

March 15, 2021

Dear shareholders

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

Notice of Convocation of the 24th Annual General Meeting of Shareholders

It gives us great pleasure to invite you to the 24th Annual General Meeting of Shareholders of GungHo Online Entertainment, Inc.

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

Please review the attached Reference Materials for the General Meeting of Shareholders, and exercise your voting rights by March 29, 2021 (Monday) at 6 p.m.

1. Date and time March 30, 2021 (Tuesday) 10:00 a.m. (Doors open at 9:00 a.m.)
2. Venue 3-13-1 Takanawa, Minato-ku, Tokyo
Grand Prince Hotel New Takanawa "International Convention Center Pamir"

3. Purpose

- Matters to be reported
1. Report on the Business Report, the Consolidated Financial Statements, and the Audit Results of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors for the 24th term (from January 1, 2020 to December 31, 2020)
 2. Report on the Non-consolidated Financial Statements for the 24th term (from January 1, 2020 to December 31, 2020)

Matters to be resolved

- Proposal 1 Election of Nine (9) Directors
Proposal 2 Election of Three (3) Auditors
Proposal 3 Revision of Remuneration for Auditors
Proposal 4 Partial Revision to the Stock-Based Compensation Stock Option Plan for Directors

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

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

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

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

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

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

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

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

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

[Internet method]

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

1. Using a personal computer or mobile phone

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

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

2. Using a smartphone

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

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

(Warning)

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

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

Administrator of Shareholder Registry: Tokyo Securities Transfer Agent Co., Ltd.

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

Reception hours: 9 AM to 9 PM

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

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

Business Report  
 ( From January 1, 2020  
 to December 31, 2020 )

## 1. Overview of the Company Group

### (1) Consolidated business performance for the fiscal year ended December 31, 2020

#### 1) Business progress and results

The Japanese game market grew 3.8% year-on-year to 1.7330 trillion yen<sup>\*1</sup> in 2019, supported by a moderate expansion of the mobile-game market and strong sales of home-console game software. Meanwhile, the global game market has also seen continued growth, and along with the growing popularity and proliferation of smartphones, the global game-content market in 2019 increased by 19.1% year-on-year to 15.6898 trillion yen<sup>\*1</sup>. The home-console game market and the PC online-game market also continue to grow. However, with the spread of COVID-19 infections beginning in early 2020, economic activity stagnated, and although there are signs of recovery in some areas, the future remains uncertain.

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

As a result, operating profit for our group increased despite the fact that sales in the current consolidated fiscal year decreased slightly from the previous fiscal year, mainly due to favorable sales of the "Puzzle & Dragons" (referred to as "P&D" henceforth) and "Ragnarok" series of games for smartphones.

As for existing games, "P&D" has had continuous updates and events held, such as adding new dungeons and other items, improving game contents, and collaborating with famous characters from other companies, all with the main objective of providing players with the ability to have continued long-term enjoyment of the game, and MAU continued to remain firm. As a result, on November 8, 2020, "P&D" exceeded a cumulative total of 56 million downloads in Japan. Additionally, MAU for "Ragnarok Masters" also continued to remain stable as a result of ongoing events.

As for new games, with regard to the competitive Ninja Gum Battle Action game "Ninjala" for Nintendo Switch™, which began service on June 25, 2020<sup>\*2</sup>, we have made efforts to expand its user base by holding collaboration events and online competitions, implementing new maps and new weapons, implementing a wide range of cross-media deployment, and selling merchandise. As a result, on January 18, 2021, "Ninjala" exceeded a cumulative total of 6 million downloads worldwide.

Regarding subsidiary-related business, the trend has continued to be steady due to continuous updates and events for "Ragnarok M: Eternal Love," which is being distributed by GRAVITY Co., Ltd. (referred to as GRAVITY henceforth) and its consolidated subsidiaries. The PC online game "Ragnarok Online," which had its service launched in Thailand on May 28, 2020 by GRAVITY's consolidated subsidiary, also performed well, contributing to business results. Additionally, GRAVITY began service for "Ragnarok Origin" in South Korea on July 7, 2020, and it has been performing well. Furthermore, "Ragnarok X: Next Generation," which had its service launched in Taiwan, Hong Kong, and Macau on October 15, 2020, has been generating strong sales continuously.

As a result, net sales for the fiscal year ended December 31, 2020 amounted to 98,844 million yen, (a decrease of 2.5% year-on-year). Operating profit was 30,157 million yen, (an increase of 6.4% year-on-year), ordinary profit was 30,202 million yen, (an increase of 5.5% year-on-year), and profit attributable to owners of parent came to 16,369 million yen (a decrease of 9.8% year on year)..

\*1: Famitsu Game White Paper 2020

\*2: Japan Standard Time

#### 2) Capital expenditure

For the fiscal year ended December 31, 2020, capital expenditure totaled 2,736 million yen, consisting mainly of 2,013 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                                    | 21st<br>From January 1,<br>2017 to December<br>31, 2017 | 22nd<br>From January 1,<br>2018 to December<br>31, 2018 | 23rd<br>From January 1,<br>2019 to December<br>31, 2019 | 24th<br>From January 1,<br>2020 to December<br>31, 2020 |
|-----------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Net sales                               | 92,306                                                  | 92,101                                                  | 101,392                                                 | 98,844                                                  |
| Operating profit                        | 34,384                                                  | 26,577                                                  | 28,349                                                  | 30,157                                                  |
| Ordinary profit                         | 34,351                                                  | 26,659                                                  | 28,617                                                  | 30,202                                                  |
| Profit attributable to owners of parent | 22,397                                                  | 16,585                                                  | 18,146                                                  | 16,369                                                  |
| Net profit per share                    | 314.92 yen                                              | 233.17 yen                                              | 258.04 yen                                              | 239.94 yen                                              |
| Total assets                            | 78,070                                                  | 96,032                                                  | 105,008                                                 | 122,257                                                 |
| Net assets                              | 62,412                                                  | 78,110                                                  | 90,765                                                  | 104,727                                                 |
| Net assets per share                    | 834.29 yen                                              | 1,035.90 yen                                            | 1,218.59 yen                                            | 1,422.35 yen                                            |

(Note) Effective July 1, 2019, share consolidation was implemented at a ratio of 1 share per 10 shares of common stock. Net profit per share and net assets per share are calculated on the assumption that the share consolidation was conducted at the beginning of the 21st consolidated fiscal year.

2) Non-consolidated

(Millions of yen)

| Item                 | 21st<br>From January 1,<br>2017 to December<br>31, 2017 | 22nd<br>From January 1,<br>2018 to December<br>31, 2018 | 23rd<br>From January 1,<br>2019 to December<br>31, 2019 | 24th<br>From January 1,<br>2020 to December<br>31, 2020 |
|----------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Net sales            | 76,575                                                  | 62,340                                                  | 67,870                                                  | 62,643                                                  |
| Operating profit     | 33,991                                                  | 23,906                                                  | 24,144                                                  | 23,117                                                  |
| Ordinary profit      | 33,987                                                  | 23,981                                                  | 24,255                                                  | 23,197                                                  |
| Net profit           | 19,672                                                  | 15,351                                                  | 16,391                                                  | 12,816                                                  |
| Net profit per share | 276.61 yen                                              | 215.82 yen                                              | 233.09 yen                                              | 187.86 yen                                              |
| Total assets         | 68,513                                                  | 81,865                                                  | 92,432                                                  | 100,150                                                 |
| Net assets           | 61,581                                                  | 75,034                                                  | 84,601                                                  | 92,480                                                  |
| Net assets per share | 855.64 yen                                              | 1,042.17 yen                                            | 1,201.76 yen                                            | 1,348.22 yen                                            |

(Note) Effective July 1, 2019, share consolidation was implemented at a ratio of 1 share per 10 shares of common stock. Net profit per share and net assets per share are calculated on the assumption that the share consolidation was conducted at the beginning of the 21st consolidated fiscal year.

(3) Material parent company and subsidiaries

1) Relationship with parent company

Not applicable

2) Material subsidiaries

| Company name                                      | Capital stock       | The Company's voting right ratio | Principal business activities                                                                    |
|---------------------------------------------------|---------------------|----------------------------------|--------------------------------------------------------------------------------------------------|
| Game Arts Co., Ltd.                               | 78 million yen      | 100.00%                          | Planning, development and sales of PC online games and consumer games                            |
| GRAVITY Co.,Ltd.                                  | 3,474 million won   | 59.31%                           | Planning, development, operation and online distribution of online PC games and smartphone games |
| Gravity Interactive,Inc.                          | USD 14,540 thousand | 100.00% (100.00%)                | Planning, development, operation and online distribution of online PC games and smartphone games |
| Gravity Communications Co.,Ltd.                   | TWD 155 million     | 100.00% (100.00%)                | Planning, development, operation and online distribution of online PC games and smartphone games |
| Gravity Neocyon,Inc.                              | KRW 7,963 million   | 99.52% (99.52%)                  | Planning, development, operation and online distribution of online PC games and smartphone games |
| Acquire Corp                                      | JPY 100 million     | 50.07%                           | Planning, development, distribution and sales of smartphone games and consumer games             |
| GungHo Online Entertainment America,Inc.          | USD 300,000         | 100.00%                          | Planning, development, operation, distribution and sales of smartphone games and consumer games  |
| SUPERTRICK GAMES,Inc.                             | JPY 50 million      | 100.00%                          | Planning and development of consumer games                                                       |
| GungHo Online Entertainment Asia Pacific Pte.Ltd. | USD 55,491 thousand | 100.00%                          | Holding company                                                                                  |
| GungHo Gamania Co.,Limited                        | USD 15,000 thousand | 51.00%                           | Planning, development, operation and distribution of smartphone games                            |
| mspo, Inc.                                        | JPY 490 million     | 69.14%                           | Planning, development, operation and distribution of mobile games                                |
| Grasshopper Manufacture Inc.                      | JPY 10 million      | 100.00%                          | Planning and development of consumer games                                                       |

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

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.

