KOEI TECMO HOLDINGS

INTEGRATED REPORT 2023

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KOEI TECMO Ethos

Creativity & Contribution

Contribute to society through the creation of
new value instilled within our products and services

Corporate Slogan

Level up your happiness

Vision

To Become the World's No.1 Digital Entertainment Company

Basic Management Policies

Provide the Best Entertainment Content

Provide our customers with the most emotionally moving
experiences through the creation of superior content.

Achieve Continuous Growth and Profitability

Create a stable management base and aim for continuous growth and development.

Improve Employee Welfare

Become a vibrant and attractive company through the improvement of
our business performance and employee welfare.

Challenge New Business

Continue to take on the challenge of creating
something new and beneficial to our society.

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KOEI TECMO HOLDINGS
INTEGRATED REPORT 2023

With an ethos of "Creativity & Contribution," the KOEI TECMO Group devotes its full energy to creation of exciting entertainment that is entirely new and new value for the fulfillment and vitality of people around the world.

By publishing the Integrated Report, the Group intends to communicate how the Group creates new value, how it establishes its unique position and what direction the Group will take in the global game market.

Editorial Policy

The KOEI TECMO Group (KOEI TECMO HOLDINGS CO., LTD. and consolidated subsidiaries) places importance on active dialogue with stakeholders in all of its business activities. The purpose of the Integrated Report is to (1) provide readers around the world with a comprehensive understanding of the Group's activities, sources of management strategy and value creation, the social and economic value created by the Group and to (2) further upgrade the corporate value of the Group through the process.

During the editing process, we make use of reference sources including the International Integrated Reporting Framework endorsed by the IFRS Foundation, and the Guidance for Collaborative Value Creation from the Ministry of Economy, Trade and Industry, among other materials.

About KOEI TECMO HOLDINGS

Japanese https://www.koeitecmo.co.jp
English https://www.koeitecmo.co.jp/e

Sustainability

Japanese https://www.koeitecmo.co.jp/sustainability
English https://www.koeitecmo.co.jp/e/sustainability

Period covered: Fiscal 2022 (April 1, 2022 to March 31, 2023)
*Some information from April 2023 onwards is also included.

Scope of coverage: KOEI TECMO HOLDINGS CO., LTD. and consolidated subsidiaries

Issued January 2024

Regarding Forward-Looking Statements

This report contains forward-looking statements, including the Company's future plans, projections, and strategies, based on information available at the time this report was created. Actual performance may differ significantly from these projections due to a variety of factors.

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KOEI TECMO History

A Half-Century History of Creating and Providing Exciting Entertainment that is Entirely New

1967-2009 TECMO / 1978-2009 KOEI

1967 TECMO
Established Nippon Yacht Corporation. (Company name changed to TECMO, LTD. in 1986)

1970 TECMO
The first self-managed amusement facility was opened in a bowling center in Anegasaki, Chiba Prefecture.

1978 KOEI
Established KOEI Co., Ltd.

1981 KOEI
The first entertainment software "Kawanakajima no Kassen" and "Investment Game" was released.

1983 KOEI
Historical simulation game titles for PC "NOBUNAGA'S AMBITION" was released.

1986 TECMO
The first developed home video game software "Mighty Bomb Jack" was released.

1989 TECMO
"TECMO BOWL" and "NINJA GAIDEN" were released in USA.

2000 KOEI
Mighty warrior action game "DYNASTY WARRIORS" was released.

2000s
KOEI TECMO Founding/ Promoting the collaboration titles

2009
TECMO KOEI HOLDINGS CO., LTD. founded through business integration.
(currently, KOEI TECMO HOLDINGS CO., LTD.)

2010
First collaboration title post business integration, "Fist of the North Star: Ken's Rage" was released.
The social game "100Man-nin no Nobunaga no Yabou" exceeded 1 million registered users.

2011
All of the shares of Gust Co. Ltd. were acquired, making the Company a wholly owned subsidiary.
(Merged with KOEI TECMO GAMES CO., LTD. in 2014)

2012
The social game "100Man-nin no Nobunaga no Yabou" exceeded 2 million registered users.
The social games began service in Taiwan, Hong Kong, and Macao.
(The social games "Samurai Cats" and "100Man-nin no Sangokushi Special")

2013
The social games began service in China.
(The social games "Samurai Cats")

2016-2019
Transitioning to a brand system

2016
Transitioning to an IP-based brand system.
"KOU SHIBUSAWA brand," "ω-Force brand," "Team NINJA brand," "Gust brand," and "Ruby Party brand"
"Uncharted Waters V" exceeded 3 million users worldwide.

