The 29th Annual General Meeting of Shareholders
Other Contents Provided in Electronic Format
(Contents Excluded from Documents to Be Sent)

(From January 1, 2025 to December 31, 2025)

GungHo Online Entertainment, Inc.

Overview of the Company Group

(1) Principal business activities (as of December 31, 2025)

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

(2) Principal offices (as of December 31, 2025)

1) The Company's business office
Chiyoda-ku, Tokyo, Japan

2) Principal subsidiaries' business offices

Company name	Company location
Game Arts Co., Ltd.	Chiyoda-ku, Tokyo, Japan
Gravity Co., Ltd.	Seoul, Republic of Korea
Gravity Interactive, Inc.	California, United States of America
Gravity Communications Co., Ltd.	Taipei City, Taiwan
Gravity NeoCyon, Inc.	Seoul, Republic of Korea
PT Gravity Game Link	Special Capital Region of Jakarta, Republic of Indonesia
Gravity Game Tech Co., Ltd.	Bangkok, Thailand
Gravity Game Arise Co., Ltd.	Chuo-ku, Tokyo, Japan
Gravity Game Hub PTE., Ltd.	Singapore
Gravity Game Vision Limited	Hong Kong Special Administrative Region of the People's Republic of China
Gravity Game Unite Sdn. Bhd.	Kuala Lumpur, Malaysia
GungHo Online Entertainment America, Inc.	California, United States of America
SUPERTRICK GAMES, Inc.	Chiyoda-ku, Tokyo, Japan
GungHo Online Entertainment Asia Pacific Pte. Ltd.	Singapore
SQUAD STARS, Inc.	Chiyoda-ku, Tokyo, Japan
Alim Co., Ltd.	Shibuya-ku, Tokyo, Japan

(3) Employees (as of December 31, 2025)

1) Employees of the corporate group

Number of employees	Change from the end of the previous consolidated fiscal year
1,614 [203]	Increase of 31

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
459 [110]	Increase of 15	41 years and 10 months	10 years and 2 months

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.

(4) Principal lenders (as of December 31, 2025)

Not applicable

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

Not applicable

Matters relating to share subscription rights of the Company

1) Outline of share subscription rights held by the Company’s Directors as of December 31, 2025

	2015 3rd share subscription rights	2016 4th share subscription rights	2017 5th share subscription rights	2018 6th share subscription rights
Date of issue	June 25, 2015	August 18, 2016	May 15, 2017	April 10, 2018
Number of share subscription rights	1,752 rights	2,787 rights	2,415 rights	1,416 rights
Number of holders The Company’s Directors (excluding Outside Directors) The Company’s Auditors (excluding Outside Auditors)	2 persons 1 person	2 persons 1 person	2 persons 1 person	2 persons 1 person
Type and number of shares to which share subscription rights apply	Common shares 17,520 shares	Common shares 27,870 shares	Common shares 24,150 shares	Common shares 14,160 shares
Issue price of subscription rights	4,680 yen per share	2,293.9 yen per share	2,507.8 yen per share	3,404.7 yen per share
Value of capital to be contributed at the time of exercise of share subscription rights	1 yen per share	1 yen per share	1 yen per share	1 yen per share
Exercise period for share subscription rights	From June 25, 2016 to June 24, 2031	From August 18, 2017 to August 17, 2032	From May 15, 2018 to May 14, 2033	From April 10, 2019 to April 9, 2034
Main terms and conditions of exercise of share subscription rights	Notes	Notes	Notes	Notes

	2019 7th share subscription rights	2020 8th share subscription rights	2021 9th share subscription rights	2022 10th share subscription rights
Date of issue	April 9, 2019	April 14, 2020	April 14, 2021	April 14, 2022
Number of share subscription rights	1,963 rights	936 rights	781 rights	852 rights
Number of holders The Company’s Directors (excluding Outside Directors) The Company’s Auditors (excluding Outside Auditors)	4 persons 1 person	5 persons 1 person	5 persons 0 persons	5 persons 0 persons
Type and number of shares to which share subscription rights apply	Common shares 19,630 shares	Common shares 93,600 shares	Common shares 78,100 shares	Common shares 85,200 shares
Issue price of subscription rights	3,444.5 yen per share	1,359.37 yen per share	2,002.45 yen per share	2,067.56 yen per share
Value of capital to be contributed at the time of exercise of share subscription rights	1 yen per share	1 yen per share	1 yen per share	1 yen per share
Exercise period for share subscription rights	From April 9, 2020 to April 8, 2035	From April 14, 2021 to April 13, 2036	From April 14, 2024 to April 13, 2039	From April 14, 2025 to April 13, 2040
Main terms and conditions of exercise of share subscription rights	Notes	Notes	Notes	Notes