The following outlines our specific initiatives targeting material challenges.

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 18th anniversary since the launch of the service, and “Puzzle & Dragons” for smartphones celebrated its 9th anniversary in February 2021.

Aiming for the long-term enhancement of the game brand “Puzzle & Dragons,” we offer the brand’s through a variety of channels including “PUZZLE & DRAGONS GOLD” for Nintendo Switch, 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

Identifying maximization of enterprise value as one of significant business challenges for the Company, we think it is important to build a good relationship with stakeholders and continue growing steadily on a long-term basis. To achieve this goal, we will run the organization in a flexible, transparent manner and 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 Japan Online Game Association, the Company is fully committed to protecting consumers from any disadvantages and to resolving issues through information exchanged among industry players. We believe this should contribute to society’s economic growth.

6) Strengthening corporate structure including product development

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

(5) Principal business activities (as of December 31, 2020)

- 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, 2020)

- 1) The Company's business office

Chiyoda-ku, Tokyo, Japan

- 2) Principal subsidiaries' business offices

|                                                   |                                                                           |
|---------------------------------------------------|---------------------------------------------------------------------------|
| 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                                           |
| ACQUIRE Corp.                                     | Chiyoda-ku, Tokyo, Japan                                                  |
| GungHo Online Entertainment America,Inc.          | California, United States of America                                      |
| SUPERTRICK GAMES,Inc.                             | Chiyoda-ku, Tokyo, Japan                                                  |
| GungHo Online Entertainment Asia Pacific Pte.Ltd. | Singapore                                                                 |
| GungHo Gamanian Co.,Limited                       | Hong Kong Special Administrative Region of the People's Republic of China |
| mspo, Inc.                                        | Chiyoda-ku, Tokyo, Japan                                                  |
| Grasshopper Manufacture Inc.                      | Chiyoda-ku, Tokyo, Japan                                                  |

(7) Employees (as of December 31, 2020)

- 1) Employees of the corporate group

| Number of employees | Change from the end of the previous consolidated fiscal year |
|---------------------|--------------------------------------------------------------|
| 1,335 [141]         | Increase of 83                                               |

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 |
|---------------------|-------------------------------------------------|-----------------------|---------------------------------|
| 404 [88]            | Increase of 9                                   | 40 years and 2 months | 8 years and 0 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, 2020)

| Lender                    | Outstanding borrowings |
|---------------------------|------------------------|
| Japan Finance Corporation | 171 million yen        |
| Kiraboshi Bank, Ltd.      | 119 million yen        |

(9) Other material matters related to the current state of the corporate group

Not applicable

## 2. Matters relating to shares of the Company

(1) Shares (as of December 31, 2020)

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

2) Total number of shares outstanding 95,210,316 shares

Note: Total number of shares outstanding includes the treasury shares (27,349,132 shares).

3) Number of shareholders 74,692

4) Major shareholders

| Shareholder name                                        | Number of shares held | Shareholding ratio |
|---------------------------------------------------------|-----------------------|--------------------|
| SON Financial Inc.                                      | 11,475,400 shares     | 16.91%             |
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account) | 3,939,000 shares      | 5.80%              |
| Taizo Son                                               | 3,385,000 shares      | 4.98%              |
| Custody Bank of Japan, Ltd. (Trust Account)             | 2,577,500 shares      | 3.79%              |
| JPMorgan Securities Japan Co., Ltd.                     | 1,277,970 shares      | 1.88%              |
| THE BANK OF NEW YORK MELLON<br>140044                   | 1,229,800 shares      | 1.81%              |
| Balance Entertainment Inc.                              | 1,200,000 shares      | 1.76%              |
| Kazuki Morishita                                        | 1,009,600 shares      | 1.48%              |
| UBS AG LONDON A/C IPB EGREGATED<br>CLIENT ACCOUNT       | 1,006,654 shares      | 1.48%              |
| Custody Bank of Japan, Ltd. (Trust Account<br>5)        | 750,500 shares        | 1.10%              |

Note 1: The Company holds 27,349,132 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 (27,349,132 shares).

5) Other important matters relating to shares

- The Company acquired treasury shares as follows in accordance with the resolution of the Board of Directors held on February 13, 2020.

|                                        |                                          |
|----------------------------------------|------------------------------------------|
| Type and the number of shares acquired | 1,800,000 common shares                  |
| Total acquisition price                | JPY 2,934,860,000                        |
| Acquisition period                     | From February 17, 2020 to March 18, 2020 |
| Acquisition method                     | Acquisition on the Tokyo stock exchange  |

(2) Share subscription rights

1) Outline of share subscription rights held by the Company's Directors as of December 31, 2020

|                                                                                                     | 2015 3rd<br>share subscription rights  | 2016 4th<br>share subscription rights      | 2017 5th<br>share subscription rights |
|-----------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------|---------------------------------------|
| Date of issue                                                                                       | June 25, 2015                          | August 18, 2016                            | May 15, 2017                          |
| Number of share subscription rights                                                                 | 4,675 rights                           | 7,432 rights                               | 6,440 rights                          |
| Number of holders<br>The Company's<br>Directors (excluding<br>outside Directors)                    | 4 persons                              | 4 persons                                  | 4 persons                             |
| Type and number of<br>shares to which<br>share subscription<br>rights apply                         | Common shares<br>46,750 shares         | Common shares<br>74,320 shares             | Common shares<br>64,400 shares        |
| Issue price of<br>subscription rights                                                               | 4,680 yen per share                    | 2,293.9 yen per share                      | 2,507.8 yen per<br>share              |
| Value of capital to<br>be contributed at the<br>time of exercise of<br>share subscription<br>rights | 1 yen per share                        | 1 yen per share                            | 1 yen per share                       |
| Exercise period for<br>share subscription<br>rights                                                 | From June 25, 2016 to<br>June 24, 2031 | From August 18, 2017 to<br>August 17, 2032 | From May 15, 2018 to May<br>14, 2033  |
| Main terms and<br>conditions of<br>exercise of share<br>subscription rights                         | (Note)                                 | (Note)                                     | (Note)                                |

|                                                                                                     | 2018 6th<br>share subscription rights      | 2019 7th<br>share subscription rights     | 2020 8th<br>share subscription rights    |
|-----------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------|------------------------------------------|
| Date of issue                                                                                       | April 10, 2018                             | April 9, 2019                             | April 14, 2020                           |
| Number of share subscription rights                                                                 | 3,819 rights                               | 2,967 rights                              | 870 rights                               |
| Number of holders<br>The Company's<br>Directors (excluding<br>outside Directors)                    | 4 persons                                  | 5 persons                                 | 5 persons                                |
| Type and number of<br>shares to which<br>share subscription<br>rights apply                         | Common shares<br>38,190 shares             | Common shares<br>29,670 shares            | Common shares<br>87,000 shares           |
| Issue price of<br>subscription rights                                                               | 3,404.7 yen per<br>share                   | 3,444.5 yen per<br>Share                  | 1,359.37 yen per<br>share                |
| Value of capital to<br>be contributed at the<br>time of exercise of<br>share subscription<br>rights | 1 yen per share                            | 1 yen per share                           | 1 yen per share                          |
| Exercise period for<br>share subscription<br>rights                                                 | From April 10,<br>2019 to April 9,<br>2034 | From April 9,<br>2020 to April 8,<br>2035 | From April 14, 2021 to<br>April 13, 2036 |
| Main terms and<br>conditions of<br>exercise of share<br>subscription rights                         | (Note)                                     | (Note)                                    | (Note)                                   |

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

|                                                                                                                                    |                                       |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
|                                                                                                                                    | 2020 8th<br>share subscription rights |
| Date of issue                                                                                                                      | April 14, 2020                        |
| Number of share subscription rights                                                                                                | 264 rights                            |
| Number of grantees<br>The Company's Corporate Officers (excluding any Corporate Officer concurrently in service as Director of it) | 4 persons                             |
| Type and number of shares to which share subscription rights apply                                                                 | Common shares<br>26,400 shares        |
| Issue price of share subscription rights                                                                                           | 1,359.37 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, 2021 to April 13, 2036 |
| 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, 2020)

| Position                            | Name               | Assignment, and Significant Concurrent Positions                                                                                                                                                                                                                                                        |
|-------------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| President & Representative Director | Kazuki Morishita   | President & Representative Director of Game Arts Co., Ltd.<br>Executive Director of GRAVITY Co., Ltd.                                                                                                                                                                                                   |
| Director                            | Kazuya Sakai       | Executive General Manager of Finance Accounting Division and CFO of the Company<br>Director of Game Arts Co., Ltd.<br>Executive Director of GRAVITY Co., Ltd.<br>Director of Acquire Corp.<br>Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.<br>Director of GungHo Gamania Co., Limited |
| Director                            | Yoshinori Kitamura | Executive General Manager of GV business division of the company<br>Executive Director of GRAVITY Co., Ltd.                                                                                                                                                                                             |
| Director                            | Masato Ochi        | Executive General Manager of Customer Service Division of the company                                                                                                                                                                                                                                   |
| Director                            | Koji Yoshida       | Executive General Manager of Business Administration Division, CCO and CCMO of the Company<br>Director of Acquire Corp.<br>Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.                                                                                                               |
| Director                            | Norikazu Oba       | General Manager of the Finance Planning Department of SoftBank Group Corp.<br>Director of J.Score CO., LTD.<br>Director of SoftBank Group Japan Corporation                                                                                                                                             |
| Director                            | Hidetsugu Onishi   | Co-CEO, Integrity Partners LLC<br>CEO, Avergence Incorporated                                                                                                                                                                                                                                           |
| Director                            | Keiji Miyakawa     | Senior Advisor of Japan of Lincoln International                                                                                                                                                                                                                                                        |
| Director                            | Susumu Tanaka      | —                                                                                                                                                                                                                                                                                                       |
| Full-time Auditor                   | Yoichiro Ando      | Auditor of Game Arts Co., Ltd.<br>Auditor of Acquire Corp.                                                                                                                                                                                                                                              |
| Auditor                             | Hiroto Uehara      | Representative of Uehara Hiroto Certified Public Accountant Firm                                                                                                                                                                                                                                        |
| Auditor                             | Kaba Toshiro       | Representative of Shiroyama-Tower Law Office<br>Dean of TOIN LAW SCHOOL<br>Outside Auditor of T-Gaia Corporation<br>Outside Auditor of J.Score CO., LTD<br>Outside Auditor of PIALA Inc.                                                                                                                |

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

2. Yoichiro Ando, Full-time Auditor; Hiroto Uehara, Auditor; and Toshiro Kaba, Auditor fell under the category of outside auditors, and the Tokyo Stock Exchange was notified that they are independent directors.

