Engagement Partner

#### 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 25th fiscal year from January 1, 2021 to December 31, 2021, which consist of non-consolidated balance sheet, 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, 2021, 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 at Board of Directors meeting held on February 14, 2022.

Our opinion is not modified in respect of this matter.

#### 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.

#### Conflicts of Interest

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 25th fiscal year from January 1 to December 31, 2021, 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, October 28, 2005), 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 sheet, 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, 2021, as well as consolidated financial statements (consolidated balance sheet, consolidated statements of income, consolidated statement 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 Aarata 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 Aarata and the audit results are fair and reasonable.

March 3, 2022

Masato Ochi  
Full-time Auditor  
Hiroto Uehara  
Auditor  
Toshiro Kaba  
Auditor  
Board of Corporate Auditors  
GungHo Online Entertainment, Inc.

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

## Reference Materials for the General Meeting of Shareholders

### Proposals and Reference Materials

#### Proposal 1: Notice Regarding Partial Amendment of the Articles of Incorporation

##### 1. Reason of the amendments

The revised provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) are due to come into effect on September 1, 2022. Accordingly, to prepare to introduce a system for providing reference documents, etc. for general meetings of shareholders in an electronic format, etc., the Company will change its Articles of Incorporation as described below.

- (1) Article 16, paragraph 1 of the proposed amendments stipulates that the Company will take measures for providing information constituting the content of reference documents, etc. for general meetings of shareholders in an electronic format, etc.
- (2) Article 16, paragraph 2 of the proposed amendments stipulates that the Company shall establish provisions for limiting the scope of matters to be described in the documents to be issued to shareholders who requested the issuance of such documents.
- (3) Accordingly, the provision regarding Disclosure of Reference Documents, etc. for Shareholders Meeting on the Internet and Deemed Provision (Article 16 of the current Articles of Incorporation) will become unnecessary, and the Company will delete it.
- (4) With the additions and deletion mentioned above, a supplementary provision concerning the effective date, etc. will be established.

##### 2. Details of the amendment

Details of the amendments are as follows.

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Proposed Amendments |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <p><u>(Disclosure of Reference Documents, etc. for Shareholders Meeting on the Internet and Deemed Provision)</u></p> <p><u>Article 16. In convening a shareholders meeting, information pertaining to the matters to be described or indicated in reference documents for a shareholders meeting, business report, financial statements and consolidated financial statements may be deemed to have been provided by the Company to shareholders by using the Internet in accordance with the provisions of the Ordinance of the Ministry of Justice.</u></p> | <Deletion>          |

| Current Articles of Incorporation | Proposed Amendments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <New>                             | <p><u>(Provision of Documents in Electronic Format, etc.)</u></p> <p><u>Article 16: In convening a shareholders meeting, the Company shall take measures for providing information constituting the content of reference documents, etc. for the shareholders meeting in an electronic format, etc.</u></p> <p><u>2. Among the content provided in an electronic format, etc., the Company may exclude all or part of the matters prescribed by the Ordinance of the Ministry of Justice from the documents that will be issued to shareholders who requested the issuance of such documents by the record date for voting rights.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                   |
| <New>                             | <p><u>(Supplementary Provisions)</u></p> <p><u>1. The amendment of Article 16 of the Articles of Incorporation shall be effective from September 1, 2022, which is the date of enforcement (hereinafter the “Date of Enforcement”) of the amended provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019).</u></p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 16 of the Articles of Incorporation (Disclosure of Reference Documents, etc. for Shareholders Meeting on the Internet and Deemed Provision) shall remain in effect with respect to any shareholders meeting held on a date within six months from the Date of Enforcement.</u></p> <p><u>3. These Supplementary Provisions shall be deleted on the date when six months have passed from the Date of Enforcement or three months have passed from the date of the shareholders meeting in the preceding paragraph, whichever is later.</u></p> |

## Proposal 2: Election of Nine (9) Directors

The terms of office of all nine (9) Directors will expire at the close of this Annual General Meeting of Shareholders. Thus, it is proposed that nine (9) Directors.