	2023 11th share subscription rights	2024 12th share subscription rights	2025 13th share subscription rights
Date of issue	April 14, 2023	April 12, 2024	April 15, 2025
Number of share subscription rights	780 rights	792 rights	404 rights
Number of holders The Company's Directors (excluding Outside Directors) The Company's Auditors (excluding Outside Auditors)	5 persons 0 persons	5 persons 0 persons	5 persons 0 persons
Type and number of shares to which share subscription rights apply	Common shares 78,000 shares	Common shares 79,200 shares	Common shares 40,400 shares
Issue price of subscription rights	2,198.79 yen per share	1,981.72 yen per share	2,268.15 yen per share
Value of capital to be contributed at the time of exercise of share subscription rights	1 yen per share	1 yen per share	1 yen per share
Exercise period for share subscription rights	From April 14, 2026 to April 13, 2041	From April 12, 2027 to April 11, 2042	From April 15, 2028 to April 14, 2043
Main terms and conditions of exercise of share subscription rights	Notes	Notes	Notes

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

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

	2025 13th share subscription rights
Date of issue	April 15, 2025
Number of share subscription rights	124 rights
Number of grantees 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 12,400 shares
Issue price of share subscription rights	2,268.15 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 15, 2028 to April 14, 2043
Main terms and conditions of exercise of share subscription rights	Notes

Notes: 1. Any exerciser of the share subscription rights is required to be in the position of a Director, 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 case of death of a share subscription right holder, his/her inheritor may 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.

Accounting Auditor

(1) Name PricewaterhouseCoopers Japan LLC

(2) Fee

	Amount of fee
Fee for the Accounting Auditor for the fiscal year under review	41 million yen
Total amount of money and other compensation reward obliged to be paid to the Accounting Auditor by the Company and its subsidiaries	41 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. The above amount of fee includes fee for consultation, etc. concerning the investigation into misconduct by a former employee of the Company.

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

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

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

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

(1) System to secure the appropriateness of operations

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

a. In addition to ensuring the sharing of the corporate philosophy of the GungHo Group, we have established the GungHo Online Entertainment Group Charter, a charter that stipulates matters relating to the enhancement of its corporate governance platform and compliance, as well as the GungHo Group Compliance Code for Directors and Employees as compliance-related behavior guidelines obliged to be adhered to by all Directors and employees, as well as other relevant regulations.

b. The Company elects a Chief Compliance Officer (CCO) as manager charged with promoting compliance.

c. The Company develops whistleblowing internal/external contact points (hotline) to which a compliance-related whistleblowing report can be submitted by Directors or employees and at which any of them can have the relevant consultation. Moreover, the Company ensures that no such whistleblowing or consulting members become subjected to disadvantageous treatment.

d. The Company's Internal Auditing Department performs an audit on the effectiveness of the organization's framework to comply with laws and ordinances and the Articles of Incorporation, and reports the audit results to the President & CEO and board meetings. Moreover, the Internal Auditing Department reports the audit results to Auditors, thereby collaborating with the latter.

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

a. In addition to putting in place standards required for storing and managing documents, the Company develops a system to appropriately store and manage documents and other material information that are related to Directors' execution of duties, including minutes of Board of Directors meetings and approval procedure documents, pursuant to the Document Storage Management Regulations, regulations aimed to ensure the efficient operation of duties to store and manage documents.

b. The Company elects the Chief Information Security Officer (CISO) as an officer to lead its information security activities pursuant to the Basic Information Security Regulations. Moreover, the Company puts in place the Information Security Committee chaired by CISO, thereby pursuing its information security activities.