3. Being a Certified Public Accountant, Hiroto Uehara, Auditor is equipped with a reasonable level of knowledge in finance and accounting.

#### (2) Outline of liability limitation agreement

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

(3) Outline of directors and officers liability insurance policy

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

(4) Amounts of remunerations for Directors and Auditors

| Category | Number of recipients | Amount of payment |
|----------|----------------------|-------------------|
| Director | 10                   | 296 million yen   |
| Auditor  | 3                    | 29 million yen    |
| Total    | 13                   | 326 million yen   |

Notes: 1. The amounts paid for the fiscal year under review 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, 158 million yen.

2. The number of directors is (9) Directors and (3) Auditors as of December 31, 2020. The difference from the number recipients above is due to the inclusion of one (1) Director who retired at the conclusion of the 23rd Annual General Meeting of Shareholders held on March 30, 2020.

3. Of the above-mentioned total remunerations, the amount of remunerations for Outside Directors totaled 16 million yen for three Directors and 29 million yen for three Auditors.

4. The above-mentioned amounts for remuneration include the expenses (113 million yen for 5 Directors) incurred and recorded during the fiscal year under review in connection with share subscription rights granted as stock options.

(5) 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, CEO of Avergence Incorporated, neither of which has any particular relationship with GungHo.
- II. Keiji Miyakawa, Director concurrently serves as Senior Advisor of Japan of Lincoln International, which doesn't have any particular relationship with GungHo.
- III. Yoichiro Ando, Auditor concurrently serves as Outside Auditor of Game Arts Co., Ltd., and Acquire Corp. which is a subsidiary of GungHo.
- IV. Hiroto Uehara, Auditor concurrently serves as Representative of Uehara Hiroto Certified Public Accountant Firm, which doesn't have any particular relationship with GungHo.
- V. Toshiro Kaba, Auditor concurrently serves as Representative of Shiroyama-Tower Law Office, Dean of TOIN LAW SCHOOL, Outside Auditor of T-Gaia Corporation, Outside Auditor of J.Score CO., LTD and Outside Auditor of PIALA Inc., neither of which has any particular relationship with GungHo.

2) Relationship with specified business operators such as main business connections

Yoichiro Ando, Full-time Auditor, is also an auditor of Game Arts Co., Ltd. and Acquire Corp., subsidiaries of the Company.

3) Principal activities during the fiscal year under review

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

|                            | Board of Directors meeting<br>(held 12 times) |                 | Board of Corporate Auditors<br>meeting (held 13 times) |                 |
|----------------------------|-----------------------------------------------|-----------------|--------------------------------------------------------|-----------------|
|                            | Number of<br>attendances                      | Attendance rate | Number of<br>attendances                               | Attendance rate |
| Hidetsugu Onishi, Director | 12 times                                      | 100%            | - times                                                | - %             |
| Keiji Miyakawa, Director   | 12 times                                      | 100%            | - times                                                | - %             |
| Susumu Tanaka, Director    | 9 times                                       | 100%            | - times                                                | - %             |
| Yoichiro Ando, Auditor     | 12 times                                      | 100%            | 13 times                                               | 100%            |
| Hiroto Uehara, Auditor     | 12 times                                      | 100%            | 13 times                                               | 100%            |
| Toshiro Kaba, Auditor      | 12 times                                      | 100%            | 13 times                                               | 100%            |

(Note) Since Director Susumu Tanaka was elected at the 23rd Annual General Meeting of Shareholders held on March 30, 2020, the number of the Board of Directors meetings held differs from that for other Directors. Since he assumed office, the Board of Directors meetings were held nine times.

b. Remarks at Board of Directors meetings

Hidetsugu Onishi, Director, has sufficient experience and extensive knowledge gained mainly as a corporate executive. Keiji Miyakawa, Director, has sufficient experience and expertise gained mainly as an executive of financial service business. Susumu Tanaka, Director, has sufficient experience and high-level knowledge mainly regarding management of the company. Yoichiro Ando, Auditor, has knowledge, wide-ranging views and sufficient experience gained mainly through his banking business activities as a former banker. Hiroto Uehara, Auditor, has sufficient experience and extensive knowledge gained mainly as a certified public accountant. Toshiro Kaba, Auditor, has sufficient experience and advanced knowledge gained as an attorney-at-law. They have provided the Company with advice and proposals from their respective viewpoints so that the legitimacy and validity of decisions made by the Board of Directors can be ensured.

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

4. Accounting Auditor

(1) Name PricewaterhouseCoopers Aarata LLC

(2) Fee

|                                                                                                                                      | Amount of fee  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Fee for the Accounting Auditor for the fiscal year under review                                                                      | 37 million yen |
| Total amount of money and other compensation reward obliged to be paid to the Accounting Auditor by the Company and its subsidiaries | 37 million yen |

Notes: 1. The audit contract between the Company and the Accounting Auditor neither distinguishes between the audit fee for an audit under the Companies Act and the audit fee for an audit under the Financial Instruments and Exchange Act, nor is able to do so practically. Therefore, the total fee is shown above.  
2. Bearing in mind the "Practical Guidelines on Collaboration with Accounting Auditor" published by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors ascertained the results of audit hours by audit item and hierarchical level under the previous fiscal year audit plan as well as the audit fee trend and the state of execution of duties by the Accounting Auditor. It then examined the reasonableness of the audit plan and fee for the fiscal year under review. As a result, the Board of Corporate Auditors consented to the fee for the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act.

(3) Matters concerning audits of subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

8) System to ensure that Auditors' audits are carried out effectively

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

9) System for excluding anti-social forces

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

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

1) Execution of Directors' duties

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

2) Compliance system

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

3) Risk management

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

#### 4) Business management of subsidiaries

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

#### 5) Auditors

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

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

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

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, 2020.

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, 2020)

(Millions of yen)

| Account Items                   | Amount  | Account Items                              | Amount   |
|---------------------------------|---------|--------------------------------------------|----------|
| Assets                          |         | Liabilities                                |          |
| Current assets                  | 114,120 | Current liabilities                        | 16,200   |
| Cash and deposits               | 102,725 | Notes and accounts payable-trade           | 3,797    |
| Accounts receivable-trade       | 9,801   | Current portion of long-term loans payable | 198      |
| Merchandise                     | 2       | Income taxes payable                       | 4,973    |
| Work in progress                | 115     | Provision for bonuses                      | 9        |
| Other                           | 1,532   | Other                                      | 7,221    |
| Allowance for doubtful accounts | (55)    | Non-current liabilities                    | 1,330    |
| Non-current assets              | 8,136   | Long-term loans payable                    | 416      |
| Property, plant and equipment   | 810     | Other                                      | 913      |
| Intangible assets               | 1,384   | Total liabilities                          | 17,530   |
| Software                        | 257     | Net assets                                 |          |
| Software in progress            | 961     | Shareholders' equity                       | 96,500   |
| Other                           | 165     | Capital stock                              | 5,338    |
| Investments and other assets    | 5,941   | Capital surplus                            | 5,487    |
| Investment securities           | 55      | Retained earnings                          | 173,321  |
| Deferred tax assets             | 2,876   | Treasury shares                            | (87,646) |
| Other                           | 3,010   | Accumulated other comprehensive income     | (21)     |
|                                 |         | Foreign currency translation adjustment    | (21)     |
|                                 |         | Stock option                               | 988      |
|                                 |         | Non-controlling interests                  | 7,216    |
|                                 |         | Total net assets                           | 104,727  |
| Total assets                    | 122,257 | Total liabilities and net assets           | 122,257  |

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

## Consolidated Statements of Income

( From January 1, 2020  
to December 31, 2020 )

(Millions of yen)

| Account Items                                                | Amount |        |
|--------------------------------------------------------------|--------|--------|
| Net sales                                                    |        | 98,844 |
| Cost of sales                                                |        | 43,490 |
| Gross profit                                                 |        | 55,354 |
| Selling, general and administrative expenses                 |        | 25,196 |
| Operating profit                                             |        | 30,157 |
| Non-operating profit                                         |        |        |
| Interest income                                              | 100    |        |
| Foreign exchange gains                                       | 256    |        |
| Other                                                        | 73     | 430    |
| Non-operating expenses                                       |        |        |
| Interest expenses                                            | 22     |        |
| Treasury stock acquisition costs                             | 7      |        |
| Foreign exchange loss                                        | 338    |        |
| Other                                                        | 16     | 385    |
| Ordinary profit                                              |        | 30,202 |
| Extraordinary losses                                         |        |        |
| Impairment loss                                              | 3,338  |        |
| Loss on valuation of stocks of affiliates                    | 14     | 3,352  |
| Profit before income taxes and minority interests            |        | 26,849 |
| Income taxes, residential taxes and enterprise taxes-current |        | 8,901  |
| Income taxes and others-deferred                             |        | (225)  |
| Profit                                                       |        | 18,173 |
| Profit attributable to non-controlling interests             |        | 1,804  |
| Profit attributable to owners of parent                      |        | 16,369 |

