

January 9, 2026

To Whom It May Concern

Company Name	GungHo Online Entertainment, Inc.
Representative	Kazuki Morishita, Representative Director & President, CEO (Securities code: 3765)
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Notice Regarding the Opinion Reported by the Company's Nomination and Remuneration Committee to the Board of Directors Concerning the Partial Revisions to the Directors' Remuneration System and the Introduction of a Performance-Linked Stock-Based Remuneration System

The Company has continuously reviewed the directors' remuneration system through the Nomination and Remuneration Committee (Chairman: Keiji Miyakawa, Independent Outside Director), the majority of whose members are independent outside directors, aiming to establish a directors' remuneration system that contributes to expanding business performance and increasing corporate value.

As a result of these deliberations and considerations, the Nomination and Remuneration Committee recently reported to the Board of Directors its opinion on the partial revisions to the directors' remuneration system and the introduction of a performance-linked stock-based remuneration system (the "Revisions"). The details are as follows.

The Company's Board of Directors plans to deliberate and make a final decision on the Revisions, giving the utmost consideration to the Nomination and Remuneration Committee's opinion. Furthermore, among the Revisions, the revision to the performance-linked compensation (monetary remuneration) framework and the introduction of a performance-linked stock-based remuneration system will be submitted for approval at the 29th Ordinary General Meeting of Shareholders scheduled to be held in March 2026 (the "General Meeting").

1. Background and purpose of partial revisions to directors' remuneration system

The remuneration system for the Company's executive directors (excluding outside directors and part-time directors; the "Eligible Directors") consists of basic remuneration (monetary remuneration), performance-linked compensation (monetary remuneration), and stock-based remuneration type stock options (stock-based remuneration). To ensure this remuneration system contributes to expanding the Company's business performance and increasing corporate value, the Nomination and Remuneration Committee, the majority of whose members are independent outside directors, has continuously reviewed the system, taking into account information from external research institutions, trends at other companies,

and other relevant factors.

The Board of Directors has recently received a report from the Nomination and Remuneration Committee regarding the committee's opinion on (i) a substantial review of the level of the basic remuneration (monetary remuneration), (ii) a review of the performance-linked indicator (KPI) used for performance-linked compensation (monetary remuneration), and (iii) the abolition of the stock-based remuneration type stock option system and the introduction of a performance-linked stock-based remuneration system, with the aim of establishing a remuneration system that encourages actions for the sustainable development of the Company's game development business and motivates improvement of the Company's profitability and enhancement of mid- to long-term corporate value.

Specifically, for basic remuneration (monetary remuneration), the Board of Directors received an opinion recommending that it be substantially reviewed in light of the Company's new management structure announced today, with reference to remuneration levels at other companies in the industry and other relevant information (for details on the Company's new management structure, please refer to "Notice of Change of Representative Director" announced today).

For performance-linked compensation (monetary remuneration), the Board of Directors has received an opinion recommending the revision of the performance-linked indicator (KPI) from consolidated operating profit to "profit attributable to owners of the parent company," and setting the maximum annual amount at 400 million yen (excluding employee salaries for directors who concurrently serve as employees). As a result of the Revisions, for performance-linked compensation (monetary remuneration), when business performance is poor, the remuneration amount will be kept lower than before by establishing actual figures for non-payment, while when business performance is strong, the amount of remuneration paid will be higher than before.

Regarding performance-linked stock-based remuneration, the Board of Directors has received an opinion recommending the grant of restricted Company's common shares (the "Company Shares") based on performance indicators and shareholder value growth during the Evaluation Period (defined in "2.(3) Abolition of stock-based remuneration type stock option (stock-based remuneration) system and introduction of performance-linked stock-based remuneration system"). Abolishing the current stock-based remuneration type stock options (stock-based remuneration) and introducing performance-linked stock-based remuneration will foster management focused on stock price performance, further enhancing the Eligible Directors' awareness of contributing to the improvement of the Company's mid- to long-term business performance and the enhancement of corporate value, thereby causing them to engage in management aligned with shareholder perspectives.

The remuneration for outside directors and part-time directors will continue to be solely basic remuneration, which is an appropriate remuneration structure given their role and responsibility of overseeing the Company's management from an independent and objective standpoint.

