

Summary of the Explanatory Materials Regarding Our Opinion on the Proposal No.2 of the Extraordinary General Meeting of Shareholders

August 15, 2025

GungHo Online Entertainment, Inc. (the “Company”)
(Tokyo Stock Exchange Prime Market:3765)

Our View on Strategic Capital's Proposal

- 1** President Morishita has contributed significantly to the Company's business performance, and it is necessary for him to continue serving as a member of the Board of Directors from the perspective of enhancing the corporate value of the Company.
- 2** If President Marishita is dismissed, there is a risk that the corporate value of the Company will be significantly impaired.
- 3** The reasons proposed by Strategic Capital do not constitute grounds for dismissing President Morishita.



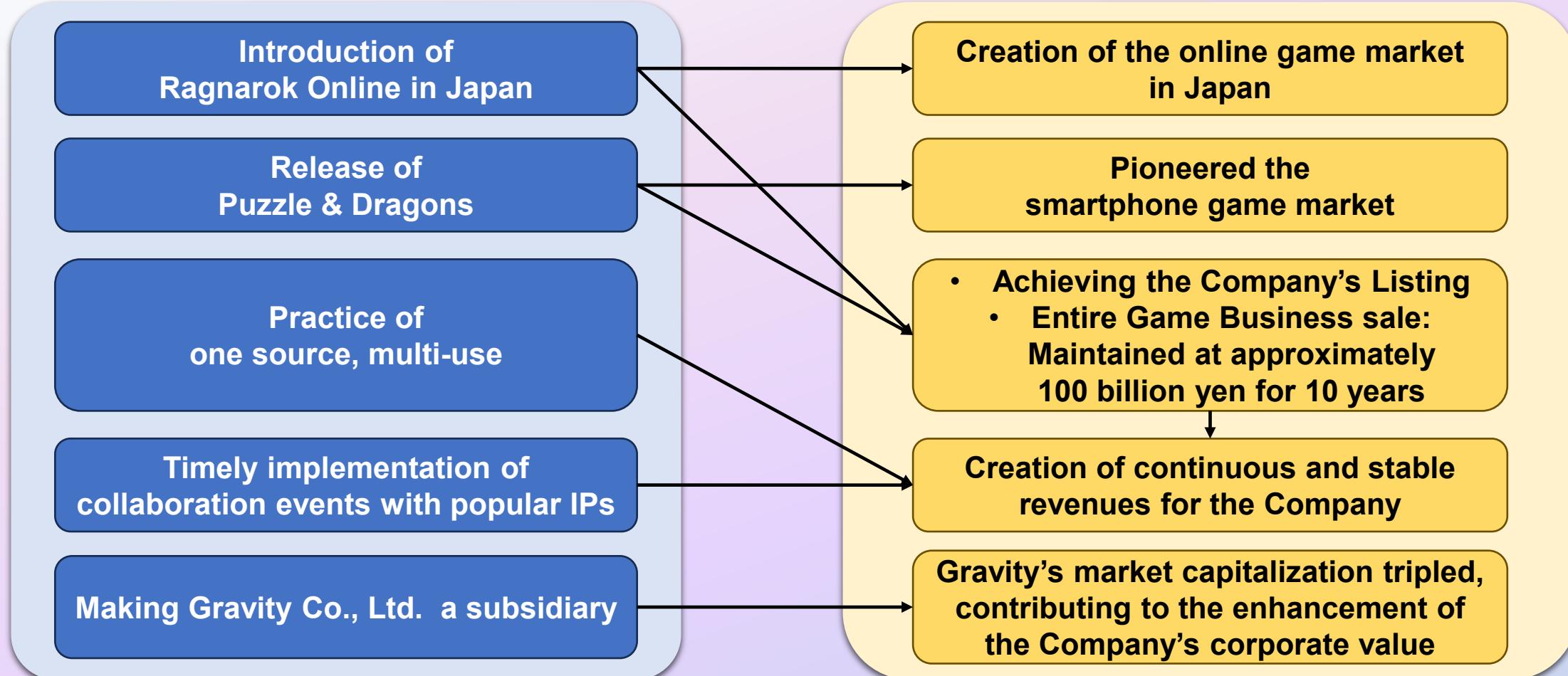
The Board of Directors of the Company opposes Proposal No. 2.