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

a. The Company prescribes the Regulations on Risk Management System in order to avoid, mitigate and take necessary actions against various risks for its business operation. As for risk prevention, the Company establishes, pursuant to these regulations, the Risk Management Committee as a deliberation body to address risks. Further, individual business units, each responsible for handling different types of risks, perform risk management, striving to mitigate risks and prevent them from occurring.

b. In the event of an unforeseen incident or an emergency, the Company will immediately establish the countermeasure headquarters pursuant to the Regulations on Risk Management

System. In turn, the Chief Crisis Management Officer (CCMO), the top crisis manager under the Chairman of the headquarters (President & CEO), will lead the efforts to put in place a system to deal with the situation in a well-supervised manner.

c. The Internal Auditing Department performs an audit on the state of the Company's risk management before reporting the audit results to President & CEO, board meetings and Auditors.

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

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

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

a. The Company has established the Related Company Management Regulations to secure the appropriateness of its group companies' operations under the GungHo Online Entertainment Group Charter. Moreover, the Company develops a system to manage each of its subsidiaries in a manner befitting its size and importance.

b. Subsidiaries of the Company prescribe 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.

d. 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.

e. 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.

f. 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 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.

The Company has taken the following measures in response to the misconduct by a former employee discovered during the fiscal year under review in order to prevent the recurrence of such misconduct.

- The Company implemented measures including a review of the organizational structure and the decentralization of authority over its systems.
- The Company added new training programs focused on improper transactions to further reinforce compliance awareness.
- In addition to revising the upper limit of the amount for transactions that each division head can authorize within the order approval process in each first-line division, the Company reviewed the payment approval process in the finance and accounting division, which is a second-line division.
- In addition to the regular annual internal audit, the Company created a system by which the Internal Auditing Department conducts individual orders to verify the actual status of transactions, the results of which are reported to the Board of Directors.

3) Risk management

In addition to having in place the Regulations on Risk Management System, the Company strives to reduce and prevent risks through the process of identifying risks, devising countermeasures and periodically revising them. 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 Auditors attend significant meetings and having hearing sessions with Directors and employees.

Consolidated Statement of Changes in Equity

(January 1, 2025 through December 31, 2025)

(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	195,670	(80,872)	125,624
Changes of items during the period					
Dividends of surplus			(3,349)		(3,349)
Profit attributable to owners of parent			1,407		1,407
Subscription rights to shares		(4)		482	487
Acquisition of treasury shares				(5,003)	(5,003)
Disposal of treasury shares		(0)		0	0
Cancellation of treasury shares		(41,483)		41,483	-
Transfer to capital surplus from retained earnings		41,479	(41,479)		-
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	(43,420)	36,963	(6,456)
Balance at the end of current period	5,338	5,487	152,249	(43,908)	119,167

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

	Accumulated other comprehensive income		Stock option	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of current period	1,687	1,687	1,464	24,759	153,535
Changes of items during the period					
Dividends of surplus					(3,349)
Profit attributable to owners of parent					1,407
Subscription rights to shares					487
Acquisition of treasury shares					(5,003)
Disposal of treasury shares					0
Cancellation of treasury shares					-
Transfer to capital surplus from retained earnings					-
Net changes of items other than shareholders' equity	1,002	1,002	(304)	3,556	4,254
Total changes of items during the period	1,002	1,002	(304)	3,556	(2,202)
Balance at the end of current period	2,689	2,689	1,160	28,315	151,333

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

Notes to consolidated financial statements

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

(1) Matters concerning the coverage of consolidation

・Number of consolidated companies: 18

・Major consolidated subsidiaries:

GAME ARTS Co., Ltd.
Gravity Co., Ltd.
Gravity Interactive, Inc.
Gravity Communications Co., Ltd.
Gravity NeoCyon, Inc.
PT Gravity Game Link
Gravity Game Tech Co., Ltd.
Gravity Game Arise Co., Ltd.
Gravity Game Hub PTE., Ltd.
Gravity Game Vison Limited
Gravity Game Unite Sdn. Bhd.
GungHo Online Entertainment America, Inc.
SUPERTRICK GAMES, Inc.
GungHo Online Entertainment Asia Pacific Pte. Ltd.
SQUAD STARS, Inc.
Alim Co., Ltd.