2. Overview of changes to remuneration system for Eligible Directors

(1) Basic remuneration (monetary remuneration) for Eligible Directors

The basic remuneration (monetary remuneration) for Eligible Directors was approved at the Extraordinary General Meeting of Shareholders held on July 30, 2004, setting an annual maximum amount of 300 million yen (excluding employee salaries for directors who concurrently serve as employees).

The Board of Directors has recently received an opinion from the Nomination and Remuneration Committee recommending a substantial review of the remuneration levels for the new Chairman of the Board of Directors and the Representative Director (President & CEO), with reference to remuneration levels at other companies in the industry and other relevant information.

While the basic remuneration (monetary remuneration) framework remains unchanged from the current remuneration framework, the Nomination and Remuneration Committee will continue to proactively discuss and determine the base remuneration levels for individual directors.

(2) Performance-linked compensation (monetary remuneration) for Eligible Directors

The Company's performance-linked compensation (monetary remuneration) was approved at the 26th Ordinary General Meeting of Shareholders held on March 30, 2023, as a separate remuneration framework from the basic remuneration (monetary remuneration) framework, setting an annual maximum amount of 300 million yen (excluding employee salaries for directors who concurrently serve as employees). Under the current performance-linked compensation (monetary remuneration), consolidated operating profit is adopted as the performance-linked indicator (KPI), and an amount equal to 0.5% of the consolidated operating profit is paid to the Eligible Directors.

The Board of Directors has recently received an opinion from the Nomination and Remuneration Committee recommending to revise the performance-linked indicator (KPI) to "profit attributable to owners of the parent company," taking into account trends at other companies in the industry and other relevant factors. Furthermore, regarding the payment method, while no payment will be made if the business performance is poor (when profit attributable to owners of the parent company is less than 5 billion yen), if the business performance improves significantly, an amount exceeding the amount under the current remuneration system will be paid. Accordingly, the annual maximum amount of performance-linked compensation (monetary) for Eligible Directors will be revised to 400 million yen (excluding employee salaries for directors who concurrently serve as employees).

(3) Abolition of stock-based remuneration type stock option (stock-based remuneration) system and introduction of performance-linked stock-based remuneration system

At the 24th Ordinary General Meeting of Shareholders held on March 30, 2021, the Company obtained shareholder approval to set the annual amount of remuneration for stock options to be granted as stock-based remuneration type stock options to Eligible Directors within the range of 300 million yen and the annual maximum number of stock options to be granted at 1,500 units (150,000 shares of common stock), as a separate remuneration framework from basic remuneration (monetary remuneration) and performance-linked compensation (monetary remuneration).

The Board of Directors has recently received an opinion from the Nomination and Remuneration Committee recommending the abolition of the stock option system and the introduction of a performance-linked stock-based remuneration system to pay Eligible Directors stock-based remuneration in cases where a comparison of the three-year dividend-adjusted TOPIX growth rate and the Company's three-year TSR growth rate indicates that the Company's TSR growth rate is equal to or greater than the dividend-adjusted TOPIX growth rate (non-payment in cases where the comparative growth rate is less than 100%).

Note: comparative growth rate means the figure calculated by dividing the Company's TSR growth rate over a three-year period by the dividend-adjusted TOPIX growth rate over the same three-year

period and multiplying the result by 100.

This system aims to foster management focused on stock price performance and enhance the Company's corporate value, thereby deepening the sense of unity with shareholders.

The total amount of monetary compensation claims to be paid to Eligible Directors as performance-linked stock-based remuneration will not exceed an annual maximum amount of 400 million yen (including non-payment scenarios) and the annual maximum number of Company Shares to be granted will be 180,000 shares (common stock). Assuming, solely for illustrative purposes, that the maximum number of shares that may be granted each year (subject to the 400 million yen cap) were to be granted annually over a ten-year period, the ratio to the total number of issued shares (excluding treasury shares) would be approximately 4.6%, even when taking into consideration unexercised stock option rights.

