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Securities code: 3765
(Mailing date) March 11, 2024

To Shareholders

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

Notice of Convocation of the 27th Annual General Meeting of Shareholders

It gives us great pleasure to invite you to the 27th Annual General Meeting of Shareholders of GungHo Online Entertainment, Inc.

If you will not be attending the meeting in person, you can instead exercise your voting rights via the Internet or by mail. Please read carefully the reference materials for the General Meeting of Shareholders, and exercise your voting rights by 6 p.m. on Wednesday, March 27, 2024.

1. Date and time March 28, 2024 (Thursday) 10:00 a.m.
(Doors open at 9:00 a.m.)
2. Venue 3-13-1 Takanawa, Minato-ku, Tokyo
Grand Prince Hotel Shin Takanawa
"International Convention Center Pamir"
3. Purpose
Matters to be reported
 1. The Business Report and the Consolidated Financial Statements for the 27th term (from January 1, 2023 to December 31, 2023), and the Audit Results of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors.
 2. The Non-consolidated Financial Statements for the 27th term (from January 1, 2023 to December 31, 2023)

Matters to be resolved

Proposal 1 Election of Ten (10) Directors

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

4. Items about the contents provided in electronic format

In convening this General Meeting of Shareholders, GungHo Online Entertainment, Inc. "the Company" takes measures for providing information constituting the content of reference documents, etc., for the shareholders' meeting in an electronic format. Please access the following website and review the information published on the Company's website as "Notice of Convocation of the 27th Annual General Meeting of Shareholders," and "The 27th Annual General Meeting of Shareholders Other Contents Provided in Electronic Format (Contents Excluded from Documents to Be Sent) "

The Company's website

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

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

TSE website (Listed Company Search)

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

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

< Notice to Shareholders >

- ◎ At this General Meeting of Shareholders, regardless of whether or not a request for the issuance of documents has been made, a document stating the content provided in electronic format will be sent uniformly. The following items are not included in the document to be sent in accordance with laws and regulations and Article 16 of the Company's Articles of Incorporation.
 1. System to secure the appropriateness of operations and an outline of the system operation
 2. Consolidated statement of changes in equity
 3. Notes to consolidated financial statements
 4. Non-consolidated statement of changes in equity
 5. Notes to non-consolidated financial statementsTherefore, the business reports, consolidated financial statements, and non-consolidated financial statements included in the documents are part of the subject documents audited by the accounting auditor and the corporate auditor when preparing the audit report.
- ◎ If there are changes to the items that are required to be filed electronically, the amendment to the items will be provided on the respective websites.
- ◎ The results of this meeting will be provided on the Company's website.
- ◎ Please be advised that non-shareholders, such as proxies and persons accompanying shareholders are not permitted to attend the meeting.

[When exercising the voting rights via the Internet]

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

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

[When exercising the voting rights by mail]

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

[Notes] Introduction to exercising the voting rights

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

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

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

[Internet method]

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

1. Using a personal computer or mobile phone

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

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

2. Using a smartphone

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

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

(Warning)

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

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

Administrator of Shareholder Registry: 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.

Reference Materials for the General Meeting of Shareholders

Proposals and Reference Materials

Proposal : Election of Ten (10) Directors

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

The candidates for Directors are as follows:

No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
1	Kazuki Morishita (September 16, 1973) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Re-election</div>	<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 & CEO of the Company (to present)</p> <p>December 2005 Director of Game Arts Co., Ltd.</p> <p>March 2008 President & Representative Director of Game Arts Co., Ltd. (to present)</p> <p>(Significant Concurrent Positions)</p> <p>President & Representative Director of Game Arts Co., Ltd.</p> <p>Executive Director of Gravity Co., Ltd.</p>	1,009,600 shares
<p>[Reasons for nomination as a candidate]</p> <p>Since assuming the position of President & CEO of the Company, Mr. Kazuki Morishita, as Chief Executive Officer, has played a central role in the development and management of games such as "Puzzle & Dragons" and "Ragnarok Online" and has made significant contributions to the rapid growth and development of the Company to date. The Company proposes the re-election of Mr. Morishita as a Director for the further advancement of the Company.</p>			