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

## Consolidated Changes in Net Assets

( January 1, 2020 through  
December 31, 2020 )

(Millions of yen)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of current period           | 5,338                | 5,487           | 159,046           | (84,678)        | 85,194                     |
| Changes of items during the period                   |                      |                 |                   |                 |                            |
| Dividends paid                                       |                      |                 | (2,090)           |                 | (2,090)                    |
| Profit attributable to owners of parent              |                      |                 | 16,369            |                 | 16,369                     |
| Subscription rights to shares                        |                      | (3)             |                   | 24              | 21                         |
| Acquisition of treasury shares                       |                      |                 |                   | (2,995)         | (2,995)                    |
| Disposal of treasury shares                          |                      | (0)             |                   | 2               | 1                          |
| Transfer of disposal losses of treasury shares       |                      | 4               | (4)               |                 | —                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during the period             | —                    | —               | 14,274            | (2,968)         | 11,306                     |
| Balance at the end of current period                 | 5,338                | 5,487           | 173,321           | (87,646)        | 96,500                     |

|                                                      | Accumulated other comprehensive income  |                                        | Stock Option | Non-controlling interests | Total net assets |
|------------------------------------------------------|-----------------------------------------|----------------------------------------|--------------|---------------------------|------------------|
|                                                      | Foreign currency translation adjustment | Accumulated other comprehensive income |              |                           |                  |
| Balance at the beginning of current period           | (282)                                   | (282)                                  | 862          | 4,991                     | 90,765           |
| Changes of items during the period                   |                                         |                                        |              |                           |                  |
| Dividends paid                                       |                                         |                                        |              |                           | (2,090)          |
| Profit attributable to owners of parent              |                                         |                                        |              |                           | 16,369           |
| Subscription rights to shares                        |                                         |                                        |              |                           | 21               |
| Acquisition of treasury shares                       |                                         |                                        |              |                           | (2,995)          |
| Disposal of treasury shares                          |                                         |                                        |              |                           | 1                |
| Transfer of disposal losses of treasury shares       |                                         |                                        |              |                           | —                |
| Net changes of items other than shareholders' equity | 304                                     | 304                                    | 126          | 2,224                     | 2,655            |
| Total changes of items during the period             | 304                                     | 304                                    | 126          | 2,224                     | 13,961           |
| Balance at the end of current period                 | 21                                      | 21                                     | 988          | 7,216                     | 104,727          |

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

## Notes on consolidated financial statements

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

#### (1) Matters concerning the coverage of consolidation

- Number of consolidated companies 16
- Major consolidated subsidiaries
  - GAME ARTS Co., Ltd.
  - GRAVITY Co.,Ltd.
  - Gravity Interactive,Inc.
  - Gravity Communications Co.,Ltd.
  - Gravity Neocyon,Inc.
  - ACQUIRE Corp.
  - GungHo Online Entertainment America,Inc.
  - SUPERTRICK GAMES,Inc.
  - GungHo Online Entertainment Asia Pacific Pte.Ltd.
  - GungHo Gamanian Co.,Limited
  - mspo, Inc.
  - Grasshopper Manufacture Inc.
- There are no non-consolidated subsidiaries.

#### (2) Matters concerning equity method

- Number of equity method affiliated companies  
None

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

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

#### (4) Matters concerning accounting principles and standards

##### 1) Appraisal standards and appraisal methods for principal assets

###### a. Marketable securities

###### Other marketable securities

- Securities of market value Stated by using the market value method based on the market price, etc. as of the last day of the consolidated fiscal period, and valuation differences are reported as a component of shareholders' equity and costs of securities sold are calculated by the moving-average method
- Securities of no market value Stated at cost by using the moving-average method, except for securities held in some of subsidiaries overseas that are stated at cost by using the gross average method.

###### b. Inventory assets

- Merchandise Stated at cost by using the specific cost method (the carrying amount on the balance sheet is reduced for decrease in profitability)
- Work in process Stated at cost by using the specific cost method (the carrying amount on the balance sheet is reduced for decrease in profitability)  
Note that some overseas subsidiaries use the lower-of-cost-or-market method by the gross average method.

2) Methods for depreciation of significant depreciable assets

- |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Tangible fixed assets except lease assets   | <p>a. Assets acquired prior to or on March 31, 2007: The former declining-balance method is used.</p> <p>b. Assets acquired on or after April 1, 2007: The declining-balance method is used. The straight-line method is used for some of the overseas subsidiaries. However, the straight-line method is used for building fixtures and structures acquired on or after April 1, 2016.</p> <p>. Shown below are principal useful lives:<br/>Buildings: 3 to 18 years<br/>Others: 3 to 15 years</p> |
| b. Intangible fixed assets except lease assets | <p>Stated by using primarily the straight-line method, and software for internal use is depreciated over the period from one to five years based on its availability period. However, intangible fixed assets related to portable device games are depreciated based on expected proceeds from sales.</p>                                                                                                                                                                                           |
| c. Lease assets                                | <p>Lease assets are depreciated by using the straight-line method over the useful lives of the respective lease period with zero residual value. Note some overseas subsidiaries use the economic useful lives up to the lease period.</p>                                                                                                                                                                                                                                                          |

3) Accounting standards for significant allowances

- |                                    |                                                                                                                                                                                                                            |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Allowance for doubtful accounts | <p>The Company records allowances for doubtful accounts at an estimated uncollectable amount determined based on past credit loss experiences for general debts, and in consideration of their collectability of each.</p> |
| b. Provision for bonuses           | <p>To provide employees with bonuses, the Company accrues reserves at an amount subject to fiscal year 2020 based on estimated future obligation.</p>                                                                      |

4) Standards for translation of principal assets and liabilities denominated in foreign-currencies into yen

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

5) Accounting treatment of consumption taxes

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



## 2. Notes to consolidated balance sheets

|                                                          |                   |
|----------------------------------------------------------|-------------------|
| Cumulative depreciation of property, plant and equipment | 2,758 million yen |
|----------------------------------------------------------|-------------------|

## 3. Notes to consolidated changes in net assets

### (1) Total number of shares outstanding

Number of shares as of December 31, 2020 (shares) 95,210,316 shares

### (2) Dividends

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

| Resolution                                           | Share class   | Total dividends   | Dividend per share | Record date       | Date of coming into effect |
|------------------------------------------------------|---------------|-------------------|--------------------|-------------------|----------------------------|
| Board of Directors meeting held on February 13, 2020 | Common shares | 2,090 million yen | 30.00 yen          | December 31, 2019 | March 16, 2020             |

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

The Board of Directors meeting held on February 16, 2021 adopted the following proposed resolution for the payment of dividends on common shares.

1. Total dividends 2,035 million yen
2. Dividend per share 30.00 yen
3. Record date December 31, 2020
4. Date of coming into effect March 16, 2021
5. Source of dividends Retained earnings

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

Common stock: 284,490 shares

#### 4. Notes on financial instruments

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

###### 1) Policy on handling financial instruments

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

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

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

Marketable securities and investment securities are exposed to price fluctuation risk. To manage this type of risk, the GungHo Group continuously monitors market values and issuer companies' financial positions. Accounts payable-trade representing operating payables are mostly due within 1 year.

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

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

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

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

(2) Information on the market prices of financial instruments

The following shows the values of financial instruments recorded on the consolidated balance sheet as of December 31, 2020, their market values on the same date and the difference between the former and latter.

(Millions of yen)

|                                                   | Value recorded on consolidated balance sheets | Market value | Difference |
|---------------------------------------------------|-----------------------------------------------|--------------|------------|
| (1) Cash and deposits                             | 102,725                                       | 102,725      | —          |
| (2) Accounts receivable-trade                     | 9,801                                         | 9,801        | —          |
| Allowance for doubtful accounts*                  | (54)                                          | (54)         | —          |
| (3) Marketable securities & investment securities | 9,746                                         | 9,746        | —          |
| Other securities                                  | —                                             | —            | —          |
| Total assets                                      | 112,471                                       | 112,471      | —          |
| (1) Accounts payable-trade                        | 3,797                                         | 3,797        | —          |
| (2) Long-term loans payable within one year       | 198                                           | 198          | —          |
| (3) Income taxes payable                          | 4,973                                         | 4,973        | —          |
| (4) Long-term loans payable                       | 416                                           | 410          | (6)        |
| Total liabilities                                 | 9,385                                         | 9,379        | (6)        |

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

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

Assets

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

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

(3) Marketable securities & investment securities

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

Liabilities

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

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

(4) Long-term loans payable

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

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

(Millions of yen)

| Category        | Value recorded on consolidated balance sheets |
|-----------------|-----------------------------------------------|
| Unlisted shares | 55                                            |

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

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

(Millions of yen)

|                                                 | Within 1 year | Over 1 year and within 5 years | Over 5 years and within 10 years | Over 10 years |
|-------------------------------------------------|---------------|--------------------------------|----------------------------------|---------------|
| Cash and deposits                               | 102,725       | —                              | —                                | —             |
| Accounts receivable-trade                       | 9,801         | —                              | —                                | —             |
| Marketable securities and investment securities |               |                                |                                  |               |
| Of other securities, those with maturity        | —             | —                              | —                                | —             |
| Total                                           | 112,526       | —                              | —                                | —             |

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

(Millions of yen)

|                         | Within 1 year | Over 1 year and within 2 years | Over 2 years and within 3 years | Over 3 years |
|-------------------------|---------------|--------------------------------|---------------------------------|--------------|
| Long-term loans payable | 198           | 148                            | 72                              | 195          |