[For your reference: overview of revised directors' remuneration system]

The following is an overview of the Company's new directors' remuneration system for fiscal 2026 and onwards, assuming that (i) the proposal to revise the performance-linked compensation amount (monetary remuneration) for directors and (ii) the proposal for the introduction of a performance-linked stock-based remuneration system are approved by a resolution of the Board of Directors, after giving due consideration to the opinion of the Nomination and Remuneration Committee, and are subsequently submitted to and approved by shareholders at the General Meeting. The remuneration structure was determined through deliberation and consideration by the Nomination and Remuneration Committee, chaired by an independent outside director and the majority of whose members are independent outside directors, after having utilized objective market research data managed by external specialized institutions ("Executive Remuneration Survey" by Deloitte Tohmatsu LLC and Sumitomo Mitsui Trust Bank, Limited), as well as disclosed data from the game industry, and having made comparative analyses with companies of similar scale and with the game industry.

1. Basic policy

■ Eligible Directors (directors other than outside directors and part-time directors)

- Establish a remuneration system that encourages actions for the sustainable development of the game development business
- Design the system to foster management focused on stock price performance and motivate improvement of profitability and enhancement of mid- to long-term corporate value
- Ensure that the remuneration determination process possesses transparency, objectivity, and rationality from the perspective of accountability to all stakeholders, including shareholders

■ Outside directors and part-time directors

The remuneration for outside directors and part-time directors will continue to be solely basic remuneration (monetary remuneration), which is an appropriate remuneration structure given their role and responsibility of overseeing the Company's management from an independent and objective standpoint.

2. Remuneration structure (remuneration level/remuneration composition)

The remuneration for Eligible Directors consists of basic remuneration (monetary remuneration)

performance-linked compensation (monetary remuneration), and performance-linked stock-based remuneration (non-monetary remuneration).

The composition ratio is intended to ensure that, by setting a high performance linkage, the Company maintains and enhances its competitiveness in the game industry in terms of remuneration levels. Furthermore, taking into account the degree of contribution to the improvement of business performance, the Company has set the following targets under its remuneration system: (i) for performance-linked compensation (monetary remuneration), profit attributable to owners of the parent company of at least 20 billion yen; and (ii) for performance-linked stock-based remuneration, a stock price growth rate of 100% which is equivalent to the TSR growth rate.

Specifically, the remuneration for the new Chairman of the Board of Directors is designed to be highly incentive-driven, and taking into account the degree of contribution to the improvement of business performance, the ratio is generally set at base remuneration 1: incentive remuneration 2 (performance-linked compensation 1, performance-linked stock-based remuneration 1). Additionally, taking into account the change of the Chairman of the Board of Director's role and responsibilities in light of being appointed Chairman, the basic remuneration (monetary remuneration) will be substantially reduced.

The remuneration for the Representative Director (President & CEO) is also designed to be highly incentive-driven, and the ratio is generally set at base remuneration 1: incentive remuneration 1.7 (performance-linked compensation 0.8, stock-based remuneration 0.9).

Additionally, for executive directors who do not hold a position, the ratio is generally set at base remuneration 1: incentive remuneration 0.8 (performance-linked compensation 0.44, stock-based remuneration 0.37).

Furthermore, the remuneration for outside directors and part-time directors will consist of solely basic remuneration (monetary remuneration) taking into account their roles and responsibilities.

Please refer to reference figure 1 and reference figure 2 for an illustration of the remuneration amounts for the Chairman of the Board of Directors and the Representative Director (President & CEO). Reference figure 1 illustrates the actual payments for fiscal 2024, the remuneration amounts under the revised remuneration system based on 2024 business performance, and the remuneration amounts assuming strong business performance. Reference figure 2 illustrates the remuneration ratio consisting of basic remuneration (monetary remuneration), performance-linked compensation (monetary remuneration), and stock-based remuneration-type stock options (stock-based remuneration) under the current remuneration system and the remuneration ratio consisting of basic remuneration (monetary remuneration), performance-linked compensation (monetary remuneration), and performance-linked stock-based remuneration (non-monetary remuneration) under the revised remuneration system. Under the revised remuneration system, the amounts of basic remuneration (monetary remuneration) will be changed (substantially reduced for the Chairman of the Board of Directors and increased to a certain extent for the Representative Director (President & CEO) and the performance-linked compensation is premised on achieving profit attributable to owners of the parent company of at least 20 billion yen, and the stock-based remuneration is premised on the three-year TSR growth rate and the Company's growth rate being equivalent at 100%.

