

January 30, 2025

To Whom It May Concern

Strategic Capital, Inc.  
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**Re: Shareholder Proposal to GUNGHO ONLINE ENTERTAINMENT, INC. (3765) and the Launch of the Campaign Website on the proposal**

Strategic Capital, Inc. (hereinafter referred to as “Strategic Capital”) is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (hereinafter referred to as the “Fund”) and the Fund and Strategic Capital (hereinafter referred to as “we” ) hold approximately 5.4% of GungHo Online Entertainment, Inc. (hereinafter referred to as the “Company” or “GungHo”).

We are pleased to announce that, we have notified the Company of our execution of the shareholders’ right to make a proposal at the annual shareholder meeting held in the coming March and launched Campaign Website (<https://stracap.jp/english/3765-GUNGHO.pdf>) .

**Details**

**Background of the Proposal**

**Remuneration governance**

GungHo has increased President Kazuki Morishita’s remuneration from JPY 120m to 340m over the past 10 years, even as operating profit (-69%) and market capitalization (-78%) have decreased significantly. We believe that raising management remuneration despite such poor results is a problem from a governance perspective.

**Capital policy**

For more than 10 years, the ordinary dividend has been fixed at JPY 30/share, and the Company has not cancelled treasury shares despite its accounting for more than 30% of the total issued shares. We believe that such shareholder-disregarding capital policies are a harmful and contributes to the loss of shareholder value.

**Abstract of the Proposal**

**(1) To disclose rationale when the base remuneration for the representative director is changed**

<Summary> In the event of a change to the base remuneration of the representative director, the reason for the change must be disclosed.

**(2) Change the ratio of base to performance-linked remuneration and the calculation method**

<Summary> Change the maximum ratio of base : performance-linked remuneration from JPY 300m : 300m to JPY150m : 450m. In addition, change the criteria for the performance-linked remuneration from gross amount of operating income to change in ROE.

**(3) Abolish the current stock option plan for executive directors and to grant stock based LTIP**

<Summary> Abolish the current stock option plan. Then introduce a stock remuneration plan based on the “excess total shareholder returns over the TOPIX total shareholder return over a five-year period.”

**(4) Appropriation of surplus**

<Summary> Pay a dividend of JPY 318/share, equal to 20% of the cash and deposits (non-consolidated) of JPY 88.9B as of December 31, 2024.

**(5) Revision to the provisions of articles with regard to the decision-making body for determining the dividends from surplus**

<Summary> In principle, the year-end dividend shall be made through a resolution of the AGM.

**(6) Revision to the provisions of articles with regard to the cancellation of treasury stock**

<Summary> Make the retirement of treasury shares an agenda item at the AGM.

**(7) Cancellation of treasury shares**

<Summary> Retire all treasury shares held by the Company.

For further information, please click the [link](#) to a special website regarding our proposal.

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**Disclaimer**

This press release is a reference translation of the original announcement in Japanese. In the event of any differences between the original and the English translation, the original Japanese version shall prevail.