No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
2	<p data-bbox="272 712 442 775">Kazuya Sakai (January 28, 1965)</p> <p data-bbox="300 801 414 831">Re-election</p>	<p data-bbox="464 322 1208 371">April 1987 Joined The Kyushu Sogo Bank, Ltd. (currently, The Juhachi-Shinwa Bank, Ltd.)</p> <p data-bbox="464 371 906 394">January 1993 Joined Expression Tools, Inc.</p> <p data-bbox="464 405 1075 427">April 2002 Chief Executive Officer of Expression Tools, Inc.</p> <p data-bbox="464 439 1208 488">April 2004 Joined GungHo Online Entertainment, Inc. as General Manager of Management Division and CFO</p> <p data-bbox="464 495 970 517">March 2005 Director of the Company (to present)</p> <p data-bbox="464 528 1208 577">January 2006 Executive General Manager of Management Division and CFO of the Company</p> <p data-bbox="464 584 1208 633">April 2008 Executive General Manager of Financial Strategy Division and CFO of the Company</p> <p data-bbox="464 640 1208 689">April 2009 Executive General Manager of Business Administration Division and CFO of the Company</p> <p data-bbox="464 696 1038 719">October 2009 Managing Executive Officer of the Company</p> <p data-bbox="464 730 1208 779">August 2010 Executive General Manager of Finance & Accounting Division and CFO of the Company</p> <p data-bbox="464 786 1208 853">January 2011 Managing Executive Officer and Executive General Manager of Finance & Accounting Division and Executive General Manager of Business Administration Division and CFO of the Company</p> <p data-bbox="464 860 1208 927">July 2011 Managing Executive Officer and Executive General Manager of Finance & Accounting Division and CFO and IRO of the Company</p> <p data-bbox="464 934 1208 983">March 2012 Executive General Manager of Finance Accounting Division and CFO and IRO of the Company</p> <p data-bbox="464 990 1208 1039">April 2014 Executive General Manager of Finance Accounting Division and CFO of the Company (to present)</p> <p data-bbox="464 1046 1031 1068">March 2017 Director of Game Arts Co., Ltd. (to present)</p> <p data-bbox="464 1099 767 1122">(Significant Concurrent Positions)</p> <p data-bbox="464 1133 743 1155">Director of Game Arts Co., Ltd.</p> <p data-bbox="464 1167 804 1189">Executive Director of Gravity Co., Ltd.</p> <p data-bbox="464 1200 1026 1223">Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.</p>	100,000 shares
<p data-bbox="264 1234 647 1256">[Reasons for nomination as a candidate]</p> <p data-bbox="264 1267 1390 1415">Since the early days of the Company's foundation, Mr. Kazuya Sakai, as CFO, has fulfilled his responsibilities as the general manager of finance and accounting, possesses extensive experience and track records and is well versed in the Company business. Accordingly, the Company proposes the re-election of Mr. Sakai as a Director so that he will strive for sustainable growth and development of the Company.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
3	Yoshinori Kitamura (June 11, 1968) <u>Re-election</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) Executive Director and COO and CCO of Gravity Co., Ltd.</p>	40,000 shares
<p>[Reasons for nomination as a candidate]</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 proposes the re-election of Mr. Kitamura as a Director so that he will strive for further growth and development.</p>			
4	Koji Yoshida (November 27, 1953) <u>Re-election</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) Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.</p>	11,500 shares
<p>[Reasons for nomination as a candidate]</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 great development of the Company as the general manager of the business administration division at the Company by utilizing his experience as Director of Nintendo Co., Ltd. Accordingly, the Company proposes the re-election of Mr. Yoshida as a Director so that he will continue striving for further growth and development of the Company.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
5	Akihiko Ichikawa (May 22, 1973) <input type="checkbox"/> Re-election	<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>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>	3,150 shares
<p>[Reasons for nomination as a candidate]</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 proposes the re-election of Mr. Ichikawa's as a Director for the future growth and development of the Company.</p>			
6	Norikazu Oba (August 27, 1966) <input type="checkbox"/> Re-election	<p>April 1989 Joined The Mitsubishi Bank, Ltd. (currently, MUFG Bank, 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 SoftBank Group Japan Corporation</p>	1,000 shares
<p>[Reasons for nomination as a candidate]</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 proposes the re-election of Mr. Oba as a Director because he can be expected to make contributions to the further growth of the Company based on his knowledge in overall management of a company, especially his advanced knowledge and extensive experience in finance and accounting.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
7	Hidetsugu Onishi (March 7, 1964) Re-election Outside Director Independent Director	<p>April 1986 Joined Fuji Bank, Ltd. (currently Mizuho Bank)</p> <p>December 1999 Investment officer, Fuji Capital Management Co., Ltd. (currently MCP 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 & CFO, FAST RETAILING CO., LTD.</p> <p>April 2011 Representative Director of Avergence, CO, Ltd. (to present)</p> <p>June 2011 Co-CEO ,Integrity Partners LLC. (to present)</p> <p>March 2016 Director of the Company (to present)</p> <p>March 2016 Outside Director of Basic Inc.</p> <p>April 2018 Outside Director, (Audit & Supervisory Board Member) of Basic Inc. (to present)</p> <p>May 2019 Outside Audit of Arcland Sakamoto Co., Ltd.(currently, Arclands Co., Ltd)</p> <p>April 2021 Outside Director of CUBE CO., LTD.(to present)</p> <p>May 2022 Outside Director, (Audit & Supervisory Board Member), Arclands Co., Ltd. (to present)</p> <p>(Significant Concurrent Positions) Co-CEO, Integrity Partners LLC CEO, Avergence Incorporated Outside Director, (Audit & Supervisory Board Member), Arclands Co., Ltd. Outside Director, CUBE CO., LTD</p>	1,000 shares
<p>[Reasons for nomination and outline of expected role]</p> <p>Mr. Hidetsugu Onishi possesses extensive experience and broad insights regarding corporate management. The Company proposes the re-election of Mr. Onishi as an Outside Director because the further enhancement of the Company's continued growth and corporate value can be expected with his advice based on his knowledge regarding overall management of a company, especially his advanced knowledge and extensive experience in finance and accounting as well as his global perspective.</p> <p>His term of office as Outside Director of the Company will be 8 years at the conclusion of this General Meeting of Shareholders. If his re-election is approved, he will continue to be an independent director.</p>			
8	Keiji Miyakawa (November 5, 1958) Re-election Outside Director 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&A Group of Deutsche Securities Inc.</p> <p>October 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>December 2023 Outside Director of Zensho International Limited (to present)</p> <p>(Significant Concurrent Positions) Senior Advisor of Japan of Lincoln International Outside Director of H.U. Group Holdings, Inc.</p>	500 shares