5. Notes on per-share information

|                          |              |
|--------------------------|--------------|
| (1) Net assets per share | 1,422.35 yen |
| (2) Net income per share | 239.94 yen   |

6. Notes on significant subsequent events

None

## Balance Sheets

(As of December 31, 2020)

(Millions of yen)

| Account Items                   | Amount  | Account Items                     | Amount   |
|---------------------------------|---------|-----------------------------------|----------|
| Assets                          |         | Liabilities                       |          |
| Current assets                  | 89,059  | Current liabilities               | 7,331    |
| Cash and deposits               | 83,721  | Notes and accounts payable-trade  | 486      |
| Accounts receivable-trade       | 4,312   | Accounts payable-other            | 1,498    |
| Advance payments                | 806     | Lease obligations                 | 6        |
| Other                           | 217     | Accrued expenses                  | 213      |
| Non-current assets              | 11,091  | Income taxes payable              | 4,083    |
| Property, plant and equipment   | 44      | Consumption taxes payable         | 762      |
| Buildings                       | 0       | Other                             | 280      |
| Equipment                       | 44      | Non-current liabilities           | 338      |
| Intangible assets               | 154     | Lease obligations                 | 1        |
| Software                        | 20      | Asset disposal obligation         | 337      |
| Software in progress            | 1       | Total liabilities                 | 7,669    |
| Other                           | 132     | Net assets                        |          |
| Investments and other assets    | 10,892  | Shareholders' equity              | 91,492   |
| Stock of affiliates             | 1,236   | Capital stock                     | 5,338    |
| Long-term loans                 | 5,471   | Capital surplus                   | 5,331    |
| Long-term prepaid expenses      | 30      | Legal capital surplus             | 5,331    |
| Deferred tax assets             | 7,072   | Retained earnings                 | 168,468  |
| Deposit                         | 2,461   | Other retained earnings           | 168,468  |
| Allowance for doubtful accounts | (5,379) | Retained earnings brought forward | 168,468  |
|                                 |         | Treasury shares                   | (87,646) |
|                                 |         | Stock option                      | 988      |
|                                 |         | Total net assets                  | 92,480   |
| Total assets                    | 100,150 | Total liabilities and net assets  | 100,150  |

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

## Profit and Loss Statement

( From January 1, 2020  
to December 31, 2020 )

(Millions of yen)

| Account Items                                      | Amount |         |
|----------------------------------------------------|--------|---------|
| Net sales                                          |        | 62,643  |
| Cost of sales                                      |        | 23,224  |
| Gross profit on sales                              |        | 39,419  |
| Total selling, general and administrative expenses |        | 16,301  |
| Operating profit                                   |        | 23,117  |
| Non-operating profit                               |        |         |
| Interest income                                    | 113    |         |
| Subsidy income                                     | 171    |         |
| Others                                             | 30     | 315     |
| Non-operating expenses                             |        |         |
| Interest expenses                                  | 0      |         |
| Foreign exchange losses                            | 227    |         |
| Treasury stock acquisition costs                   | 7      |         |
| Others                                             | 1      | 236     |
| Ordinary profit                                    |        | 23,197  |
| Extraordinary income                               | 60     | 60      |
| Extraordinary loss                                 |        |         |
| Provision of allowance for doubtful accounts       | 825    |         |
| Impairment loss                                    | 2,826  |         |
| Loss on valuation of stocks of affiliates          | 1,036  | 4,688   |
| Income before income taxes                         |        | 18,568  |
| Income taxes—current                               |        | 7,091   |
| Income taxes—deferred                              |        | (1,338) |
| Net profit                                         |        | 12,816  |

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

## Changes in Net Assets

( January 1, 2020 through  
December 31, 2020 )

(Units: Million yen)

|                                                      | Shareholders' equity |                       |                                   |                       |                                   |                         |                 |                             |
|------------------------------------------------------|----------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|-------------------------|-----------------|-----------------------------|
|                                                      | Capital stock        | Capital surplus       |                                   |                       | Retained earnings                 |                         | Treasury shares | Total share-holders' equity |
|                                                      |                      | Legal capital surplus | Other capital surplus             | Total capital surplus | Other retained earnings           | Total retained earnings |                 |                             |
|                                                      |                      |                       | Gains on sales of treasury shares |                       | Retained earnings brought forward |                         |                 |                             |
| Balance at the beginning of current period           | 5,338                | 5,331                 | —                                 | 5,331                 | 157,747                           | 157,747                 | (84,678)        | 83,739                      |
| Changes of items during the period                   |                      |                       |                                   |                       |                                   |                         |                 |                             |
| Dividends paid                                       |                      |                       |                                   |                       | (2,090)                           | (2,090)                 |                 | (2,090)                     |
| Net Income                                           |                      |                       |                                   |                       | 12,816                            | 12,816                  |                 | 12,816                      |
| Subscription rights to shares                        |                      |                       | (3)                               | (3)                   |                                   |                         | 24              | 21                          |
| Acquisition of treasury shares                       |                      |                       |                                   |                       |                                   |                         | (2,995)         | (2,995)                     |
| Disposal of treasury shares                          |                      |                       | (0)                               | (0)                   |                                   |                         | 2               | 1                           |
| Transfer of disposal losses of treasury shares       |                      |                       | 4                                 | 4                     | (4)                               | (4)                     |                 | —                           |
| Net changes of items other than shareholders' equity |                      |                       |                                   |                       |                                   |                         |                 |                             |
| Total changes of items during the period             | —                    | —                     | —                                 | —                     | 10,721                            | 10,721                  | (2,968)         | 7,752                       |
| Balance at the end of current period                 | 5,338                | 5,331                 | —                                 | 5,331                 | 168,468                           | 168,468                 | (87,646)        | 91,492                      |

|                                                      | Stock option | Total net assets |
|------------------------------------------------------|--------------|------------------|
| Balance at the beginning of current period           | 862          | 84,601           |
| Changes of items during the period                   |              |                  |
| Dividends paid                                       |              | (2,090)          |
| Net Income                                           |              | 12,816           |
| Subscription rights to shares                        |              | 21               |
| Acquisition of treasury shares                       |              | (2,995)          |
| Disposal of treasury shares                          |              | 1                |
| Transfer of disposal losses of treasury shares       |              | —                |
| Net changes of items other than shareholders' equity | 126          | 126              |
| Total changes of items during the period             | 126          | 7,879            |
| Balance at the end of current period                 | 988          | 92,480           |

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

Notes to non-consolidated financial statements

1. Notes on matters pertaining to significant accounting policies

(1) Valuation standard and method for securities

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

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

1) Property, plant and equipment. Assets acquired prior to or on March 31, 2007:  
other than lease assets

The former declining-balance method is used.  
b. Assets acquired on or after April 1, 2007: The declining-balance method is used.  
However, the straight-line method is used for building fixtures and structures acquired on or after April 1, 2016  
Shown below are principal useful lives:  
Buildings: 3 to 4 years  
Tools and fixtures: 3 to 10 years

2) Intangible non-current assets  
other than lease assets

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

3) Lease assets

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

(3) Accounting standards of allowances

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

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

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

(5) Accounting treatment of consumption taxes

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



2. Notes on balance sheet

(1) Cumulative depreciation of property, plant and equipment 1,326 million yen

(2) Monetary claims and liabilities to related companies

|                                 |                   |
|---------------------------------|-------------------|
| Short-term monetary claims      | 68 million yen    |
| Long-term monetary claims       | 5,471 million yen |
| Short-term monetary liabilities | 429 million yen   |

3. Notes to profit and loss statement

Transactions with related companies

|                                      |                   |
|--------------------------------------|-------------------|
| Operating transactions (income)      | 35 million yen    |
| Operating transactions (expenditure) | 4,877 million yen |
| Non-operating transactions (income)  | 115 million yen   |

4. Notes to changes in net assets

|                                                   |                   |
|---------------------------------------------------|-------------------|
| Number of treasury shares as of December 31, 2019 | 27,349,132 shares |
|---------------------------------------------------|-------------------|

5. Notes on tax effect accounting

Breakdown of deferred tax assets by cause

Deferred tax assets

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Enterprise taxes payable                         | 252 million yen   |
| Depreciation & amortization excess value         | 1,480 million yen |
| Allowance of doubtful accounts                   | 1,647 million yen |
| Loss on valuation of shares in related companies | 3,087 million yen |
| Stock-based compensation expenses                | 302 million yen   |
| Other                                            | 301 million yen   |
| Subtotal                                         | 7,072 million yen |
| Valuation provision                              | —                 |
| Total deferred tax assets                        | 7,072 million yen |

## 6. Notes on transactions with interested parties

### Subsidiaries and affiliates

| Category   | Company name                              | Voting rights holding ratio (%) | Relationship with interested party                   | Transaction description | Transaction value (millions of yen) | Account        | Period-end balance (millions of yen) |
|------------|-------------------------------------------|---------------------------------|------------------------------------------------------|-------------------------|-------------------------------------|----------------|--------------------------------------|
| Subsidiary | GungHo Online Entertainment America, Inc. | 100.00                          | Concurrent service as director<br>Provision of loans | Provision of loans      | —                                   | Long-term loan | 4,171                                |

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

- Notes:
1. Consumption taxes are not included in transaction values and period-end balances.
  2. Provision of loans is determined upon negotiations based on the terms and conditions (loan interest rate) proposed by the Company in consideration of market interest rates.
  3. The Company recorded 4,079 million yen as an allowance for doubtful accounts related to long-term loans to GungHo Online Entertainment America, Inc.

