

January 30, 2026

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 9% 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**

**Abstract of the Proposal**

**(1) Acquisition of treasury shares from a specific shareholder**

<Summary> The Company acquires, as treasury shares and at a price that is not particularly favorable to other shareholders, all GungHo shares held by Taizo Son through SON Financial GK and FAH Co., Ltd. (representing 120,065 voting rights, or 25.8% of total voting rights)

**(2) Appropriation of surplus**

<Summary> Pay a dividend of JPY 311/share, equal to 20% of the cash and deposits (non-consolidated) of JPY 84.6B as of December 31, 2024.

**(3) Amendment concerning 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.

**(4) Amendment concerning the appointment of the chair of the Board meetings**

<Summary> In principle, the chair of the Board of Director meetings shall be selected from among the outside directors.

**(5) Amendment concerning the appointment of the Chairperson of the Board of Directors**

<Summary> In principle, the Chairperson of the Board of Directors shall be selected from among the outside directors.

**(6) Disclose sales by title**

<Summary> In principle, require the disclosure of sales revenue for important games by title.

## Background of the Proposal

### **Issue (1): Short-, medium-, and long-term slump in performance and stock price amid a drought of hit games**

GungHo's stock price has been in a prolonged and severe slump over the past decade. Compared with the TOPIX, the Company has underperformed by -68% / -45% / -36% / -38% over the past 10 / 5 / 3 and 1 years, respectively, demonstrating significant underperformance regardless of time horizons.

Operating profit has been in a long-term decline since peaking during the heyday of *Puzzle & Dragons* ("P&D"), and most recently has fallen to a level where on a standalone basis, GungHo is generating almost no profit, quantitatively demonstrating a clear deterioration in corporate value.

Moreover, as shareholders' equity continues to accumulate, ROE has steadily declined indicating a marked deterioration in capital efficiency.

As a result, market cap (approx. JPY 136.8B) is almost equal to its net cash (approx. JPY 135.3B), leaving GungHo not as an operating company but as a "box of cash".

This is not a temporary downturn, but rather the result of a prolonged erosion in corporate value under the leadership of Morishita.

### **Issue (2): Morishita's management decisions have solidified a "one-hit wonder" structure and led to repeated failures.**

Since the release of P&D in 2012, GungHo has failed to produce another hit for more than 13 years, effectively making it a "one-hit wonder".

During the time, the Company has invested an amount estimated to be over JPY 100B developing and releasing numerous new titles, yet none have grown into a substantial earnings pillar.

In particular, LET IT DIE:INFERNO, the latest installment of the LET IT DIE series, was a clear failure. Despite a hefty development spend, it was harshly criticized by existing fans and new users and is not expected to contribute much to earnings.

This outcome goes beyond a simple failure to deliver a hit but has resulted in damaging the value of an existing IP and represents the consequences of Morishita's management decisions, specifically not to reassess the development structure and allocation of authority.

### **Issue (3): Significant investments have not translated to profits, and lack of disclosure prevents shareholders from evaluating the situation.**

Over the years, GungHo has allocated significant capital to develop new titles, yet those efforts have been scarcely reflected in its financial performance.

Even if there are "results that cannot be seen" that lead to future results, shareholders have no way to assess their validity or value in the absence of concrete disclosure such as title specific sales figures.

As things stand, shareholders cannot even determine whether these investments have "failed outright" or have

“yielded some results”. As a result, even if management emphasizes its achievements, it only serves to deepen shareholder skepticism.

**Issue (4): Presence of Taizo Son is causing governance failure and hindering the enhancement of shareholder value.**

Taizo Son continues to hold more than 20% of the voting rights, placing him in a position where his vote alone can sway the outcome of many resolutions proposed at the AGM.

However, he has consistently acted as a “stable shareholder”, supporting management proposals while opposing shareholder proposals, significantly reducing the accountability and discipline of management.

Moreover, even after stepping down from the Board, Son has continued to intermittently sell shares. The ongoing risk that his remaining shares could be sold into the market has created a persistent overhang and may be exerting a negative influence on the Company’s share price formation.

**Issue (5): Board of Directors is not independent from management, and oversight is not properly functioning.**

Despite the many problems that are weighing on GungHo including prolonged underperformance in earnings and share price, a sustained absence of hits, and deteriorating capital efficiency, there are few indications that the management structure has been fundamentally reviewed or reformed.

One large reason is the Board is not sufficiently independent from management execution and has failed to effectively function in its oversight role.

Under the current structure, in which the top executive, who should be subject to the oversight, personally leads the board meetings, it makes them ill-suited to conduct thorough examinations or have corrective debates on core issues which include failed management strategies, prolonged lack of hit titles, and a failure to convert substantial investments into results.

In fact, the very fact that there is no accountability or organizational restructuring despite investments that are estimated to exceed JPY 100B suggests the Board’s oversight function has become a mere formality.

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.