Candidate No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
		<p>[Reasons for nomination and outline of expected role]</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 proposes the re-election of Mr. Miyakawa 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 6 years at the conclusion of this General Meeting of Shareholders. If his re-election is approved, he will continue to be an independent director.</p>	
Candidate No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
9	<p>Susumu Tanaka (March 11, 1953)</p> <p>Re-election</p> <p>Outside Director Independent Director</p>	<p>April, 1976 Joined Nintendo Co., Ltd.</p> <p>July, 2012 Deputy General Manager, Licensing Division of Nintendo Co., Ltd. (~ June 2013)</p> <p>June 2013 Director and General Manager for Licensing Division of Nintendo Co., Ltd. (~ June 2016)</p> <p>June 2016 Senior Executive Officer, General Manager for Licensing Division of Nintendo Co., Ltd. (~ June 2018)</p> <p>June 2018 Corporate Adviser of Nintendo Co., Ltd. of Nintendo Co., Ltd. (~ June 2019)</p> <p>March 2020 Director of the Company (to present)</p>	—
		<p>[Reasons for nomination and outline of expected role]</p> <p>Mr. Susumu Tanaka has extensive experience and a high level of knowledge for the game business cultivated over many years at Nintendo Co., Ltd., and has used his experience as a Director of the Nintendo to advice on the overall management of the Company. The Company proposes the re-election of Mr. Tanaka as an Outside Director so that he will continue to advise the Company's overall management in the future to further enhance the Company's continued growth and corporate value. His term of office as an Outside Director of the Company will be 4 years at the end of this General Meeting of Shareholders. If his re-election is approved, he will continue to serve as an independent director of the Company.</p>	
Candidate No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
10	<p>Etsuko Hara (October 18, 1974)</p> <p>New Candidate</p> <p>Outside Director Independent Director</p>	<p>October 2001 Registered as attorney-at-law (Daini Tokyo Bar Association)</p> <p>September 2006 Joined Anderson Mōri (currently, Anderson Mōri & Tomotsune)</p> <p>April 2007 Registered as attorney-at-law in New York State, United States</p> <p>January 2011 Partner, Anderson Mōri & Tomotsune (to present)</p> <p>April 2012 Member of the Japanese Law Translation Council of the Ministry of Justice</p> <p>April 2013 Adjunct Lecturer at Hitotsubashi University (School of law)</p> <p>April 2019 Associate Professor, The University of Tokyo Graduate Schools for Law and Politics</p> <p>April 2022 Adjunct Lecturer, The University of Tokyo Graduate Schools for Law and Politics (to present)</p> <p>(Significant Concurrent Positions)</p> <p>Partner, Anderson Mōri & Tomotsune</p>	—
		<p>[Reasons for nomination and outline of expected role]</p>	

Candidate No.	Name (Date of Birth)	Career Summary, Position, Assignment, and Significant Concurrent Positions	Number of Company Shares Held
		Ms. Etsuko Hara has extensive experience and knowledge as a lawyer. The Company proposes that Ms. Etsuko Hara to be elected as an Outside Director to further strengthen corporate governance and to further enhance the continued growth and corporate value of the Company by advising on the Board with her rich experience, although she has no experience directly involved in corporate management in the past. She meets the requirements for an Independent Director set by the Tokyo Stock Exchange, and will file to the Tokyo Stock Exchange as an Independent Director.	

(Note)

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

2. Overview of liability limitation agreement

Currently, the Company has entered into an agreement with each of Directors Mr. Norikazu Oba, Mr. Hidetsugu Onishi, Mr. Keiji Miyakawa and Mr. Susumu Tanaka to limit their liability as a Director. These agreements would remain in effect if the re-election of the Directors nominees are approved. If the appointment of Ms. Hara is approved, the Company will enter into the same limitation of liability agreement with her. Please refer to “Outline of liability limitation agreement” on page 23 of the Business Report.

3. Overview of indemnity agreement

The Company has entered into an indemnity agreement with each of Directors Mr. Kazuki Morishita, Mr. Kazuya Sakai, Mr. Yoshinori Kitamura, Mr. Koji Yoshida, Mr. Akihiko Ichikawa, Mr. Norikazu Oba, Mr. Hidetsugu Onishi, Mr. Keiji Miyakawa and Mr. Susumu Tanaka, respectively, and plans to continue the indemnity agreements, if the Director nominee is approved for re-election. If the appointment of Ms. Etsuko Hara is approved, the Company will enter into a similar indemnification agreement. Please refer to “Outline of indemnity agreement” on page 24 of the Business Report.

4. Overview 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 has a directors' and officers' liability insurance (D&O Insurance) policy with an insurance company, naming these nine Director nominees as insured person. The insurance policy would remain in effect if the re-election of the above nine nominees is approved. The insurance policy expires on December 27, 2024, but will be renewed thereafter. If the appointment of Ms. Hara is approved, she will be included in the insured persons under the above-mentioned insurance policy. Please refer to “Outline of Directors and Officers liability insurance policy” on page 24 of the Business Report.

[Reference] Criteria of Independence of Outside Directors

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

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

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

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

[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/ Independent Director	•			•	•			
Keiji Miyakawa	Outside Director/ Independent Director	•			•	•			
Susumu Tanaka	Outside Director/ Independent Director	•				•	•		
Etsuko Hara	Outside Director/ Independent Director					•		•	

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

Business Report
(From January 1, 2023
to December 31, 2023)

1. Overview of the Company Group

(1) Consolidated business performance for the fiscal year ended December 31, 2023

1) Business progress and results

Regarding the economic circumstances in the fiscal year under review, while we gradually recovered from the stagnation caused by COVID-19 and the movement of people became more active, the situation continued to be unpredictable owing to factors including worldwide inflation, an unstable international situation and foreign exchange fluctuation.

