

August 10, 2007

Company Name: GungHo Online Entertainment, Inc.
President & CEO: Kazuki Morishita
(Code No.: 3765; Listed on Osaka Stock Exchange Hercules Market)
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Notification concerning establishment of North American subsidiary

GungHo Online Entertainment, Inc. makes the notification hereunder that following a resolution by the Board of Directors, it has been decided to establish a subsidiary in the North American region, with the aim of strengthening and promoting overseas business development.

1. Overview of subsidiary

- (1) Expected date of establishment: October 2007
- (2) Planned location: Los Angeles, California
- (3) Planned capital: US\$800,000
- (4) Major field of business: Online gaming operations and sales of consumer games

2. Reasons for establishment

GungHo recognizes that entry into the US gaming market, which is growing robustly, will be an important strategy move for global business development. In order to implement aggressive sales promotion for the overseas marketing of our titles, including original titles, we have decided to establish a subsidiary in the North American region.

GungHo is the producer of GRANDIA ONLINE, the online version of the GRANDIA series that has sold a cumulative total of more than 2 million units worldwide. The GRANDIA series is proving to be very popular in the North American region and we intend to develop our GRANDIA ONLINE original title for commercial use in North America. In addition to online gaming, our strategy for North America includes boosting our presence in the consumer games market.