[Reference figure 1: Illustrative example of remuneration for the Chairman of the Board of Directors and the Representative Director (President & CEO)]

(Thousands of Yen)

Position	Base remuneration	Performance-limited compensation (STI)	Stock-based remuneration (LTI)	Total amount
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[Fiscal 2024 payouts - STI: consolidated operating profit of 17.49 billion yen x 0.5%; LTI: actual payout]

Representative Director and President (Next Chairman)	153,904	48,100	86,372	288,376
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Example 1 : If 2024 results are replaced by the new system

[STI : Profit attributable to owners of the parent company - 11.17 billion yen x 0.5 %, LTI : payout rate 0 %]

Chairman of the Board	84,000	23,736	0	107,736
Representative Director and President (New President)	65,000	11,170	0	76,170

Example 2: Strong performance scenario

[STI : Profit attributable to owners of the parent company - 20.0 billion yen, LTI : comparative growth rate assumed at 100 %]

Chairman of the Board	84,000	85,000	85,000	254,000
Representative Director and President (New President)	65,000	40,000	40,000	145,000

[Reference figure 2: Actual and indicative ratios of the remuneration composition for the Chairman of the Board of Directors and the Representative Director (President & CEO)]

New system Former President (Chairman)	base remuneration (53.4%)	performance-linked compensation (16.7%)	stock-based remuneration (29.9%)
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- Allocation: KPI-based consolidated operating profit x 0.5% (capped at 300 million yen).
- To be paid after conclusion of shareholders' meeting.

- Stock options allocated in April following conclusion of the Annual Shareholders' Meeting in March, taking annual performance into account. A three-year vesting period applies. Capped at 300 million yen.

New system Chairman	base remuneration (33.1%)	performance-linked compensation (33.5%)	stock-based remuneration (33.5%)
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New system President	base remuneration (44.8%)	performance-linked compensation (27.6%)	stock-based remuneration (27.6%)
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- Allocated according to a tiered scale of 0% - 1.0% applied to the KPI: profit attributable to owners of the parent company. No payment will be made if less than 5.0 billion yen. Capped at 400 million yen.
- Payment to be following conclusion shareholders' meeting.

- The Company's TSR, including dividends, over a three-year period will be compared with the growth rate of the dividend-inclusive TOPIX over the same period. Based on growth rate, a share grant of 0% -200% will be made three years later, with a three-year transfer restriction. No award is paid if growth rate is below 100%. Capped at 400 million yen (attained at a 150% payout).

3-1. Details of the remuneration system (monetary remuneration) after revision

(1) Basic remuneration (monetary remuneration)

The remuneration framework for basic remuneration (monetary remuneration) will be maintained at current levels; however, the remuneration levels for the Chairman of the Board and the Representative Director (President & CEO) have been substantially revised. Individual directors' base remuneration levels will continue to be actively discussed and determined by the Nomination and Remuneration Committee.

(2) Performance-linked compensation (monetary remuneration)

Under the current performance-linked compensation (monetary remuneration) system, a coefficient of 0.5% was applied to consolidated operating profit and payments were made according to position-based points. Under the revised performance-linked compensation system (monetary remuneration), the practice of making payments according to position-based points has not changed; however, the KPI will be changed to profit attributable to owners of the parent company, and payment rates will be set on a tiered basis according to performance (see reference figure 3).

Payment rates will be kept lower in periods of weak performance, and no payment will be made if profit attributable to owners of the parent company is less than 5.0 billion yen. On the other hand, if profit attributable to owners of the parent company exceeds 20.0 billion yen, payments are expected to be higher than under the current system, and the annual cap will be raised from 300 million yen to 400 million yen (see reference figure 4 for a comparison of payouts under the current and new systems).

The five-year average ratio of consolidated operating profit to profit attributable to owners of the parent company is 1.58; therefore, profit attributable to owners of the parent company of 20.0 billion yen corresponds to consolidated operating profit of 31.6 billion yen, representing a relatively high target compared with the Company's past performance.