For details, please refer to “Notice Regarding Determination of Date and Other Details of Extraordinary General Meeting of Shareholders, and Opinion of Company’s Board of Directors on Agenda for Extraordinary General Meeting of Shareholders and Shareholder Proposals” dated August 15, 2025.

President Morishita has contributed significantly to the Company's business performance

Initiatives Demonstrated by President Morishita

Contribution to the Company's business performance



At the Company's annual general meeting of shareholders held in March 2025, President Morishita was reappointed as a director. This proves that President Morishita's long-standing contribution to the Company is widely supported by shareholders.

Risk of Impairment of Corporate Value if President Morishita is Dismissed

Impacts of President Morishita's Dismissal

President Morishita's leadership and ability to unite the Company, especially in game development, would be lost.

Loss of the positive influence on employees that has been created by President Morishita's approach and attitude toward game development.

Negative Impact on Corporate Value

Significant decline in revenues of the Company's major game titles such as *Puzzle & Dragons*.

Disruption and uncertainty in the game development department may result in the loss of game production personnel and a decline in morale.

Strategic Capital's Proposal is irresponsible, as it neither specifies the management structure following President Morishita's dismissal nor outlines any measures whatsoever to address the negative impacts that could result from such dismissal.

Strategic Capital's Argument

1

Responsibility for failing to increase shareholder value, as evidenced by a decline in market capitalization and operating income, as well as inferior stock performance compared to major game companies.

2

Responsibility for turning the Company into a “one-hit” game company by failing to produce the subsequent hit game after *Puzzle & Dragons*.

The Company's Rebuttal

- President Morishita has contributed significantly to the Company's business performance, and Strategic Capital's argument is based on a lack of understanding of the role President Morishita has played in the growth of the Company.
- Strategic Capital's comparisons of our operating income and the stock price performance of major Japanese game companies are arbitrary and not based on the state of the business of the Company.
- Puzzle & Dragons is a globally rare game title that has maintained stable popularity and revenue for 13 years, serving as a pillar of the Company's revenue. The long-term success of Puzzle & Dragons is the result of continuous updates and creative innovations under President Morishita's leadership.
- The Company also generates revenue from game titles other than Puzzle & Dragons. President Morishita is involved in all stages of new game development as the chief executive in charge, ensuring the continuous development and release of game titles.

Strategic Capital's Argument

3 The level of the market capitalization of the Company shows that President Morishita is not valued by the market.

4

President Morishita is unqualified to serve as a director for the following reasons:

- i. Increased compensation
- ii. Claiming that “Summons Board” and “Ninjala” are hits
- iii. Refusal to meet with Strategic Capital
- iv. No specific measures have been disclosed regarding “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”.

The Company's Rebuttal

• President Morishita was reappointed as a director at the ordinary general meeting of shareholders held in March 2025 and has **received broad support from the Company's shareholders.**

- Each reason is solely Strategic Capital's subjective opinion.
 - i. Given President Morishita's contribution to the Company's performance, **the amount of remuneration for President Morishita is sufficiently reasonable**, and the Company's determination of remuneration follows transparent and objective procedures.
 - ii. Evaluating the value of game titles based solely on their short-term contributions to the enhancement of shareholder value **fails to correctly recognize the Company's business policy or management strategy.**
 - iii. President Morishita and the Company handle dialogue with shareholders and investors based on their internal division of roles(**Mr. Sakai, Director and CFO, and outside director, held multiple meetings with Strategic Capital.**
 - iv. Non-disclosure of specific measures regarding “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” is due to the unique characteristics of the industry to which the Company belongs. **The Company discusses capital costs at Board of Directors meetings and aims to achieve capital efficiency that exceeds those costs.**

Strategic Capital's Argument

5

There are only two truly independent outside directors

6

Failing to provide shareholders with important information regarding the independence of outside directors

The Company's Rebuttal

- All four of the Company's outside directors satisfy the independence standards established by TSE and the Company.

- The Company duly discloses information regarding the independence of outside directors in accordance with statutory provisions.

The six reasons proposed by Strategic Capital do not constitute grounds for dismissing President Morishita.