## 7. Notes on per-share information

|                          |              |
|--------------------------|--------------|
| (1) Net assets per share | 1,348.22 yen |
| (2) Net income per share | 187.86 yen   |

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

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

## 9. Notes on significant subsequent events

None

## Accounting Auditor's report on consolidated financial statements

### Independent Auditor's Report

February 25, 2021

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

Designated and Engagement Partner  
Yoshio Chiyoda (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

Designated and Engagement Partner  
Soichirou Hayashi (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

#### Audit Opinion

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act of Japan, the consolidated financial statements of GungHo Online Entertainment, Inc. (hereinafter referred to as the "Company") for the consolidated fiscal year from January 1, 2020 to December 31, 2020, 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, 2020, 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.

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

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

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

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

#### Auditor's Responsibility for Auditing the Consolidated Financial Statements

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

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

- Auditors shall identify and assess the risk of material misstatements due to fraud or error. Auditors also plan and implement audit procedures to address the risks of material misstatements. The procedures selected and applied depend on the auditors' judgment. Furthermore, the auditors shall obtain the audit evidence that is sufficient and appropriate to provide a basis for audit opinion.
- In making risk assessments, the auditors consider internal controls relevant to the audit in order to design audit procedures that are appropriate under the circumstances, although the purpose of auditing the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal controls.

- Auditors shall assess the appropriateness of accounting policies used and methods of their application adopted by management as well as the reasonableness of accounting estimates made by management and the appropriateness of any related notes.
- Auditors shall decide whether it is appropriate for management to prepare the consolidated financial statements on a going concern assumption, and, based on the audit evidence obtained, whether there are significant uncertainties regarding the events or circumstances that may raise significant doubt about the going concern assumption. The audit report shall be required to draw attention to the notes to the consolidated financial statements if significant uncertainties regarding the going concern assumption are recognized, or to express a qualified opinion with exceptive items on the consolidated financial statements if the notes for significant uncertainties in the statements are not appropriate. The auditor's conclusions are based on audit evidence obtained by the date of the audit report, but future events and circumstances may prevent the company from continuing as a going concern.
- Auditors shall assess whether the presentation of the consolidated financial statements and notes thereto conform to accounting standards generally accepted and recognized as fair and appropriate in Japan, as well as whether the presentation, composition, and content of the consolidated financial statements including related notes and consolidated financial statements present fairly the transactions and accounting events on which they are based.
- Auditors shall obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries for the purpose of expressing an opinion on the consolidated financial statements. The auditors are responsible for the instructions, supervision, and implementation of audits on the consolidated financial statements. Auditors are solely responsible for the audit opinion.

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

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

#### Conflicts of Interest

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

## Accounting Auditor's report on non-consolidated financial statements

### Independent Auditor's Report

February 25, 2021

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

Designated and Engagement Partner  
Yoshio Chiyoda (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

Designated and Engagement Partner  
Soichirou Hayashi (Seal)  
Certified Public Accountant  
Designated and Engagement Partner

#### Audit Opinion

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, the non-consolidated financial statements of GungHo Online Entertainment, Inc. (hereinafter referred to as the "Company") for the 24th fiscal year from January 1, 2020 to December 31, 2020, 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, 2020, 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.

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

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

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

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

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

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

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

- Auditors shall identify and assess the risk of material misstatements due to fraud or error. Auditors also plan and implement audit procedures to address the risks of material misstatements. The procedures selected and applied depend on the auditors' judgment. Furthermore, the auditors shall obtain the audit evidence that is sufficient and appropriate to provide a basis for audit opinion.

- In making risk assessments, the auditors consider internal controls relevant to the audit in order to design audit procedures that are appropriate under the circumstances, although the purpose of auditing the non-consolidated financial statements, etc. is not to express an opinion on the effectiveness of the entity's internal controls.

- Auditors shall assess the appropriateness of accounting policies used and methods of their application adopted by management as well as the reasonableness of accounting estimates made by management and the appropriateness of any related notes.

- Auditors shall decide whether it is appropriate for management to prepare the non-consolidated financial statements, etc. on a going concern assumption, and, based on the audit evidence obtained, whether there are significant uncertainties regarding the events or circumstances that may raise significant doubt about the going concern assumption. The audit report shall be required to draw attention to the notes to the non-consolidated financial statements, etc. if significant uncertainties regarding the going concern assumption are recognized, or to express a qualified opinion with exceptive items on the non-consolidated financial statements, etc. if the notes for significant uncertainties in the statements are not appropriate. The auditor's conclusions are based on audit evidence obtained by the date of the audit report, but future events and circumstances may prevent the company from continuing as a going concern.

- Auditors shall assess whether the presentation of the non-consolidated financial statements, etc. and notes thereto conform to accounting standards generally accepted and recognized as fair and appropriate in Japan, as well as whether the presentation, composition, and content of the non-consolidated financial statements, etc. including related notes and non-consolidated financial statements, etc. present fairly the transactions and accounting events on which they are based.

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

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

#### Conflicts of Interest

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

## Audit report by the Board of Corporate Auditors

### Audit Report

Regarding the performance of duties by Directors for the 24th fiscal year from January 1 to December 31, 2020, the Board of Corporate Auditors hereby submits its audit report, which has been prepared upon deliberations based on audit reports each prepared by Auditors.

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

- (1) The Board of Corporate Auditors determined its auditing policy, an allocation of duties and other relevant matters, and received reports from Auditors on their audit and the results, and also received reports from Directors and the Accounting Auditors regarding the performance of their duties, and sought explanations, as required.
- (2) Auditors, in conformity to the auditing standards of Auditors established by the Board of Corporate Auditors, and obeying the auditing policy and allocation of duties, among other relevant matters, communicated with Directors and the Internal Auditing Division, other employees and any other relevant personnel, and made efforts to collect information and prepare the environment for audit, while conducting the audit by the method set forth below.
  - (i) Auditors participated in Board of Directors meetings and other important meetings, received reports from Directors, employees and other relevant personnel on the performance of their duties, sought explanations as required, examined important authorization documents and associated information, and studied the operations and financial position at the head office and principal business offices. With respect to subsidiaries, Auditors communicated and exchanged information with Directors and Auditors of subsidiaries, and received business reports from the subsidiaries, as required.
  - (ii) Auditors examined the system to ensure that the performance of duties by Directors stated in the Business Report conforms to applicable laws and ordinances and the Articles of Incorporation. They also examined the system prepared based on the contents of the resolutions of the Board of Directors and on such resolutions on the development of the system stipulated in Article 100, Paragraphs 1 and 3 of the Companies Act Enforcement Regulations (internal control system), as measures required to secure the appropriateness of the operations of the corporate group comprising the Company and its consolidated subsidiaries. Auditors received regular reports from Directors, employees and other relevant personnel regarding the building and operation of the system, requested explanations as required and expressed opinions.
  - (iii) In addition to monitoring and verifying whether the Accounting Auditor maintained its independence and implemented appropriate audits, Auditors received reports from the Accounting Auditor on the performance of its duties and sought explanations as required. Moreover, we received a notice from the Accounting Auditor stating that the "system for ensuring that duties are performed properly" (matters set forth in the items of Article 131 of the Company Accounting Regulations) was developed in accordance with the "Audit Quality Control Standards" (Business Accounting Council, October 28, 2005), etc., and sought explanations, as required.

Based on the above method, we examined the Business Report, its supplementary schedules, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated profit and loss statement, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements) and their supplementary schedules for the fiscal year ended December 31, 2020, as well as consolidated financial statements (consolidated balance sheet, consolidated statements of income, consolidated statement of changes in net assets and notes to consolidated financial statements) for the same fiscal year.

## 2. Results of Audit

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

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

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

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

### (3) Results of Audit of Consolidated Financial Statements

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

March 3, 2021

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

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



## Reference Materials for the General Meeting of Shareholders

### Proposals and Reference Materials

#### Proposal 1: Election of Nine (9) Directors

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

The candidates for Directors are as follows:

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

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Name<br>(Date of Birth)                                         | Career Summary, Position, Assignment, and<br>Significant Concurrent Positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Number of<br>Company Shares<br>Held |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Kazuya Sakai<br/>(January 28, 1965)</p> <p>Reappointment</p> | <p>April 1987      Joined The Kyushu Sogo Bank, Ltd. (currently, The Juhachi-Shinwa Bank, Ltd.)</p> <p>January 1993      Joined Expression Tools, Inc.</p> <p>April 1996      Director and General Manager of Administration Division of Expression Tools, Inc.</p> <p>April 2000      Vice President of Expression Tools, Inc.</p> <p>April 2002      Chief Executive Officer of Expression Tools, Inc.</p> <p>November 2003      Representative Liquidator of Expression Tools, Inc.</p> <p>April 2004      Joined GungHo Online Entertainment, Inc. as General Manager of Management Division and CFO</p> <p>March 2005      Director of the Company (to present)</p> <p>January 2006      Executive General Manager of Management Division and CFO of the Company</p> <p>April 2008      Executive General Manager of Financial Strategy Division and CFO of the Company</p> <p>April 2009      Executive General Manager of Business Administration Division and CFO of the Company</p> <p>October 2009      Managing Executive Officer of the Company</p> <p>August 2010      Executive General Manager of Finance &amp; Accounting Division and CFO of the Company</p> <p>January 2011      Managing Executive Officer and Executive General Manager of Finance &amp; Accounting Division and Executive General Manager of Business Administration Division and CFO of the Company</p> <p>July 2011      Managing Executive Officer and Executive General Manager of Finance &amp; Accounting Division and CFO and IRO of the Company</p> <p>March 2012      Executive General Manager of Finance Accounting Division and CFO and IRO of the Company</p> <p>April 2014      Executive General Manager of Finance Accounting Division and CFO of the Company (to present)</p> <p>March 2017      Director of Game Arts Co., Ltd. (to present)</p> <p>(Significant Concurrent Positions)</p> <p>Director of Game Arts Co., Ltd.</p> <p>Executive Director of GRAVITY Co., Ltd.</p> <p>Director of Acquire Corp.</p> <p>Executive Director of GRAVITY Co., Ltd.</p> <p>Director of GungHo Online Entertainment Asia Pacific Pte. Ltd.</p> <p>Director of GungHo Gamania Co., Limited</p> | 100,000 shares                      |
| <p>[Reasons for nomination as a candidate for Director]</p> <p>Since the early days of the Company's foundation, Mr. Kazuya Sakai, as CFO, has fulfilled his responsibilities as the general manager of finance and accounting, possesses extensive experience and track records and is well versed in the Company business. Accordingly, the Company requests Mr. Sakai's reappointment as a Director so that he will strive for sustainable growth of the Company.</p> |                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                     |