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

Regarding “Puzzle & Dragons”, we have been making comprehensive efforts for ensuring players continue to enjoy the game over the long term such as adding the new contents, holding the events including the appreciation celebration, and collaboration with famous characters from other companies. Furthermore on December 5 2023, we launched “Puzzle & Dragons” series new title 『Puzzle & Dragons Story』 in Apple Arcade to more than 150 countries in the world.

Regarding the battle ninja gum action game for Nintendo Switch™ “Ninjala”, we maintained the active user engagement mainly by young users, owing to the comprehensive efforts such as adding the new contents, TV anime broadcasts, and holding the offline events.

Looking at the businesses of our subsidiaries, Gravity Co., Ltd. and its consolidated subsidiaries continued to release the new “Ragnarok” related titles, update the contents of existing titles and hold the events. Especially for smartphone MMORPG “Ragnarok Origin”, which was released for Southeast Asia in April 2023, has marked good sales, and greatly contributed to the consolidated financial result.

As a result, net sales for the fiscal year ended December 31, 2023 amounted to 125,315 million yen, (an increase of 18.8% year-on-year). Operating profit was 27,880 million yen, (an increase of 0.8% year-on-year), ordinary profit was 29,308 million yen, (an increase of 1.1% year-on-year), and profit attributable to owners of parent came to 16,433 million yen, (a decrease of 13.6% year on year).

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

2) Capital expenditure

For the fiscal year ended December 31, 2023, capital expenditure totaled 2,935 million yen, consisting mainly of 1,798 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	24th From January 1, 2020 to December 31, 2020	25th From January 1, 2021 to December 31, 2021	26th From January 1, 2022 to December 31, 2022	27th From January 1, 2023 to December 31, 2023
Net sales	98,844	104,626	105,505	125,315
Operating profit	30,157	32,802	27,649	27,880
Ordinary profit	30,202	33,629	28,985	29,308
Profit attributable to owners of parent	16,369	22,883	19,022	16,433
Net profit per share	239.94 yen	341.44 yen	305.61 yen	272.65 yen
Total assets	122,257	134,930	152,210	168,045
Net assets	104,727	118,672	132,834	149,495
Net assets per share	1,422.35 yen	1,681.71 yen	1,894.36 yen	2,127.98 yen

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

2) Non-consolidated

(Millions of yen)

Item	24th From January 1, 2020 to December 31, 2020	25th From January 1, 2021 to December 31, 2021	26th From January 1, 2022 to December 31, 2022	27th From January 1, 2023 to December 31, 2023
Net sales	62,643	66,642	58,986	48,128
Operating profit	23,117	23,258	16,995	10,499
Ordinary profit	23,197	23,764	17,797	11,139
Net profit	12,816	18,529	9,144	7,494
Net profit per share	187.86 yen	276.47 yen	146.92 yen	124.34 yen
Total assets	100,150	107,091	105,314	105,370
Net assets	92,480	99,005	98,388	99,194
Net assets per share	1,348.22 yen	1,534.56 yen	1,571.35 yen	1,634.31 yen

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

(3) Material parent company and subsidiaries

- 1) Relationship with parent company
Not applicable

2) Material subsidiaries

Company name	Capital stock	The Company's voting right ratio	Principal business activities
Game Arts Co., Ltd.	JPY 78 million	100.00%	Planning, development and sales of PC online games and consumer games
Gravity Co.,Ltd.	KRW 3,474 million	59.31%	Planning, development, operation and online distribution of online PC games and smartphone games
Gravity Interactive,Inc.	USD 10,540 thousand	100.00% (100.00%)	
Gravity Communications Co.,Ltd.	TWD 155 million	100.00% (100.00%)	
Gravity NeoCyon,Inc.	KRW 3,990 million	99.52% (99.52%)	
PT Gravity Game Link	Rp 43,221 million	70.00% (70.00%)	
Gravity Game Tech Co.,Ltd.	THB 88 million	100.00% (100.00%)	
Gravity Game Arise Co., Ltd.	JPY 100 million	100.00% (100.00%)	
Gravity Game Hub PTE.,Ltd.	SGD 6 million	100.00% (100.00%)	
Gravity Game Vision Limited	HKD 3 million	100.00% (100.00%)	
GungHo Online Entertainment America,Inc.	USD 300 thousand	100.00%	
SUPERTRICK GAMES,Inc.	JPY 50 million	100.00%	Planning and development of consumer games
GungHo Online Entertainment Asia Pacific Pte.Ltd.	USD 55,491 thousand	100.00%	Holding company
SQUAD STARS, Inc.	JPY 10 million	100.00%	Planning and development of consumer games

- (Notes) 1. The number in parentheses of the Company's voting rights ratio indicates the indirect ownership ratio.
2. SQUAD STARS, Inc. was established in June 2023.
3. ACQUIRE Corp. was excluded from the list of significant subsidiaries due to the transfer of all shares held by the Company for 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 21th anniversary since the launch of the service, and "Puzzle & Dragons" for smartphones celebrated its 12th anniversary in February 2024.
- 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 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, 2023)

- 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, 2023)

- 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
Gravity Game Vision Limited	Hong Kong Special Administrative Region of the People's Republic of China
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
SQUAD STARS, Inc.	Chiyoda-ku, Tokyo, Japan

(7) Employees (as of December 31, 2023)

1) Employees of the corporate group

Number of employees	Change from the end of the previous consolidated fiscal year
1,387 [133]	Decrease of 64

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
439 [87]	Increase of 27	41 years and 4 months	9 years and 4 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, 2023)

Not applicable

(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, 2023)

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

2) Total number of shares issued 87,255,916 shares

Note 1: Total number of shares issued includes the treasury shares (27,357,153 shares).

2. The total number of shares issued decreased by 3,943,200 shares from the end of the previous fiscal year due to the cancellation of treasury shares on March 31, 2023.