・There are no non-consolidated subsidiaries.

(2) Matters concerning equity method

・Number of equity method affiliated companies
None

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

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

(4) Matters concerning accounting principles and standards

1) Appraisal standards and appraisal methods for principal assets

a. Marketable securities

・Held-to-maturity bonds	Cost method
・Other marketable securities	
Other than stocks with no market price available	Market value method (The full amount of the valuation difference is charged to net assets using the direct transfer to capital method, with the disposal cost determined by the moving-average method.)
Stocks with no market price available	Stated at cost by using the moving-average method, except for securities held in some of subsidiaries overseas that are stated at cost by using the gross average method.

b. Inventory assets

・Merchandise and Work in process	Stated at cost by using the specific cost method (the carrying amount on the balance sheets is reduced for decrease in profitability) Please 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	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. The straight-line method is used for some of the overseas subsidiaries. Shown below are principal useful lives: Buildings: 2 to 4 years Others: 3 to 15 years
b.	Intangible fixed assets except lease assets	Primarily the straight-line method is used, and software for internal use is depreciated over the period from one to five years based on its availability period.
c.	Lease assets	Lease assets are depreciated by using the straight-line method over the useful lives of the respective lease period with zero residual value. Note some overseas subsidiaries use the economic useful lives up to the lease period.

3) Accounting standards for significant allowances

a.	Allowance for doubtful accounts	To prepare for potential credit loss on receivables, 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 for specific receivables such as doubtful receivables.
b.	Allowance for performance linked compensation	To prepare for provision of performance linked compensation for directors, the Company records reserves at an amount subject to fiscal year 2025 based on estimated future obligation.

4) Basis for recording significant profits and expenses

The GungHo Group recognizes revenue based on the following five-step approach:
Step 1: Identify the contract with the customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations in the contract
Step 5: Recognize revenue when (or as) performance obligations are satisfied.

As for the Group's main titles, we offer them by free of charge, and payments are required for some characters and items. The Company recognizes it has an obligation in contract with users that we maintain the condition of game in which users can use characters and items etc. Therefore, we recognize revenues in accordance with estimated character usage period based on actual usage record of users.
However, when our user behavior, etc. analysis found that the estimated character usage period is extremely short, the Company considers that the revenue recognition for the estimated character usage period may not generate a material difference from revenue recognition at the time of obtainment of characters and items etc. by users.

5) 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).

2. Notes on Changes in Accounting Policies

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022") from the beginning of the fiscal year ended December 31, 2025.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022").

In addition, for the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the fiscal year ended December 31, 2025. This change in accounting policies has no impact on the consolidated financial statements.

(Application of the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, etc.)

The Company applied the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, etc. (Practical Solution No. 46, March 22, 2024) from the beginning of the fiscal year ended December 31, 2025.

The impact of this change in accounting policies is immaterial.

3. Notes on changes in presentation

None

4. Notes on accounting estimates

(Recoverability of deferred tax assets)

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

Deferred tax assets	7,542 million yen

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

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

5. Notes to consolidated balance sheets

(1)

Cumulative depreciation of property, plant and equipment	3,476 million yen

(2) Accounts receivable-trade, and amount of receivables arising from contracts with customers included in contract assets

Accounts receivable-trade	10,128 million yen
Contract assets	1 million yen

(3)

Amount of contract liabilities included in “Other” of current liabilities	4,405 million yen

6. Notes to consolidated statement of changes in equity

(1) Total number of shares outstanding

Number of shares as of December 31, 2025 (shares)	69,161,416 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 March 28, 2025	Common shares	3,349 million yen	60.00 yen	December 31, 2024	March 31, 2025

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

To be resolved	Share class	Source of dividends	Total dividends	Dividend per share	Record date	Date of coming into effect
Board of Directors meeting held on March 30, 2026	Common shares	Retained earnings	4,890 million yen	90.00 yen	December 31, 2025	March 31, 2026

(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: 384,500 shares

7. Notes on financial instruments

(1) Matters pertaining to the state of financial instruments

1) Policy on handling financial instruments

The GungHo Group essentially uses internal reserves to fund operations. 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 issuer credit risk. To manage this type of risk, the GungHo Group continuously monitors issuer companies' financial positions.

