

2022/7/26

To: KDR holders of SNK Corporation

From: Electronic Gaming Development Company
7605, Abdullah Al Sahmi St, 3044, Assafarat Dist, Riyadh, Kingdom of Saudi Arabia
General Manager Abdullah Abdulrahman Alayadhi

Subject: **Notice of Tax Obligation re: Exercise of the Right to Request Sale of Shares**

As announced and notified by us on June 24, 2022, this company, as the controlling shareholder holding 202,566 shares of common stock (equal to 96.18% of the total number of issued shares) of SNK Corporation (the “**Company**”), exercised the right to request the sale of shares in accordance with Article 179(1) of the Japanese Companies Act (the “**Sale Request**”) and will, upon payment of KRW 37,197 per 1KRD as consideration for those remaining shares other than the shares acquired by us (equivalent to 3.82% of the total number of issued shares, the “**Shares**”), be acquiring the said Shares on July 27, 2022.

We hereby provide you with the following information on the taxes which will be levied on the KDR holders upon initiation of the Sale Request and the subsequent receipt by the holders of the purchase price from the Korea Securities Depository (“**KSD**”):

1. The Company has requested the National Tax Security (“**NTS**”) to provide its interpretation of the law with respect to which party, if any, would be subject to income tax, corporate tax, and securities transaction tax in a transaction in which the largest shareholder that is a foreign entity exercises its right to a Sale Request with respect to those shares issued by another foreign company whose shares have been listed in the KOSDAQ market as KDRs and then delisted.

As of now, the Company has only received a single response from the NTS regarding income and corporate tax obligations under Korean tax laws with respect to those KDR holders that are either foreign entities or non-residents without a domestic place of business. The Company has not yet received any response regarding the following: (i) securities

transaction tax obligations of a resident or local entity under Korean tax laws, and (ii) securities transaction tax obligations of the foreign entities or non-residents without a domestic place of business.

- In regards to the interpretation of law on tax obligations of those foreign entities or non-residents without a domestic place of business resulting from the Sale Request, NTS instructed the Company to refer to a previous interpretation (i.e., Preliminary response dated November 28, 2014, Bubkyukukjo 2014-498) (Written response dated April 25, 2022, 2022-Kukjesewon-1257).
- Previous interpretation of the law as referenced in the response to the written inquiry involves a case involving the acquisition, pursuant to approval of the Japanese Court, of remaining shares of SBI Mortgage Co., Ltd. (“SBI”), a Japanese company of which KDRs were previously listed in Korea. In this case, the acquiring company made payment of the purchase price to KSD, the depository of the original shares, and KSD then remitted such amounts to the securities firms or banks for final payments to be made to the KDR holders. At that time, NTS concluded that the securities firms and banks which remitted the purchase price were subject to withholding obligations with respect to the income and corporate taxes of the non-residents or foreign entities without domestic place of business.
- There is also an authoritative interpretation regarding those persons subject to securities transaction tax obligations in the abovementioned SBI case (Response to inquiries dated January 28, 2015, Bubkyubuga 2014-557). Here, the NTS took the view that in the case where depository receipts representing shares issued by a foreign entity were held by foreign entities or non-residents without a domestic place of business that received consideration from depository institutions such as securities firms or banks for those shares that were sold as a result of the other foreign entity’s delisting, the acquirer of such relevant share certificates would be obligated to make payment of securities transaction taxes.

2. In order to prevent any confusion among KDR holders, we hereby provide you with the

information set forth below which has been prepared based on the response (of one instance) that the Company received in connection with its written inquiry. Please note, however, that depending on any responses from NTS in the future, interpretation of the tax obligations and taxpayer may change.

- For KDR Holders that are domestic entities or residents, the holder is required to file its tax returns directly and make payment of the income tax, corporate tax, and securities transaction tax on its transfer gains in accordance with Article 105(1) of the Income Tax Act, Article 60(1) of the Corporate Tax Act and Article 3(3) of the Securities Transaction Tax Act.

 - For KDR Holders that are foreign entities or non-residents without a domestic place of business, income taxes, corporate taxes, and securities transaction taxes with respect to transfer gains may be withheld in accordance with the Article 156(1) of the Income Tax Act, Article 98(1) of the Corporate Tax Act and exemptions set forth in Article 3(3) of the Securities Transaction Tax Act (whereby income taxes and corporate taxes on transfer gains may be withheld by the securities firms or banks with which KDR holders have deposited the KDRs). However, if with respect to the income taxes and corporate taxes on transfer gains, the relevant KDR holder (i) is exempted from withholding under applicable tax treaties and (ii) has undertaken all steps to become subject to such exemption, the holder will be exempted from withholding. Regarding the administrative details in connection with applying for the exemption, including, on the documents to be submitted, please consult with the securities firm or bank with which the KDR holder has deposited its KDRs.
3. Please kindly note that the securities transaction taxes and income taxes on the transfer gains resulting from the Sale Request will be due on February 28, 2023. In the case of domestic entities, corporate taxes on transfer gains with respect to KDRs must be reported within three (3) months from the last day of the financial year in which the Sale Request was exercised.
 4. Please be advised that we do not have authority to interpret tax obligations and that the above guidance is a summary of the legal advice that we received from outside legal counsel. As such,

we cannot entirely negate the possibility of the NTS or courts instructing otherwise and we will not be held liable for any damages suffered by any KDR Holder due to its performance of, or failure to perform, tax obligations.

5. We will endeavor to notify you separately of any changes to the tax obligations following any rendering of authoritative interpretation by NTS.

Sender: Electronic Gaming Development Company