3) Number of shareholders 56,605

4) Major shareholders

Shareholder name	Number of shares held	Shareholding ratio
SON Financial LLC.	10,602,400 shares	17.70%
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,768,000 shares	12.96%
Custody Bank of Japan, Ltd. (Trust Account)	2,993,000 shares	4.99%
SON Capital Partners LLC.	2,828,800 shares	4.72%
THE BANK OF NEW YORK MELLON 140044	2,009,198 shares	3.35%
Kazuki Morishita	1,009,600 shares	1.68%
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	911,424 shares	1.52%
STATE STREET BANK AND TRUST COMPANY 505001	819,969 shares	1.36%
THE BANK OF NEW YORK MELLON 140040	614,719 shares	1.02%
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	581,391 shares	0.97%

Note 1: The Company holds 27,357,153 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 (27,357,153 shares).

5) Other important matters relating to shares

(a) By the resolution of the Board of Directors held on February 14, 2023, the Company acquired treasury shares as follows.

Type and the number of shares acquired	1,994,900 common shares
Total acquisition price	JPY 4,999,974,600
Acquisition period	From February 15, 2023 to March 23, 2023
Acquisition method	Acquisition on the Tokyo stock exchange

(b). By the resolution of the Board of Directors held on February 14, 2023, treasury shares were cancelled as follows.

Type and the number of shares cancelled	Common shares 3,943,200 shares
Total number of shares issued after cancellation	87,255,916 shares
Cancellation date	March 31, 2023

(2) Share subscription rights

1) Outline of share subscription rights held by the Company's Directors as of December 31, 2023

	2015 3rd share subscription rights	2016 4th share subscription rights	2017 5th share subscription rights	2018 6th share subscription rights
Date of issue	June 25, 2015	August 18, 2016	May 15, 2017	April 10, 2018
Number of share subscription rights	4,675 rights	7,432 rights	6,440 rights	4,133 rights
Number of holders The Company's Directors (excluding outside Directors)	3 persons	3 persons	3 persons	4 persons
The Company's Auditors (excluding outside Auditors)	1person	1person	1person	1person
Type and number of shares to which share subscription rights apply	Common shares 46,750 shares	Common shares 74,320 shares	Common shares 64,400 shares	Common shares 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 share subscription rights	2020 8th share subscription rights	2021 9th share subscription rights	2022 10th share subscription rights
Date of issue	April 9, 2019	April 14, 2020	April 14, 2021	April 14, 2022
Number of share subscription rights	3,190 rights	936 rights	781 rights	852 rights
Number of holders The Company's Directors (excluding outside Directors)	5 persons	5 persons	5 persons	5 persons
The Company's Auditors (excluding outside Auditors)	1person	1person	0person	0person
Type and number of shares to which share subscription rights apply	Common shares 31,900 shares	Common shares 93,600 shares	Common shares 78,100 shares	Common shares 85,200 shares
Issue price of subscription rights	3,444.5 yen per Share	1,359.37 yen per share	2,002.45 yen per share	2,067.56 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 April 9, 2020 to April 8, 2035	From April 14, 2021 to April 13, 2036	From April 14, 2024 to April 13, 2039	From April 14, 2025 to April 13, 2040
Main terms and conditions of exercise of share subscription rights	(Note)	(Note)	(Note)	(Note)

	2023 11th share subscription rights
Date of issue	April 14, 2023
Number of share subscription rights	780 rights
Number of holders The Company's Directors (excluding outside Directors) The Company's Auditors (excluding outside Auditors)	5 persons 0 person
Type and number of shares to which share subscription rights apply	Common shares 78,000 shares
Issue price of subscription rights	2,198.79 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, 2026 to April 13, 2041
Main terms and conditions of exercise of share subscription rights	(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

	2023 11th share subscription rights
Date of issue	April 14, 2023
Number of share subscription rights	177 rights
Number of grantees 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 17,700 shares
Issue price of share subscription rights	2,198.79 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, 2026 to April 13, 2041
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, 2023)

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

Notes: 1. Hidetsugu Onishi, Director; Keiji Miyakawa, Director, Susumu Tanaka, Director fell under the category of outside directors, and the Tokyo Stock Exchange was notified that they are independent directors. Hitomi Iwase, Director fell under the category of outside directors, and the Tokyo Stock Exchange is not notified that she is 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, Susumu Tanaka and Hitomi Iwase and Auditors, Masato Ochi, Hiroto Uehara and Toshiro Kaba, on limitation of damage compensation liability pursuant to Article 427, Paragraph 1 of the Companies Act. The upper limit of damage compensation liability under this agreement shall be the higher of 1 million yen and an amount equivalent to one stipulated as the minimum liability value in Article 425, Paragraph 1.

(3) Outline of indemnity agreement

The Company has concluded an indemnification agreement with Directors Kazuki Morishita, Kazuya Sakai, Yoshinori Kitamura, Koji Yoshida, Akihiko Ichikawa, Norikazu Oba, Hidetsugu Onishi, Keiji Miyakawa, Susumu Tanaka, Hitomi Iwase, and Corporate Auditors Masato Ochi, Hiroto Uehara, and Toshiro Gama, as provided for in Article 430-2, Paragraph 1 of the Companies Act. The Company will indemnify the expenses of Item 1 of the same paragraph and the losses of Item 2 of the same paragraph to the extent stipulated in the Act. However, if it is found that a person has performed his/her duties for the purpose of unlawfully benefiting himself/herself or a third party or inflicting damage on the Company, the compensation expenses equivalent to the amount paid by the Company shall be returned to ensure that the proper execution of duties by company officers is not impaired by such compensation agreement.