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

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Name<br>(Date of Birth)                                          | Career Summary, Position, Assignment, and<br>Significant Concurrent Positions                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                 | Number of<br>Company Shares<br>Held |  |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--|--|
| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Akihiko Ichikawa<br>(May 22, 1973)<br><div>New appointment</div> | April 1992                                                                                                                                                                                                                                                                                                                                                                                                                               | Joined Yokohama Flugels                                                                                                                                         | —                                   |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | May 1995                                                                                                                                                                                                                                                                                                                                                                                                                                 | Joined SOFTCREATE CORP                                                                                                                                          |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | May 2000                                                                                                                                                                                                                                                                                                                                                                                                                                 | Director of Dolphin Net Corporation                                                                                                                             |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | December 2000                                                                                                                                                                                                                                                                                                                                                                                                                            | Joined Kickers Network, Inc.                                                                                                                                    |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | February 2002                                                                                                                                                                                                                                                                                                                                                                                                                            | Joined BELLSYSTEM24, Inc.                                                                                                                                       |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | October 2004                                                                                                                                                                                                                                                                                                                                                                                                                             | Joined Median, Inc.                                                                                                                                             |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | October 2005                                                                                                                                                                                                                                                                                                                                                                                                                             | Joined GungHo Online Entertainment, Inc.                                                                                                                        |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | March 2007                                                                                                                                                                                                                                                                                                                                                                                                                               | Director of Game Arts Co., Ltd.                                                                                                                                 |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | April 2008                                                                                                                                                                                                                                                                                                                                                                                                                               | Executive Officer (to present) and General Manager of Business Development Office of the Company                                                                |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | December 2009                                                                                                                                                                                                                                                                                                                                                                                                                            | Executive Officer of Game Division and Executive General Manager of Mobile Consumer Division of the Company                                                     |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | January 2012                                                                                                                                                                                                                                                                                                                                                                                                                             | Executive Officer of Development Division and Executive General Manager of Planning Development No.1 Division of the Company                                    |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | January 2012                                                                                                                                                                                                                                                                                                                                                                                                                             | Executive Officer and Executive General Manager of Mobile Consumer Division of the Company                                                                      |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | May 2012                                                                                                                                                                                                                                                                                                                                                                                                                                 | Executive Officer of Development Division and General Manager of Sales Promotion Department of the Company                                                      |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | May 2014                                                                                                                                                                                                                                                                                                                                                                                                                                 | Executive Officer of Development Division and Executive General Manager of Operation of the Company                                                             |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | October 2015                                                                                                                                                                                                                                                                                                                                                                                                                             | Executive Officer and Executive General Manager of Partner Publishing Division of the Company (to present)                                                      |                                     |  |  |
| [Reasons for nomination as a candidate for Director]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                 |                                     |  |  |
| Since the early days of the Company's foundation, Mr. Akihiko Ichikawa has been involved in the Company's business, and has been promoting the partner publishing business, etc., as Executive Officer and Executive General Manager based on his broad insights and extensive experience. The Company requests Mr. Ichikawa's appointment as a Director because it is judged that he can be expected to make further contributions to the Company by performing his duties as Director for the future growth and development of the Company. |                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                 |                                     |  |  |
| 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Norikazu Oba<br>(August 27, 1966)<br><div>Reappointment</div>    | April 1989                                                                                                                                                                                                                                                                                                                                                                                                                               | Joined The Mitsubishi Bank, Ltd. (currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)                                                                            | —                                   |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | December 2006                                                                                                                                                                                                                                                                                                                                                                                                                            | Group Manager of Finance Planning, Finance Department of SoftBank Corp. (currently, SoftBank Group Corp.)                                                       |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | June 2008                                                                                                                                                                                                                                                                                                                                                                                                                                | Senior Executive Officer and Executive General Manager of Financial Strategy Division of GungHo Online Entertainment, Inc. (seconded from SoftBank Group Corp.) |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | March 2011                                                                                                                                                                                                                                                                                                                                                                                                                               | Director of the Company (to present)                                                                                                                            |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | (Significant Concurrent Positions)                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                 |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | General Manager of the Finance Planning Department of SoftBank Group Corp                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                 |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | Director of J.Score CO., LTD                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                 |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | Director of SoftBank Group Japan Corporation                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                 |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | [Reasons for nomination as a candidate for Director]                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                 |                                     |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                  | Mr. Norikazu Oba possesses track records and experience in the finance department of the SoftBank Group and the finance and accounting division of the Company, and has sufficient understanding of the business of the Company. The Company requests Mr. Oba's reappointment as a Director because he can be expected to make contributions to further growth by continuing to provide advice on the overall management of the Company. |                                                                                                                                                                 |                                     |  |  |

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

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

(Note)

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

2. Outline of liability limitation agreement

At present, the Company has concluded with each of Directors Norikazu Oba, Hidetsugu Onishi, Keiji Miyakawa and Susumu Tanaka an agreement to limit their liability as a Director. These agreements would remain in effect in the event that reappointment of the candidates for Directors is approved. Please refer to "Outline of liability limitation agreement" on page 12.

3. Outline of directors and officers liability insurance policy

Mr. Kazuki Morishita, Mr. Kazuya Sakai, Mr. Yoshinori Kitamura, Mr. Koji Yoshida, Mr. Norikazu Oba, Mr. Hidetsugu Onishi, Mr. Keiji Miyakawa and Mr. Susumu Tanaka are currently Directors of the Company, which has currently concluded a directors and officers liability insurance (D&O Insurance) policy with an insurance company, with these eight candidates for Directors as insured persons. The insurance policy would remain in effect in the event that reappointment of the above eight persons is approved. The insurance policy expires on December 27, 2021, but is scheduled to be renewed thereafter. If the new appointment of Mr. Akihiko Ichikawa is approved, he will be included in the insured of the above insurance policy. Please refer to "Outline of directors and officers liability insurance policy" on page 13

## Proposal 2: Election of Three (3) Auditors

The terms of office of all three (3) Auditors will expire at the close of this General Meeting of Shareholders. Thus, it is proposed that three (3) Auditors be elected at the meeting.

This proposal has already been approved by the Board of Corporate Auditors.

The candidates for Auditors are as follows:

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Name<br>(Date of Birth)                                   | Career Summary, Position, Assignment, and<br>Significant Concurrent Positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of<br>Company Shares<br>Held |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Masato Ochi<br>(December 17, 1968)<br><br>New appointment | <p>April 1987    Joined Ebisho Co. Ltd.</p> <p>January 1992    Joined Daiichi Takachiho Corporation</p> <p>October 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 ALISS-NET Co., Ltd.</p> <p>February 2004    Joined GungHo Online Entertainment, Inc.</p> <p>February 2007    General Manager of Marketing Division No. 3 of the Company</p> <p>July 2007    Executive General Manager of Publishing Division of the Company</p> <p>April 2008    Senior Executive Officer and General Manager of Online Division of the Company</p> <p>October 2009    Managing Executive Officer and General Manager of Game Division of the Company</p> <p>March 2010    Director of the Company (to present)</p> <p>July 2010    Managing Executive Officer and General Manager of Game Division and Executive General Manager of Business Administration Division of the Company</p> <p>January 2011    Managing Executive Officer and General Manager of Game Division of the Company</p> <p>January 2012    Managing Executive Officer and Senior General Manager of Online Division of the Company</p> <p>March 2012    Senior General Manager of Online Division of the Company</p> <p>May 2014    Executive General Manager of System/CustomerService Division of the Company</p> <p>April 2017    Executive General Manager of CustomerService Division of the Company (to present)</p> | 5,000 shares                        |
| <p>[Reasons for nomination as a candidate for Auditor]</p> <p>Since the early days of the Company's foundation, Mr. Masato Ochi has possessed extensive experience in the PC online game business and user support division in the Company, as well as broad insights concerning the Company business, having served as Co-Chairman of the Japan Online Game Association and the director of the Japan e-Sports Union, and has contributed to the growth of the Company as Director. Accordingly, the Company requests Mr. Ochi's appointment as an Auditor because he is expected to appropriately fulfil auditing services of the Company going forward, utilizing his experience.</p> |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                     |