The candidates for Directors are as follows:

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Name<br>(Date of Birth)                                                                                                           | Career Summary, Position, Assignment, and<br>Significant Concurrent Positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of<br>Company Shares<br>Held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>Kazuki Morishita<br/>(September 16, 1973)</p> <p><span style="border: 1px solid black; padding: 2px;">Reappointment</span></p> | <p>April 1994      Joined PALTEK CORPORATION</p> <p>July 1996        Joined SOFTCREATE CORP</p> <p>March 2000      Director of Dolphin Net Corporation</p> <p>December 2000   Director of Kickers Network, Inc.</p> <p>May 2001        General Manager of E Service Department of ONSale Co., Ltd (currently, GungHo Online Entertainment, Inc.)</p> <p>August 2002     COO of GungHo Online Entertainment, Inc.</p> <p>January 2004    President &amp; CEO of the Company (to present)</p> <p>December 2005   Director of Game Arts Co., Ltd.</p> <p>March 2008     President &amp; Representative Director of Game Arts Co., Ltd. (to present)</p> <p>(Significant Concurrent Positions)</p> <p>President &amp; Representative Director of Game Arts Co., Ltd.</p> <p>Executive Director of Gravity Co., Ltd.</p> | <p>1,009,600<br/>shares</p>         |
| <p>[Reasons for nomination as a candidate for Director]</p> <p>Since assuming the post of President &amp; 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 &amp; Dragons" and "Ragnarok Online" and has made significant contributions to the rapid growth and development of the Company to date. The Company requests Mr. Morishita's reappointment as a Director for the further advancement of the Company.</p> |                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                     |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Name<br>(Date of Birth)                                                                                                     | Career Summary, Position, Assignment, and Significant Concurrent Positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Number of Company Shares Held |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Kazuya Sakai<br/>(January 28, 1965)</p> <p><span style="border: 1px solid black; padding: 2px;">Reappointment</span></p> | <p>April 1987      Joined The Kyushu Sogo Bank, Ltd. (currently, The Juhachi-Shinwa Bank, Ltd.)</p> <p>January 1993    Joined Expression Tools, Inc.</p> <p>April 1996      Director and General Manager of Administration Division of Expression Tools, Inc.</p> <p>April 2000      Vice President of Expression Tools, Inc.</p> <p>April 2002      Chief Executive Officer of Expression Tools, Inc.</p> <p>November 2003   Representative Liquidator of Expression Tools, Inc.</p> <p>April 2004      Joined GungHo Online Entertainment, Inc. as General Manager of Management Division and CFO</p> <p>March 2005      Director of the Company (to present)</p> <p>January 2006    Executive General Manager of Management Division and CFO of the Company</p> <p>April 2008      Executive General Manager of Financial Strategy Division and CFO of the Company</p> <p>April 2009      Executive General Manager of Business Administration Division and CFO of the Company</p> <p>October 2009    Managing Executive Officer of the Company</p> <p>August 2010    Executive General Manager of Finance &amp; Accounting Division and CFO of the Company</p> <p>January 2011    Managing Executive Officer and Executive General Manager of Finance &amp; Accounting Division and Executive General Manager of Business Administration Division and CFO of the Company</p> <p>July 2011       Managing Executive Officer and Executive General Manager of Finance &amp; Accounting Division and CFO and IRO of the Company</p> <p>March 2012     Executive General Manager of Finance Accounting Division and CFO and IRO of the Company</p> <p>April 2014      Executive General Manager of Finance Accounting Division and CFO of the Company (to present)</p> <p>March 2017     Director of Game Arts Co., Ltd. (to present)</p> <p>(Significant Concurrent Positions)</p> <p>Director of Game Arts Co., Ltd.</p> <p>Executive Director of Gravity Co., Ltd.</p> <p>Director of Acquire Corp.</p> <p>Executive Director of GRAVITY Co., Ltd.</p> <p>Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.</p> <p>Director of GungHo Gamania Co., Limited</p> | 100,000 shares                |
