

February 16, 2009

Company Name	GungHo Online Entertainment, Inc.
President & CEO	Kazuki Morishita
(Code No.: 3765; Listed on Osaka Stock Exchange Hercules Market)	
Inquiry	Norio Ishimi, General Manager, IR/Corporate Communication Office
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To whom it may concern:

Notice of Resolution of the Situation Raising Serious Doubts about Assumptions of a Going Concern

GungHo Online Entertainment, Inc. announces that the “situation which raised serious doubts about the assumptions of a going concern” has been resolved as of February 16, 2009, the announcement date of the preliminary financial results for the fiscal year ending December 2008, as described below.

The Group breached the financial covenant imposed on a syndicated loan and there was serious doubt about the assumptions of a going concern primarily because of a loss on revaluation of securities due to a decline in the market value of the investments in securities held, and also because of an impairment loss due to the deteriorating business outlook of certain subsidiaries during the fiscal year ending December 2007.

In order to resolve such situation, the Group made efforts to maximize its corporate value through effective utilization of its managerial resources, improved flexibility of the business/independent accounting system, strengthening of the financial platform and creation of value. As a result, the Group steadily continued to improve its operating performance, such as by starting the general release of large-scale entrusted development deals while growing its existing businesses; the Group returned to an ordinary profit for the consolidated financial results for the term ending December 2008, and also the ordinary profit increased significantly on a non-consolidated basis. In addition, with regard to the syndicated loan for which the financial covenant was breached, the financial covenant was amended through due consultation with the counterparty financial institution, and therefore, there is no breach of the financial covenant as of the end of December 2008.

Accordingly, the situation that caused doubts about the assumptions of a going concern has been resolved as of the announcement date of the preliminary financial results for the fiscal year ending December 2008.

The Group will continue efforts to improve its operating results, and looks forward to the continued support of its stakeholders.