Deposits are guaranteed mainly as security deposit and security money concerning lease contract and are exposed to credit risk of debtor.

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

Income taxes payable is the unpaid amount of income taxes etc. and due date of them is within one year.

Long-term accounts payable are primarily related to the development cost of games.

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 sheets as of December 31, 2025, 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
Marketable securities & investment securities			
Held-to-maturity bonds	5,775	5,775	-
Other securities	65	65	-
Deposit	1,301	1,253	(47)
Total assets	7,142	7,095	(47)
Long-term accounts payable	1,348	1,311	(36)
Total liabilities	1,348	1,311	(36)

Note 1) Information about "Cash and deposits," "Accounts receivable-trade," "Accounts payable-trade," and "Income taxes payable" are omitted because they are cash in nature; their fair values approximate their book values as they are settled in a short period of time.

Note 2) Stocks, etc. with no market price are not included in "Marketable securities & investment securities." The value of such financial instruments recorded on consolidated balance sheets is as follows:

(Millions of yen)

Category	Value recorded on consolidated balance sheets
Unlisted shares	0

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	130,474	-	-	-
Accounts receivable-trade	10,128	-	-	-
Marketable securities and investment securities				
Held-to-maturity bonds	5,775	-	-	-
Long-term deposit	-	65	-	-
Deposit	-	1,301	-	-
Total	146,378	1,367	-	-

(3) Matters regarding the breakdown, etc. by the level of fair value of financial instruments

The fair value of financial instruments is categorized into three levels stated below in accordance with the observability and significance of input regarding market value calculation.

Level 1 fair value: Fair value calculated using the market price of assets or liabilities whose fair value is being calculated that is formed in an active market as an observable input

Level 2 fair value: Fair value calculated using other observable inputs than those for level 1

Level 3 fair value: Fair value calculated using input that are unobservable

In the event that multiple inputs significantly affect the measurement of fair value, choosing from among the respective levels those inputs belong to, the Company classifies the fair value to the level with the lowest position of hierarchy in the measurement of fair value.

1) Financial instruments recorded at fair value on consolidated balance sheets

(Millions of yen)

Category	Market price			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Other securities	—	65	—	65
Total assets	—	65	—	65

2) Financial instruments other than those recorded at fair value on consolidated balance sheets

(Millions of yen)

Category	Market price			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity bonds	-	5,775	-	5,775
Deposit	-	1,253	-	1,253
Total assets	-	7,029	-	7,029
Long-term accounts payable	-	1,311	-	1,311
Total liabilities	-	1,311	-	1,311

Note: Explanation of the valuation method and input used in the fair value measurement

Marketable securities and investment securities
Valuation of corporate bonds are based on quoted prices. The valuation of corporate bonds held by the GungHo Group is categorized as Level 2 because they are not frequently traded and their quoted values are not deemed to be ones of an active market.

Deposit
The market value of deposits is calculated using the present value obtained by discounting future cash flows at an interest rate based on an appropriate indicator, such as the yield on government bonds, and is classified as Level 2 market value.

Long-term accounts payable
The market value of long-term accounts payable is calculated using the present value obtained by discounting future cash flows at an interest rate based on an appropriate indicator, such as the yield on government bonds, and is classified as Level 2 market value.

8. Notes regarding revenue recognition

(1) Information that disaggregates revenue arising from contracts with customers

(Millions of yen)

	Net sales
Japan	31,831
Asia	17,531
Taiwan	14,370
Thailand	5,641
Indonesia	8,982
North America	9,011
Central and South America	2,815
Other regions	3,057
Revenue arising from contracts with customers	93,242
Other revenue	-
Sales to external customers	93,242

Note: Net sales are classified by country or region based on the customer’s location.

(Change of Display Method)

“Indonesia,” which was included in “Asia” in the previous consolidated fiscal year, has become more important in monetary terms and is therefore described separately from the consolidated fiscal year under review.