(4) Outline of Directors and Officers liability insurance policy

The Company has concluded a directors and officers liability insurance (D&O insurance) policy with an insurance company, with Directors 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.

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

1) Policies on determining remuneration for Directors

Remuneration for Directors consists of fixed compensation, performance-linked compensation, and stock options as stock-based compensation for Executive Directors; their amounts are decided within the upper limit established by the resolution of the General Meeting of Shareholders. However, the remuneration of directors other than executive directors consists of fixed remuneration only, in view of the fact that they are in a position to supervise and advise management without executing business. In addition, the Board of Directors, at its meeting held on February 14, 2023, established the following policy for determining the details of each director's compensation (the "Determination Policy"). Remuneration levels, etc., are deliberated by the Nomination and Remuneration Committee, of which the majority are Independent Outside Directors, and are reported to the Board of Directors.

I. Policy on basic remuneration

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

II. Policy on performance-linked remuneration

The Company provides performance-linked remuneration to executive directors from the viewpoint of further enhancing incentives for them to improve their performance. The remuneration is based on consolidated operating profit, and the amount of remuneration for each individual is determined based on points corresponding to the position of each director within the range of the maximum amount of remuneration resolved at the General Meeting of Shareholders. The calculation method of the performance-linked remuneration amount is based on the formula determined at the General Meeting of Shareholders.

III. Policy on non-monetary compensation

The Company grants stock options as stock-based compensation to the Company's Executive Directors, with the intent of further raising management awareness of the importance of shareholders, and motivation and morale toward medium to long-term business growth as well as corporate value enhancement. In calculating the fair value, the stock price at the time of the granting is taken into consideration. The number of units to be granted to each Director is determined in light of factors such as the position and responsibility of each Director, as in the case of fixed compensation. The decision

needs to be approved by the resolution of the Board of Directors including Independent Outside Directors.

IV. Policy on ratio of compensation

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

V. Policy on timing and conditions for granting remuneration

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

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

Director category	Total amount of remuneration	Total amount by type of remuneration (Millions of yen)			Number of eligible Directors
		Fixed compensation	Performance-linked compensation	Stock option as stock-based compensation	
Directors (from Outside Directors)	506(22)	217(22)	139 (—)	149(-)	10(4)
Auditor (from Outside Auditors)	58(12)	58(12)	— (—)	-(-)	3(2)
Total (from Outside Directors)	564(34)	275(34)	139 (—)	149(-)	13(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: 4 persons, 178 million yen.
 - The number of directors is 10 Directors and 3 Auditors as of December 31, 2023.
 - Since the amount of performance-linked compensation has not been fixed at this time, the amount of allowance calculated in the current fiscal year is shown at the above table.
 - Stock options as stock-based compensation are granted to Directors as non-monetary compensation. The details of the stock options as stock-based compensation and the status of the grant are described in "2. Matters relating to shares of the Company."
 - Regarding fixed compensation of the Directors, the Company decided to set the maximum amount at 300 million yen a year (excluding the employee salary portion for Directors concurrently serving as employees), with the resolution of the Extraordinary General Meeting of Shareholders held on July 30, 2004. (The number of Directors at the time of the meeting was four (4).) In addition to the above fixed remuneration, the Company introduced performance-linked remuneration (Business results for each fiscal year after the fiscal year ending December 2023 shall be included.) based on a calculation method that was resolved at the 26th Annual General Meeting of Shareholders held on March 30, 2023, and resolved that the amount of such remuneration would be within 300 million yen per year (excluding salaries as employees for directors concurrently serving as employees) in a separate frame from the remuneration framework for the above fixed remuneration (the number of executive directors at the time of the resolution at the Annual General Meeting of Shareholders was 5). Regarding stock options as stock-based compensation for Directors, the Company decided to set their yearly upper limit separately from the maximum amount of fixed compensation as stated above. With the resolution of the 24th Annual General Meeting of Shareholders held on March 30, 2021, the yearly upper limit was set at 300 million yen for remuneration corresponding to the share subscription rights granted in the form of stock options as stock-based compensation, and 1,500 units (150,000 shares of common stock) for the share subscription rights. (The number of Executive Directors subject to the proposal submitted to the meeting was five (5).)
 - Regarding remuneration of the Auditors, the Company decided to set the maximum amount at 70 million yen a year with the resolution of the 24th Annual General Meeting of Shareholders held on March 30, 2021. (The number of Auditors at the conclusion of the meeting was three (3).) In consideration of independence in auditing the execution of duties by Directors, the Company pays only fixed compensation to Auditors according to their positions (full-time/part-time), within the range of the total amount decided by the resolution of the General Meeting of Shareholders. Amount of remuneration for each Auditor is decided through consultation among Auditors within the range of the total amount decided by the resolution of the General Meeting of Shareholders.
 - The Board of Directors has delegated the decision of the amount of fixed compensation for each Director to Mr. Kazuki Morishita, President & CEO. This is because the Board of Directors has determined that the Representative Director, who can evaluate the responsibilities of each Director while overlooking the overall performance of the Company and other factors, is in the most suitable position for the role. The decision of the amount of fixed compensation for each Director is made after the discussion of Nomination and Compensation Committee where the majority members are independent outside directors.
 - 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. In determining the amount of such compensation, the Nomination and Compensation Committee deliberates in advance. Performance-linked compensation for executive directors is based on consolidated operating income as an indicator to raise awareness of the need to improve performance, and is calculated within the maximum amount of remuneration resolved at the General Meeting of Shareholders, based on the amount obtained by multiplying 0.5% of consolidated operating income by the points corresponding to the position of each director as determined at the General Meeting of Shareholders. The actual consolidated operating income for the current fiscal year is as stated in "1. Overview of the Company Group (2) Assets and income" in the Business Report. Also, stock options as stock-based compensation are determined by the Board of Directors, 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.