[Reference figure 3: Performance-linked compensation - Comparison of actual performance-based payout rate under the current system and the new system]

<Current System>

KPI: consolidated operating profit

Total payout cap: 300 million yen

Consolidated operating profit	0 yen or above
Performance-linked compensation Multiplier for calculating total payout amount	0.50%

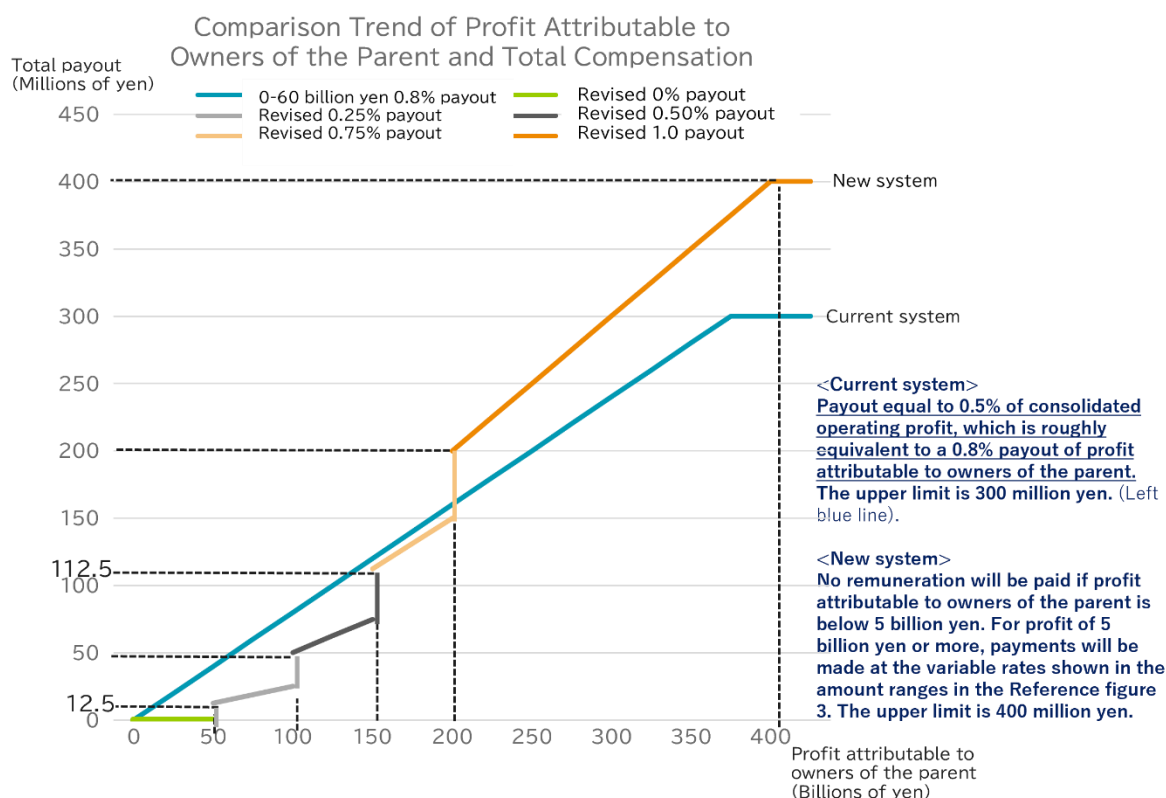
<New System>

KPI: Profit attributable to owners of the parent company

Total payout capped at 400 million yen - payouts are determined using a tiered scale. If profit attributable to owners of the parent is below 5.0 billion yen, no payout will be made.

Profit attributable to owners of the parent company	less than 5.0 billion yen	5.0 billion yen or more less than 10.0 billion yen	10.0 billion yen or more less than 15.0 billion yen	15.0 billion yen or more less than 20 billion yen	20.0 billion yen or more
Performance-linked compensation Multiplier for calculating total payout amount	0%	0.25%	0.50%	0.75%	1.00%

[Reference figure 4: Performance-linked compensation – Comparison of payout amount under the current system and the new system]



3-2. Performance-linked stock-based remuneration system

(1) Explanation of performance-linked stock-based remuneration system

The performance-linked stock-based remuneration system calculates the number of shares to be granted by multiplying the standard number of shares to be granted - which is pre-determined according to each position - by a comparative growth rate (ranging from 0% to 200%), which is determined by comparing the three-year growth rate of TOPIX including dividends with the Company's TSR growth rate.