(2) Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is presented in 4) Basis for recording significant profits and expenses under “(4) Matters concerning accounting principles and standards” in “1. Significant matters serving as basis for the preparation for consolidated financial statements.”

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the following fiscal year or later from contracts with customers that existed at the end of the fiscal year under review

1) Balance of contract assets and contract liabilities, etc.

(Millions of yen)

	Amount
Receivables arising from contracts with customers (balance at beginning of period)	13,515
Receivables arising from contracts with customers (balance at end of period)	10,130
Contract assets (balance at beginning of period)	-
Contract assets (balance at end of period)	1
Contract liabilities (balance at beginning of period)	5,041
Contract liabilities (balance at end of period)	4,405

Note: Contract liabilities are mainly unused game currencies and the remaining amount of in-app items etc. as deferred revenue.
Of the amount of revenue recognized for the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the period is 5,041 million yen.

2) Transaction price allocated to remaining performance obligations

The GungHo Group has no significant transactions of which individual contracts exceed one year. Moreover, there are no significant amounts of consideration from contracts with customers that are not included in the transaction price.

9. Notes on per-share information

(1) Net assets per share 2,242.37 yen

(2) Net profit per share 25.79 yen

10. Notes on significant subsequent events

(Acquisition and cancellation of treasury shares)

At a meeting of the Board of Directors held on February 13, 2026, the Company resolved matters pertaining to the acquisition of treasury shares pursuant to Article 156 of the Companies Act as applied pursuant to the provisions of Article 165, Paragraph 3 of the same Act, and matters pertaining to the cancellation of treasury shares pursuant to Article 178 of the Companies Act as follows.

(1) Reason for acquisition and cancellation of treasury shares

To enhance shareholder value by implementing capital policies flexibly in response to changes in the business environment and by improving capital efficiency

(2) Details of matters pertaining to acquisition of treasury shares

1) Type of shares to be acquired Common shares of the Company
2) Total number of shares to be acquired 2,100,000 shares (maximum)
3) Total amount of shares to be acquired 5,000,000,000 yen (maximum)
4) Acquisition period February 16, 2026 to June 23, 2026
5) Method of acquisition Purchase in the market

(3) Details of matters pertaining to cancellation of treasury shares

1) Type of shares to be cancelled Common shares of the Company
2) Total number of shares to be cancelled 16,000,000 shares
3) Scheduled date of cancellation June 30, 2026

Non-Consolidated Statement of Changes in Equity

(January 1, 2025 through December 31, 2025)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total share-holders' equity
		Legal capital surplus	Other capital surplus: Gains on sales of treasury shares	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earning		
Balance at the beginning of current period	5,338	5,331	-	5,331	161,875	161,875	(80,872)	91,673
Changes of items during the period								
Dividends of surplus					(3,349)	(3,349)		(3,349)
Loss					(3,653)	(3,653)		(3,653)
Subscription rights to shares			4	4			482	487
Acquisition of treasury shares							(5,003)	(5,003)
Disposal of treasury shares			(0)	(0)			0	0
Cancellation of treasury shares			(41,483)	(41,483)			41,483	-
Transfer to capital surplus from retained earnings			41,479	41,479	(41,479)	(41,479)		-
Net changes of items other than shareholders' equity								-
Total changes of items during the period	-	-	-	-	(48,481)	(48,481)	36,963	(11,517)
Balance at the end of current period	5,338	5,331	-	5,331	113,394	113,394	(43,908)	80,155

	Stock option	Total net assets
Balance at the beginning of current period	1,464	93,137
Changes of items during the period		
Dividends of surplus		(3,349)
Loss		(3,653)
Subscription rights to shares		487
Acquisition of treasury shares		(5,003)
Disposal of treasury shares		0
Cancellation of treasury shares		-
Transfer to capital surplus from retained earnings		-
Net changes of items other than shareholders' equity	(304)	(304)
Total changes of items during the period	(304)	(11,822)
Balance at the end of current period	1,160	81,315

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

Notes to non-consolidated financial statements

1. Notes on matters pertaining to significant accounting policies

(1) Valuation standard and method for securities

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

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

1) Property, plant and equipment other than lease assets	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.
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

1) Allowance for doubtful accounts	To prepare for potential credit losses on receivables, the Company records allowances for doubtful accounts at an estimated uncollectable amount determined based on the post credit loss experiences for general debt, their collectability for specific receivables such as doubtful receivables.
2) Allowance for performance linked compensation	To prepare for provision of performance linked compensation for directors, the Company records reserves at an amount subject to fiscal year 2025 based on estimated future obligation.