| <p>[Reasons for nomination as a candidate for Director]</p> <p>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 requests Mr. Sakai's reappointment as a Director so that he will strive for sustainable growth of the Company.</p> |                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                               |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Name<br>(Date of Birth)                                           | Career Summary, Position, Assignment, and Significant Concurrent Positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Number of Company Shares Held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Yoshinori Kitamura<br>(June 11, 1968)<br><br><u>Reappointment</u> | <p>April 1992    Joined Gakusei Engokai Co., Ltd. (currently, PERSOL CAREER CO., LTD.)</p> <p>January 1995    Joined Rothmans Japan</p> <p>September 1999    Joined ICC Co. Ltd.</p> <p>January 2002    Joined NC Japan K.K.</p> <p>February 2003    Joined GungHo Online Entertainment, Inc. as General Manager of Marketing Division</p> <p>January 2006    Executive General Manager of Marketing Division of the Company</p> <p>March 2006    Director of the Company (to present)</p> <p>July 2007    Executive General Manager of International Business Division of the Company</p> <p>October 2009    Managing Executive Officer and Executive General Manager of International Division of the Company</p> <p>March 2012    Executive General Manager of International Division of the Company</p> <p>October 2015    Executive General Manager of GV business Division of the Company (to present)</p> <p>(Significant Concurrent Positions)<br/>Executive Director of Gravity Co., Ltd.</p> | 40,000 shares                 |
| <p>[Reasons for nomination as a candidate for Director]</p> <p>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 requests Mr. Kitamura's reappointment as a Director so that he will strive for further growth.</p>                                                                                                     |                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                               |
| 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Koji Yoshida<br>(November 27, 1953)<br><br><u>Reappointment</u>   | <p>April 1977    Joined ARABIAN OIL COMPANY, LTD.</p> <p>May 2000    Joined Nintendo Co., Ltd.</p> <p>January 2002    General Manager of General Affairs Division of Nintendo Co., Ltd.</p> <p>October 2005    Executive General Manager of General Affairs Division of Nintendo Co., Ltd.</p> <p>June 2006    Director of Nintendo Co., Ltd.</p> <p>April 2011    Joined GungHo Online Entertainment, Inc. as Assistant to Executive General Manager of Business Administration Division</p> <p>July 2011    Executive General Manager of Business Administration Division, CCO and CCMO of the Company (to present)</p> <p>March 2012    Director of the Company (to present)</p> <p>(Significant Concurrent Positions)<br/>Director of Acquire Corp.<br/>Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.</p>                                                                                                                                                                         | 11,500 shares                 |
| <p>[Reasons for nomination as a candidate for Director]</p> <p>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 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 requests Mr. Yoshida's reappointment as a Director so that he will continue striving for further growth of the Company.</p> |                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                               |



| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Name<br>(Date of Birth)                                        | Career Summary, Position, Assignment, and Significant Concurrent Positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Number of Company Shares Held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Akihiko Ichikawa<br>(May 22, 1973)<br><br><u>Reappointment</u> | <p>April 1992      Joined Yokohama Flugels</p> <p>May 1995        Joined SOFTCREATE CORP</p> <p>May 2000        Director of Dolphin Net Corporation</p> <p>December 2000    Joined Kickers Network, Inc.</p> <p>February 2002    Joined BELLSYSTEM24, Inc.</p> <p>October 2004     Joined Median, Inc.</p> <p>October 2005     Joined GungHo Online Entertainment, Inc.</p> <p>March 2007       Director of Game Arts Co., Ltd.</p> <p>April 2008        Executive Officer (to present) and General Manager of Business Development Office of the Company</p> <p>December 2009    Executive Officer of Game Division and Executive General Manager of Mobile Consumer Division of the Company</p> <p>January 2012     Executive Officer of Development Division and Executive General Manager of Planning Development No.1 Division of the Company</p> <p>January 2012     Executive Officer and Executive General Manager of Mobile Consumer Division of the Company</p> <p>May 2012         Executive Officer of Development Division and General Manager of Sales Promotion Department of the Company</p> <p>May 2014         Executive Officer of Development Division and Executive General Manager of Operation of the Company</p> <p>October 2015     Executive Officer and Executive General Manager of Partner Publishing Division of the Company (to present)</p> <p>March 2021       Director of the Company (to present)</p> | 1,000<br>shares               |
| <p>[Reasons for nomination as a candidate for Director]</p> <p>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 requests Mr. Ichikawa's reappointment as a Director for the future growth and development of the Company.</p>                                                                                                                   |                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                               |
| 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Norikazu Oba<br>(August 27, 1966)<br><br><u>Reappointment</u>  | <p>April 1989        Joined The Mitsubishi Bank, Ltd. (currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</p> <p>December 2006    Group Manager of Finance Planning, Finance Department of SoftBank Corp. (currently, SoftBank Group Corp.)</p> <p>June 2008        Senior Executive Officer and Executive General Manager of Financial Strategy Division of GungHo Online Entertainment, Inc. (seconded from SoftBank Group Corp.)</p> <p>March 2011       Director of the Company (to present)</p> <p>(Significant Concurrent Positions)</p> <p>General Manager of the Finance Planning Department of SoftBank Group Corp</p> <p>Director of J.Score CO., LTD</p> <p>Director of SoftBank Group Japan Corporation</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | —                             |
| <p>[Reasons for nomination as a candidate for Director]</p> <p>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 requests Mr. Oba's reappointment 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.</p> |                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                               |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Name<br>(Date of Birth)                                                                               | Career Summary, Position, Assignment, and Significant Concurrent Positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Number of Company Shares Held |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| 7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Hidetsugu Onishi<br>(March 7, 1964)<br><br>Reappointment<br>Outside Director<br>Independent Director  | <p>April 1986      Joined Fuji Bank, Ltd. (currently Mizuho Bank)</p> <p>December 1999      Investment officer, Fuji Capital Management Co., Ltd. (currently Mizuho Capital Partners Co., Ltd.)</p> <p>February 2002      Director and CFO, Link Theory Holdings Co., Ltd. (currently Link Theory Japan Co., Ltd.)</p> <p>September 2009      Executive Officer &amp; CFO, FAST RETAILING CO., LTD.</p> <p>November 2011      Outside Director, Karita and Company, Inc.</p> <p>September 2013      Outside Director, beauty experience Inc.</p> <p>March 2016      Director of the Company (to present)</p> <p>May 2019      Outside Auditor of Arcland Sakamoto CO., Ltd. (to present)</p> <p>April 2021      Outside Director, CUBE CO., LYD.(to present)</p> <p>(Significant Concurrent Positions)<br/>Co-CEO, Integrity Partners LLC<br/>CEO, Avergence Incorporated<br/>Outside of Auditor, Arcland Sakamoto CO.,Ltd</p>                                    | 1,000 shares                  |
| <p>[Reasons for nomination as a candidate for Director and outline of expected roles]</p> <p>Mr. Hidetsugu Onishi possesses extensive experience and broad insights regarding corporate management. The Company requests Mr. Onishi's reappointment 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.</p> <p>His term of office as Outside Director of the Company will be six years at the conclusion of this General Meeting of Shareholders. If his reappointment is approved, he will continue to be an independent director.</p> |                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                               |
| 8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Keiji Miyakawa<br>(November 5, 1958)<br><br>Reappointment<br>Outside Director<br>Independent Director | <p>April, 1982      Joined Japan External Trade Organization</p> <p>July, 1988      Joined Bankers Trust (currently Deutsche Securities Inc.)</p> <p>July, 1999      Head of M&amp;A Group of Deutsche Securities Inc.</p> <p>November, 2006      Vice Chairman, Global Banking Group of Deutsche Securities Inc.</p> <p>September, 2009      Chairman of Japan of Lincoln International</p> <p>June, 2012      Outside Auditor of ASICS Corporation</p> <p>June, 2013      Outside Director of ASICS Corporation</p> <p>March, 2016      Auditor of ASICS Corporation</p> <p>March, 2018      Director of the Company (to present)</p> <p>January, 2019      Senior Advisor of Japan of Lincoln International (to present)</p> <p>June, 2021      Outside Director of H.U. Group Holdings, Inc.(to present)</p> <p>(Significant Concurrent Positions)<br/>Senior Advisor of Japan of Lincoln International<br/>Outside Director of H.U. Group Holdings, Inc.</p> | 500 shares                    |
| <p>[Reasons for nomination as a candidate for Director and outline of expected roles]</p> <p>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 requests Mr. Miyakawa's reappointment as an Outside Director in order to further enhance the Company's continued growth and corporate value.</p> <p>His term of office as Outside Director of the Company will be four years at the conclusion of this General Meeting of Shareholders. If his reappointment is approved, he will continue to be an independent director.</p>                                                     |                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                               |