9. The Determination Policy was revised at the Board of Directors meeting held on January 17, 2024, and the calculation method of performance-linked compensation is to be deliberated by the Nomination and Compensation Committee based on the formula established at the 26th Annual General Meeting of Shareholders held on March 30, 2023, and resolved by the Board of Directors.

(6) Matters relating to Outside Directors

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

- I. Hidetsugu Onishi, Director concurrently serves as Co-CEO of Integrity Partners LLC, Representative Director of Avergence Co.,Ltd, Outside Director (Audit & Supervisory Board Member) of Arclands Co., Ltd., Outside Director of CUBE CO., Ltd., neither of which has any particular relationship with GungHo.
- II. Keiji Miyakawa, Director concurrently serves as Senior Advisor of Japan of Lincoln International and Outside Director of H.U. Group Holdings, Inc. neither of which has any particular relationship with GungHo.
- III. Hitomi Iwase, Director serves as Partner of Nishimura & Asahi and Outside Director of Laxus Technologies Co., Ltd. neither of which has any particular relationship with GungHo.
- IV. Hiroto Uehara, Auditor concurrently serves as Representative of Uehara Hiroto Certified Public Accountant Firm, and Outside Director of DIAL SERVICE CO.,LTD., which doesn't have any particular relationship with GungHo.
- V. 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 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

Category	Name	Outline of duties performed in relation to attendance, statements, and roles expected of Outside Directors
Director	Hidetsugu Onishi	He attended all 13 meetings of the Board of Directors held during the fiscal year under review. He provides advice and recommendations to the Board of Directors as an independent director mainly from the viewpoint of having extensive experience and broad insights as a company manager. He appropriately fulfills his supervisory function and role from an objective standpoint while ensuring appropriateness in its decision-making at the Board of Directors.
Director	Keiji Miyakawa	He attended all 13 meetings of the Board of Directors held during the fiscal year under review. He provides advice and recommendations to the Board of Directors as an independent director, mainly from his extensive experience and broad insights as a manager of the financial services industry. He appropriately fulfills his supervisory function and role from an objective standpoint while ensuring appropriateness in its decision-making at the Board of Directors. As an independent outside director, he served on the Nomination and Remuneration Committee.

Director	Susumu Tanaka	He attended all 13 meetings of the Board of Directors held during the fiscal year under review. He provides advice and recommendations to the Board of Directors as an independent director mainly from his extensive experience and a high level of knowledge for the game business home and abroad. He appropriately fulfills his supervisory function and role from an objective standpoint while ensuring appropriateness in its decision-making at the Board of Directors. As an independent outside director, he served on the Nomination and Remuneration Committee.
Director	Hitomi Iwase	She attended all 10 meetings of the Board of Directors held during the fiscal year under review since her appointment on March 30, 2023. She provides advice and recommendations to the Board of Directors, while fulfilling the requirements as an independent director, mainly from the viewpoint based on her extensive experience and a high level of knowledge as an attorney. She appropriately fulfills her supervisory function and role from an objective standpoint while ensuring appropriateness in its decision-making at the Board of Directors.
Corporate Auditors	Hiroto Uehara	He attended all 13 meetings of the Board of Directors and 16 meetings of the Board of Corporate Auditors held during the fiscal year under review. He provides advice and recommendations to the Board of Directors as an independent officer mainly from the viewpoint based on his extensive experience and broad insights as a certified public accountant. He also makes necessary statements appropriately in the Board of Corporate Auditors.
Corporate Auditors	Toshiro Kaba	He attended all 13 meetings of the Board of Directors and 16 meetings of the Board of Corporate Auditors held during the fiscal year under review. He provides advice and recommendations to the Board of Directors as an independent officer mainly from the viewpoint based on his extensive experience and broad insights as an attorney. He also makes necessary statements appropriately in the Board of Corporate Auditors.

4. Accounting Auditor

(1) Name PricewaterhouseCoopers Japan LLC

Note: PricewaterhouseCoopers Aarata LLC and PricewaterhouseCoopers Kyoto merged on December 1, 2023, and the name of the new firm was changed to PricewaterhouseCoopers Japan 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 Auditors 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. 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.

In accordance with the above-mentioned dividend policy, the company conducts 30 yen per share as an ordinary dividend of the fiscal year ended December 31, 2023.

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, 2023)

(Millions of yen)

Account Items	Amount	Account Items	Amount
Assets		Liabilities	
Current assets	155,967	Current liabilities	17,493
Cash and deposits	136,198	Accounts payable-trade	5,616
Accounts receivable– trade and contract assets	13,379	Income taxes payable	2,913
Securities	3,835	Allowance for performance linked compensation	139
Merchandise	23	Other	8,824
Other	2,599	Non-current liabilities	1,056
Allowance for doubtful accounts	(69)	Retirement benefit liability	10
Non-current assets	12,077	Other	1,046
Total property, plant and equipment	1,240		
Intangible asset	502	Total liabilities	18,550
Software	316	Net Assets	
Other	186	Shareholders' equity	126,073
Investments and other assets	10,334	Share capital	5,338
Investment securities	0	Capital surplus	5,487
Deferred tax assets	5,604	Retained earnings	198,415
Other	4,730	Treasury shares	(83,168)
		Accumulated other comprehensive income	1,390
		Foreign currency translation adjustment	1,390
		Stock option	1,300
		Non-controlling interests	20,731
		Total net assets	149,495
Total assets	168,045	Total liabilities and net assets	168,045

