

July 23, 2025

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO
MAIL: info@stracap.jp

Re: Convene an Extraordinary General Meeting for GUNGHO ONLINE ENTERTAINMENT, INC. (3765)

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" or "SC") hold approximately 8% 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 convene an extraordinary general meeting of shareholders ("EGM") for the reasons listed below.

Details

Abstract of the Proposal

Partial revision of the provisions of articles (deletion of provision that increases the requirements for a resolution to dismiss a director)

<Summary> Amend the article from a resolution requiring more than two-thirds to a majority of the voting rights as stipulated in the Companies Act.

<note> If there is no provision, a resolution to dismiss a director can be made by a majority of the voting rights, but GungHo has a provision in its Articles of Incorporation that raises the threshold for a resolution to dismiss to two-thirds of the voting rights. This proposal seeks to delete this provision.

Dismissal of Director Kazuki Morishita

<Summary> Remove President and CEO Kazuki Morishita from the Board of Directors.

Background of the Proposal

ISSUE (1) - Consistently weak performance and stock price over the short-, medium- and long-term

Whether it be 1, 2, 3, 4, 5, 6, 7, 8, 9, or even 10 years, GungHo's total shareholder return ("TSR") has lagged the gaming giants¹. Even over 10 years, GungHo's TSR was -35% while the others returned +258 to +1780%.

Market cap and operating income have also declined over the past decade

- Market Cap: -67% or JPY 456.7B (June 2015) → JPY 149.6B (June 2025)
- Operating Income: -75% or JPY 72.4B (June 2015) → JPY 17.4B (June 2025)

As the CEO, Morishita must take responsibility for the Company's poor performance and stock price.

Issue (2) –Morishita is responsible for making GungHo a "one-hit wonder"

GungHo has become a so-called "one-hit wonder" that has failed to produce the next hit for 13 years since the release of its only hit, Puzzle & Dragons in 2012. The reason the Company is a "one-hit wonder" rests with Morishita, who gave full control of game development to the creator of the "one hit wonder" which was Morishita himself.

As the CEO, Morishita is responsible for making GungHo a "one hit-wonder" by failing to give the authority to the right person who can help develop the next hit.

Issue (3) – The market has low expectations for GungHo under Morishita's management

GungHo's market cap (i.e. shareholder value) was JPY 149.6B as of June 30, 2025. The cash and deposit as of March 31, 2025, was JPY 136.6B which is approx. 90% of the market cap. In other words, most of GungHo's shareholder value is merely the value of the cash and deposits held by the company.

Shareholder value is estimated by taking into account the expectations of future cash flow. GungHo's shareholder value has virtually no expectation of future cash flow meaning that the market considers it a "one-hit wonder" that will not produce the next hit.

As the CEO, Morishita is responsible for undermining market expectations and damaging shareholder value.

Issue (4) – Morishita is unqualified to serve as a director and lacks self-awareness as President & CEO

In addition to the above issues, the following facts suggest that Morishita is both unqualified as a director and completely unaware of his responsibilities as the President and CEO.

¹ Capcom, Konami Group, Nintendo, Bandai Namco Holdings, Sony Group, and Square Enix Holdings.

- Over the past 10 years, Morishita's remuneration has increased from JPY 211 to 329 million yen (in comparison Nintendo's President's remuneration is JPY 263 million)
- Claiming that the titles made some money or acquired users were hits despite contributing little to business performance and nothing to shareholder value
- Continues to refuse to meet with SC, the second largest shareholder, on the grounds that he needs to concentrate on game development.
- Fails to disclose specific policies regarding the “Action to Implement Management that Conscious of Cost of Capital and Stock Price²”

Issue (5) – Morishita is responsible for the composition of the Board, which consists of less than one-third truly independent outside directors

As the Chairman of the Nomination and Remuneration Committee (at the time), Morishita was responsible for appointing the following two outside directors who lacked true independence.

- Susumu Tanaka: Has held key positions at Nintendo. While the transaction amount is small, GungHo has agreements with Nintendo regarding development and sales licensing of consumer games, so he cannot be said to be truly independent.
- Etsuko Hara: A partner lawyer at Anderson Mori & Tomotsune (“AMT”). AMT has been involved in several important decisions at GungHo in the past so she cannot be said to be truly independent.

In addition, GungHo failed to include material information about its relationships with Nintendo and AMT in the "Notice of Convocation of the 28th Ordinary General Meeting of Shareholders", and Morishita is also responsible for not providing important information to shareholders regarding the independence of outside directors.

For further information, please refer to the special website to be launched at a later date.

FIN

² Request from the Japan Exchange Group in 2023 <https://www.jpx.co.jp/english/news/1020/e20230414-01.html>

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.