To promote long-term share-price appreciation, (i) if the comparative growth rate is less than 100%, the TSR evaluation multiplier will be set to "0" and (ii) in order to promote long-term value sharing with shareholders, shares corresponding to the TSR evaluation multiplier will be granted at the end of the three-year Evaluation Period. For the relationship between payout rates and comparative growth rates, see reference figure 5.

In addition, based on the deliberations and recommendations of the Nomination and Remuneration Committee and as determined by the Board of Directors, Eligible Directors shall be required to repay all or part of the performance-linked stock-based remuneration received in the relevant fiscal year and the preceding three fiscal years if a material misconduct, a financial statement restatement due to misconduct, or a restatement due to a material accounting error occurs.

(2) Specific details of the performance-linked stock-based remuneration system

The performance-linked stock-based remuneration system is a stock-based remuneration which is performance-linked, under which, the Eligible Directors will be granted the Company Shares, following the end of the Evaluation Period, the number of which will be calculated according to the degree of achievement of the targets set forth in item (iii) below during a consecutive three-fiscal-year period from April 1 of the first year through March 31 of the third year (the "Evaluation Period"; the initial Evaluation Period shall be April 1, 2026 to March 31, 2029, the next Evaluation Period shall be April 1, 2027 to March 31, 2030, and thereafter each Evaluation Period shall consist of the same consecutive three-fiscal-year term.).

(i) Condition to grant Company Shares

When issuing or disposing of Company Shares as performance-linked stock-based remuneration, the Company and the Eligible Directors shall enter into a Restricted Stock Allocation Agreement (the "Allocation Agreement"), which shall include the following provisions:

- A. For shares that have been allocated under the Allocation Agreement (the "Allocated Shares"), Eligible Directors shall not transfer, create a security interest in, or otherwise dispose of such shares for three years from the date of allocation. However, this restriction shall not apply if an Eligible Director ceases to hold office due to retirement or death.
- B. If, due to violations by an Eligible Director of laws, internal rules, the Allocation Agreement, or for other reasons, the Board of Directors determines that it is appropriate for the Company to acquire the Allocated Shares without consideration, the Company will acquire the Allocated Shares free of charge.

(ii) Method of allocating the Company Shares

The Company shall, as performance-linked stock-based remuneration, grant Company Shares subject

to transfer restrictions for three years (the “Restricted Shares”), in accordance with performance indicators and the degree of shareholder-value growth during the Evaluation Period.

The grant of Restricted Shares shall be made by either method A. or B. below.

- A. The Company will allocate the Company Shares free of charge as compensation for the execution of the duties of directors, without requiring any cash or other payment.
- B. The Company will provide a monetary compensation claim calculated by multiplying the number of shares to be allocated to the Eligible Director by the subscription payment amount for the Company Shares to be allocated, and will allocate the Company Shares to each Eligible Director in exchange for each Eligible Director’s contribution in kind of such monetary compensation claim.

The Eligible Director’s remuneration amount under above A. or the subscription payment amount for the Company Shares to be allocated under B. shall be an amount determined by the Board of Directors, based on the closing price of ordinary trading of the Company Shares on the Tokyo Stock Exchange on the business day preceding the date of the Board resolution approving the allocation (or, if no transaction occurred on that day, the closing price on the most recent prior trading day; the “Grant Price”), and shall be set within a range that is not particularly favorable to the Eligible Directors.

(iii) Method for calculating performance-linked stock-based remuneration

The number of Restricted Shares to be granted to each Eligible Director will be calculated according to the following formula.

[Calculation formula]

Number of Restricted Shares to be granted to an Eligible Director = standard number of shares (as set forth in A. below) × stock-price growth achievement ratio (as set forth in B. below)

- A. “Standard number of shares” will be determined by first setting a standard amount in advance by the Board of Directors, taking into account each Eligible Director’s position, responsibilities, and other relevant factors, and then by the Grant Price.
- B. “Stock-price growth achievement ratio” will be calculated in the range of 0% to 200% according to the achievement level of the evaluation indicators established by the Board of Directors for the Evaluation Period.

[Reference figure 5: Correlation between the payout ratio of performance-linked stock-based remuneration and the comparative growth rate]

If the comparative growth rate is below 100%, no payout
For 100% or above, payout increases proportionally, capped at 200% at 150% growth