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

Consolidated Statements of Income

(From January 1, 2023
to December 31, 2023)

(Millions of yen)

Account Items	Amount	
Net sales		125,315
Cost of sales		68,344
Gross profit		56,971
Selling, general and administrative expenses		29,090
Operating profit		27,880
Non-operating profit		
Interest income	1,241	
Foreign exchange gains	177	
Subsidy income	9	
Other	25	1,454
Non-operating expenses		
Interest expenses	21	
Treasury stock acquisition costs	1	
Other	3	27
Ordinary profit		29,308
Extraordinary profit		
Gain on sale of shares of subsidiaries and associates	682	682
Extraordinary losses		
Impairment loss	186	
Loss on valuation of investment securities	75	261
Profit before income taxes		29,729
Income taxes, residential taxes and enterprise taxes-current		7,779
Income taxes and others-deferred		(208)
Profit		22,157
Profit attributable to non-controlling interests		5,723
Profit attributable to owners of parent		16,433

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

Balance Sheets

(As of December 31, 2023)

(Millions of yen)

Account Items	Amount	Account Items	Amount
Assets		Liabilities	
Current assets	95,903	Current liabilities	5,839
Cash and deposits	88,947	Accounts payable-trade	558
Accounts receivable-trade	5,790	Accounts payable-other	1,839
Advance payments	717	Accrued expenses	226
Other	448	Income taxes payable	1,048
Non-current assets	9,467	Allowance for performance linked compensation	139
Property, plant and equipment	118	Other	2,027
Buildings	11	Non-current liabilities	337
Equipment	107	Asset disposal obligation	337
Intangible assets	129		
Software	10		
Other	118		
Investments and other assets	9,219	Total liabilities	6,176
Stock of affiliates	980	Net assets	
Long-term loans	197	Shareholders' equity	97,893
Deferred tax assets	4,934	Share Capital	5,338
Deposit	3,128	Capital surplus	5,331
Allowance for doubtful accounts	(21)	Capital reserve	5,331
		Retained earnings	170,391
		Other retained earnings	170,391
		Retained earnings brought forward	170,391
		Treasury shares	(83,168)
		Stock option	1,300
		Total net assets	99,194
Total assets	105,370	Total liabilities and net assets	105,370

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

Statement of Income

(From January 1, 2023
to December 31, 2023)

(Millions of yen)

Account Items	Amount	
Net sales		48,128
Cost of sales		17,509
Gross profit		30,618
Selling, general and administrative expenses		20,118
Operating profit		10,499
Non-operating profit		
Interest income	129	
Foreign exchange gains	505	
Other	7	643
Non-operating expenses		
Treasury stock acquisition costs	1	
Other	1	3
Ordinary profit		11,139
Extraordinary profit		
Reversal of allowance for doubtful accounts	111	
Gain on sale of shares of subsidiaries and associates	735	846
Extraordinary loss		
Loss on support to subsidiaries and affiliates	880	880
Profit before income taxes		11,105
Income taxes, residential taxes and enterprise taxes—current		3,772
Income taxes and other—deferred		(161)
Net profit		7,494

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

Accounting Auditor's report on consolidated financial statements

Independent Auditor's Report

February 26, 2024

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

PricewaterhouseCoopers Japan LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:
Soichirou Hayashi

Designated and Engagement Partner,
Certified Public Accountant:
Kenji Murata

Audit Opinion

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act of Japan, the consolidated financial statements of GungHo Online Entertainment, Inc. (hereinafter referred to as the "Company") for the consolidated fiscal year from January 1, 2023 to December 31, 2023, 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, 2023, in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan.

Basis for the Audit Opinion

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

Emphasis of Matter

We draw attention to Notes on significant subsequent events, which describes that the Company resolved its acquisition of treasury shares and the cancellation of treasury shares at Board of Directors meeting held on February 14, 2024. Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

There are no matters to report regarding the other information.

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

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

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

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

Auditor's Responsibility for Auditing the Consolidated Financial Statements

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

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

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

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

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

Accounting Auditor’s report on non-consolidated financial statements

Independent Auditor’s Report

February 26, 2024

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

PricewaterhouseCoopers Japan LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:
Soichirou Hayashi

Designated and Engagement Partner,
Certified Public Accountant:
Kenji Murata

Audit Opinion

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, the non-consolidated financial statements of GungHo Online Entertainment, Inc. (hereinafter referred to as the “Company”) for the 27th fiscal year from January 1, 2023 to December 31, 2023, 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, 2023, in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan.

Basis for the Audit Opinion

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

Emphasis of Matter

We draw attention to Notes on significant subsequent events, which describes that the Company resolved its acquisition of treasury shares and the cancellation of treasury shares at Board of Directors meeting held on February 14, 2024. Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

There are no matters to report regarding the other information.

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

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

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

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

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

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

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

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

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

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

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

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

Audit report by the Board of Corporate Auditors

Audit Report

Regarding the performance of duties by Directors for the 27th fiscal year from January 1 to December 31, 2023, the Board of Corporate Auditors hereby submits its audit report, which has been prepared upon deliberations based on audit reports each prepared by Auditors.

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

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

Based on the above method, we examined the Business Report, its supplementary schedules, non-consolidated financial statements (non-consolidated balance 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, 2023, 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 Japan LLC and the audit results are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

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

February 27, 2024

Board of Corporate Auditors
GungHo Online Entertainment, Inc.

Masato Ochi
Full-time Auditor

Hiroto Uehara
Auditor

Toshiro Kaba
Auditor

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