| Candidate No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Career Summary, Position, Assignment, and<br>Significant Concurrent Positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Number of<br>Company Shares<br>Held |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 2             | Hiroto Uehara<br>(September 23, 1961)<br><br><div>Reappointment</div><br>Outside Auditor<br>Independent director                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>April 1985      Joined Osaka Prefectural Office</p> <p>April 1991      Earned Master's Degree in Policy Studies from Saitama University (currently National Graduate Institute For Policy Studies)</p> <p>October 1998    Joined Asahi Audit Corporation (currently KPMG AZSA LLC)</p> <p>August 2002    Established MA Partners (CPA firm) and became representative partner</p> <p>March 2003      Corporate Auditor of the Company (to present)</p> <p>(Significant Concurrent Positions)<br/>Representative of Hiroto Uehara CPA Firm</p>                                            | —                                   |
|               | <p>[Reasons for nomination as a candidate for Auditor]</p> <p>Mr. Hiroto Uehara has appropriately performed his duties as Outside Auditor based on his extensive experience and broad insight as a certified public accountant. Accordingly, the Company requests Mr. Uehara's reappointment as an Outside Auditor.</p> <p>His term of office as Outside Auditor of the Company will be 18 years at the conclusion of this General Meeting of Shareholders. If his reappointment is approved, he will continue to be an independent director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                     |
| 3             | Toshiro Kaba<br>(September 10, 1960)<br><br><div>Reappointment</div><br>Outside Auditor<br>Independent director                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>April 1993      Registered as attorney-at-law (member of Daini Tokyo Bar Association)</p> <p>June 2003      Representative of Shiroyama-Tower Law Office (to present)</p> <p>April 2005      Professor at Toin University of Yokohama Department of Law (to present)</p> <p>March 2006      Corporate Auditor of the Company (to present)</p> <p>(Significant Concurrent Positions)<br/>Representative of Shiroyama-Tower Law Office<br/>Dean of TOIN LAW SCHOOL<br/>Outside Auditor of T-Gaia Corporation<br/>Outside Auditor of J.Score CO., LTD<br/>Outside Auditor of PIALA Inc.</p> | 10,000<br>shares                    |
|               | <p>[Reasons for nomination as a candidate for Auditor]</p> <p>Mr. Toshiro Kaba has appropriately performed his duties as Outside Auditor based on his extensive experience and broad insight as an attorney-at-law. Accordingly, the Company requests Mr. Kaba's reappointment as an Outside Auditor.</p> <p>His term of office as Outside Auditor of the Company will be 15 years at the conclusion of this General Meeting of Shareholders. If his reappointment is approved, he will continue to be an independent director.</p>               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                     |

(Note)

1. The candidates proposed to serve as Auditors do not have any special interests in the Company.

2. Outline of liability limitation agreement

At present, Mr. Hiroto Uehara and Mr. Toshiro Kaba are Auditors of the Company, which has concluded with the two candidates for Auditors an agreement to limit their liability as an Auditor. These agreements would remain in effect in the event that reappointment of the candidates for Auditors is approved. If the new appointment of Mr. Masato Ochi is approved, the Company will enter into a liability limitation agreement with him. Please refer to "Outline of liability limitation agreement" on page 12



### 3. Outline of directors and officers liability insurance policy

Mr. Hiroto Uehara and Mr. Toshiro Kaba are currently Auditors of the Company, which has currently concluded a directors and officers liability insurance (D&O Insurance) policy with an insurance company, with these two candidates for Auditors as insured persons. The insurance policy would remain in effect in the event that reappointment of the above two persons is approved.

The insurance policy expires on December 27, 2021, but is scheduled to be renewed thereafter. If the new appointment of Mr. Masato Ochi is approved, he will be included in the insured of the above insurance policy. Please refer to "Outline of directors and officers liability insurance policy" on page 13.

### Proposal 3: Revision of Remuneration for Auditors

At the Extraordinary General Meeting of Shareholders held on July 30, 2004, the Company obtained approval to limit the total amount of remuneration for Auditors of the Company to 50 million yen per year. However, in consideration of significant changes in economic conditions and the increased responsibilities of Auditors due to changes in the business environment, the Company requests the approval of this proposal to revise the total amount of remuneration for Auditors to no more than 70 million yen per year. If Proposal 2 is approved as originally proposed, the number of Auditors will continue to be three.

### Proposal 4: Partial Revision to the Stock-Based Compensation Stock Option Plan for Directors

Upon the approval of the 18th Annual General Meeting of Shareholders held on March 23, 2015, the Company adopted a stock-based compensation stock option plan for Directors with the upper limit of 300 million yen per year. The Company requests the approval of this proposal to continue this plan by partially revising it with the same upper limit based on the Revised Companies Act, etc., that came into effect on March 1, 2021.

Specifically, the maximum number of share subscription rights to be issued under the plan shall be 1,500 units per year, and the exercise period of the share subscription rights shall be revised as described in 5 below, and any necessary revisions shall be made. Specific details of share subscription rights that may be issued under the plan if this proposal is approved as originally proposed are as set forth from 1 to 9 below.

The Company's stock-based compensation stock option plan is designed to raise its management consciousness with an emphasis on shareholders, and to further raise the motivation and morale for the enhancement of the Company's medium to long-term business performance and corporate value. The Company has a policy of determining the specific allocation to individual Directors in consideration of their positions and responsibilities, etc., and the decision is to be made by the Board of Directors, which includes Independent Outside Directors. In addition, the Company judges that the issuance of share subscription rights under the plan is appropriate, as the ratio of share subscription rights to the total number of issued shares, when the maximum number of share subscription rights equivalent to the annual maximum number is issued and all are exercised, is minimal.

The number of Directors at present is 9 (3 of whom are Outside Directors), of whom 5 are Executive Directors. If Proposal 1 is approved as originally proposed, the number of Directors will be 9 (3 of whom are Outside Directors), of whom 5 will be Executive Directors. The stock-based compensation stock option will be issued to Executive Directors.

## Specific details of share subscription rights as stock options for Directors

### 1. Total number of share subscription rights to be issued

The number of share subscription rights is up to 1,500 units per year ("year" means the period of one year from the date of the Company's Ordinary General Meeting of Shareholders for each fiscal year; the same shall apply hereinafter). The total share subscription right issuance value determined in an amount up to three hundred (300) million yen a year (payment amount).

The number of shares to be issued by exercising share subscription rights is up to 150,000 shares per year (however, if the number of shares to be issued upon exercise of share acquisition rights (hereinafter referred to as "Number of shares granted") are adjusted, the upper limit of share subscription rights (1,500 units) multiplying by the number of shares granted per share acquisition right).

### 2. Class and number of shares to be issued upon exercise of share acquisition right

The class of shares to be issued upon exercise of share acquisition rights shall be the Company's common shares. The number of shares granted shall be 100 common shares of the Company per share acquisition right.

If, after the date of the allocation of share subscription rights, the Company conducts a share split (hereafter including gratis allotment of the Company's common shares) or share consolidation, the number of allotted shares shall be adjusted according to the formula below. Notwithstanding the foregoing, such adjustment shall be made solely to the number of shares to be issued upon exercise of share subscription rights for which no such rights have been exercised at the time, among the applicable share subscription rights. Any fraction less than one share resulting from the adjustment shall be truncated.

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

If, after the share subscription rights allocation date, the Company conducts a corporate merger, company split or share exchange, or needs to make an allotted share count adjustment due to a procedure comparable to such actions, it may adjust the number of allotted shares in a manner it deems to be appropriate, according to a resolution by its Board of Directors.

### 3. The amount to be paid in exchange for share subscription rights

The payment amount per share subscription right shall be an amount specified by the Company's Board of Directors by using as the standard such share subscription right fair value as is calculated on the share subscription right allotment date by a fair calculation method such as the Black-Scholes model. Notwithstanding the foregoing, the Company shall grant to a Director being allotted share subscription rights such compensation demand right as is equivalent in value to the total payment amount for the share subscription rights allotted to the Director concerned. The Director shall use the compensation demand right for offsetting his or her obligation to pay the share subscription right payment amount, instead of using cash to pay the share subscription right payment amount.

### 4. Amount of assets to be contributed upon exercise of share subscription rights

The amount of assets to be contributed upon exercise of one (1) share subscription right shall be an amount determined by multiplying the number of allotted shares by one (1) yen, which is the exercise price for one (1) share to be granted to the right holder upon exercise of the share subscription right concerned.

5. Period during which share subscription rights are exercisable

The Board of Directors shall determine during the period between the day when 3 years have elapsed from the allotment date and the day when 18 years have elapsed from the allotment date.

6. Restriction on acquisition of share subscription rights through transfer

The approval of the Company's Board of Directors shall be required for any party to acquire share subscription rights through transfer.

7. Terms and conditions for exercise of share subscription rights

1) A person owning share subscription rights shall be required to be in a position of Director of the Company or its affiliates (subsidiaries of the Company and other companies with a capital alliance with the Company) at the time of exercising the share subscription rights as well. However, this shall not apply in the case of resignation due to expiration of the term of office or other justifiable reasons.

2) Other terms and conditions for the exercise of share subscription rights shall be determined by resolution of the Board of Directors.

8. Acquisition of share subscription rights

If any of the following proposals is approved by the General Meeting of Shareholders (resolved by the meeting of the Board of Directors if a resolution by the General Meeting of Shareholders is not required), the Company may acquire share subscription rights free of charge on the day to be separately determined by the Board of Directors.

- 1) Proposal for approval of a merger agreement under which the Company will become the merged company
- 2) Proposal for approval of a company split agreement or company split plan under which the Company will become the split company
- 3) Proposal for approval of a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary
- 4) Proposal for approval of an amendment to the articles of incorporation to create provisions that, as a feature of all shares issued by the Company, require approval of the Company for the acquisition of such shares by transfer.
- 5) Proposal for approval of an amendment to the articles of incorporation to create provisions to the effect that, as a feature of the class of shares to be issued for the exercise of share subscription rights, they require approval of the Company for the acquisition of such class shares by transfer, or that enable the Company to acquire all of such class shares by resolution of the General Meeting of Shareholders.

9. Other details of share subscription rights

Other details of share subscription rights shall be determined by the Company's Board of Directors meeting that decides on the terms and conditions of the offering of share subscription rights.

Reference information:

- The Company will also separately allocate share subscription rights to its Executive Officers as stock-based compensation stock options in the number required by the Company. Moreover, for the exercise of stock options, the Company will allocate treasury shares owned by it (27,349,132 shares as of December 31, 2020).
- If the maximum number of options that can be granted (150,000 common shares; provided, however, with the upper limit of 300 million yen) are granted every year for the next 10 years and all the share subscription rights are exercised, its ratio to the total number of issued shares (excluding treasury shares) will be approximately 2.8%, and the dilution ratio will be minimal.