| Candidate No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Career Summary, Position, Assignment, and Significant Concurrent Positions |                                                                           | Number of Company Shares Held |                                                                                        |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------------------------------|
|               | Susumu Tanaka<br>(March 11, 1953)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Aplil, 1976                                                                | Joined Nintendo Co., Ltd.                                                 | —                             |                                                                                        |
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | July, 2012                                                                 | Deputy General Manager, Licensing Division of Nintendo Co., Ltd.          |                               |                                                                                        |
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | June 2013                                                                  | Director and General Manager for Licensing Division of Nintendo Co., Ltd. |                               |                                                                                        |
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Reappointment                                                              | June 2016                                                                 |                               | Senior Executive Officer, General Manager for Licensing Division of Nintendo Co., Ltd. |
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Outside Director                                                           | June 2018                                                                 |                               | Corporate Adviser of Nintendo Co., Ltd. of Nintendo Co., Ltd.                          |
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Independent Director                                                       | March 2020                                                                |                               | Director of the Company (to present)                                                   |
| 9             | <p>[Reasons for nomination as a candidate for Director and outline of expected roles]</p> <p>Mr. Susumu Tanaka possesses 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 Director at the company to provide advice on overall management of the Company. The Company requests Mr. Tanaka's reappointment as an Outside Director so that he will continue providing advice on the Company's overall management going forward in order to further enhance the Company's continued growth and corporate value.</p> <p>His term of office as Outside Director of the Company will be one year at the conclusion of this General Meeting of Shareholders. If his reappointment is approved, he will continue to be an independent director.</p> |                                                                            |                                                                           |                               |                                                                                        |

(Note)

1. The candidates proposed to serve as Directors do not have any special interests in the Company.
2. Outline of liability limitation agreement

At present, the Company has concluded with each of Directors Norikazu Oba, Hidetsugu Onishi, Keiji Miyakawa and Susumu Tanaka an agreement to limit their liability as a Director. These agreements would remain in effect in the event that reappointment of the candidates for Directors is approved. Please refer to "Outline of liability limitation agreement" on page19.

3. 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 and Mr. Susumu Tanaka are currently Directors of the Company, which has currently concluded a directors and officers liability insurance (D&O Insurance) policy with an insurance company, with these nine candidates for Directors as insured persons. The insurance policy would remain in effect in the event that reappointment of the above nine persons is approved. The insurance policy expires on December 27, 2022, but is scheduled to be renewed thereafter. Please refer to "Outline of directors and officers liability insurance policy" on page 19.

**【References】**

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/<br>Independent Director | •                  |                                |                                 | •                    | •      |                     |                    |            |
| Keiji Miyakawa     | Outside Director/<br>Independent Director | •                  |                                |                                 | •                    | •      |                     |                    |            |
| Susumu Tanaka      | Outside Director/<br>Independent Director | •                  |                                |                                 |                      | •      | •                   |                    |            |

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