(4) Basis for recording significant profits and expenses

The Company recognizes revenue based on the following five-step approach:
Step 1: Identify the contract with the customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations in the contract
Step 5: Recognize revenue when (or as) performance obligations are satisfied.

As for the company's main titles, we offer them by free of charge, and payments are required for some characters and items. The Company recognizes that it has an obligation in contract with users that we maintain the game environment in which users can use characters and items etc. Therefore, we recognize revenues in accordance with estimated character usage period based on actual usage record of users.
However, since our user behavior, etc. analysis found that the estimated character usage period is extremely short, the Company considers that the revenue recognition for the estimated character usage period may not generate a material difference from revenue recognition at the time of obtainment of characters and items etc. by users.

(5) Method for translating 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.

2. Notes on Changes in Accounting Policies

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”) from the beginning of the fiscal year ended December 31, 2025.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022. This change in accounting policies has no impact on the financial statements.

(Application of the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, etc.)

The Company applied the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, etc. (Practical Solution No. 46, March 22, 2024) from the beginning of the fiscal year ended December 31, 2025.

This change in accounting policies has no impact on the financial statements.

3. Notes on accounting estimates

(Recoverability of deferred tax assets)

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

Deferred tax assets	6,861 million yen

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

The contents are the same as those in “4. Notes on accounting estimates” (Notes to consolidated financial statements).

4. Notes on balance sheets

(1) Cumulative depreciation of property, plant and equipment	1,455 million yen
(2) Monetary claims and liabilities to related companies	
Short-term monetary claims	106 million yen
Short-term monetary liabilities	655 million yen

5. Notes to statements of income

Transactions with related companies

Operating transactions (income)	292 million yen
Operating transactions (expenditure)	6,128 million yen
Non-operating transactions (income)	4 million yen

6. Notes to non-consolidated statement of changes in equity

Number of treasury shares as of December 31, 2025	14,818,472 shares

7. Notes on tax effect accounting

Breakdown of deferred tax assets by cause

Deferred tax assets

Depreciation & amortization excess value	4,544 million yen
Allowance for doubtful accounts	7 million yen
Loss on valuation of shares in related companies	3,250 million yen
Stock-based compensation expenses	365 million yen
Other	1,041 million yen
Subtotal	9,209 million yen
Valuation allowance	(2,348 million yen)
Total deferred tax assets	6,861 million yen

8. Notes regarding revenue recognition

Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is presented in "(4) Basis for recording significant profits and expenses" under "1. Notes on matters pertaining to significant accounting policies."

9. Notes on per-share information

(1) Net assets per share	1,474.99 yen
(2) Net loss per share	66.94 yen

10. Notes on companies to which regulation on consolidated dividend applies

The Company is subject to the Consolidated Dividend Regulations.

11. Notes on significant subsequent events

(Acquisition and cancellation of treasury shares)

At a meeting of the Board of Directors held on February 13, 2026, the Company resolved matters pertaining to the acquisition of treasury shares pursuant to Article 156 of the Companies Act as applied by replacing the terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act, and matters pertaining to the cancellation of treasury shares pursuant to Article 178 of the Companies Act as follows.

(1) Reason for acquisition and cancellation of treasury shares

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

(2) Details of matters pertaining to acquisition of treasury shares

1) Type of shares to be acquired	Common shares of the Company
2) Total number of shares to be acquired	2,100,000 shares (maximum)
3) Total amount of shares to be acquired	5,000,000,000 yen (maximum)
4) Acquisition period	February 16, 2026 to June 23, 2026
5) Method of acquisition	Purchase in the market

(3) Details of matters pertaining to cancellation of treasury shares

1) Type of shares to be cancelled	Common shares of the Company
2) Total number of shares to be cancelled	16,000,000 shares
3) Scheduled date of cancellation	June 30, 2026