2017
Established a new brand "midas"
Transitioning to six brand system.

2018
The IP licensing-out title "Shin-Sangoku-shi[1]", which was a big hit in Asia, was released in Japan.
The "NOBUNAGA'S AMBITION" series exceeded 10 million total units shipped.

2019
The IP licensing-out title "Three Kingdoms Tactics*2" was a big hit in mainland China.

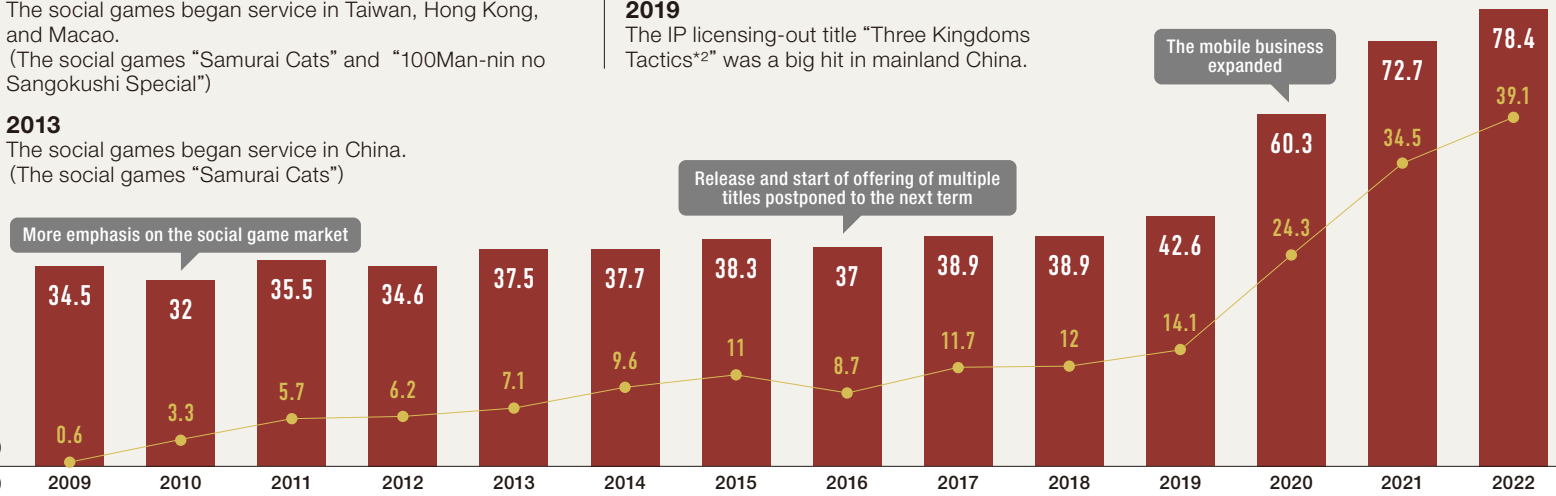
2020-
Expansion of company performance

2020
The new KT Building office and the music hall KT Zepp Yokohama opened in Yokohama.
The "DYNASTY WARRIORS" series exceeded 21 million copies shipped worldwide.

2021
A smartphone game "Romance of the Three Kingdoms Hadou" exceeded monthly sales of 1 billion yen.

2022
The "Nioh" series sold 7 million total copies.
"Hyrule Warriors: Age of Calamity*3" exceeded 4 million copies shipped worldwide.
A smartphone game "NOBUNAGA'S AMBITION: Hadou" exceeded monthly sales of 1 billion yen.

Changes in net sales and operating profit



*1 Developed and operated by Hero Entertainment Co., Ltd. and Shanghai TCI Network Technology
*2 Developed by Lingxi Games and operated by Lingxi Games and Shanghai TCI Network Technology
*3 Collaboration title with Nintendo Co., Ltd. The title is published overseas by Nintendo Co., Ltd.

Six Unique Brands

IP Creation is Accelerated through Co-Creation and Competition by Six Brands

KOU SHIBUSAWA

Main titles

NOBUNAGA'S AMBITION
Romance of the Three Kingdoms
Winning Post
Uncharted Waters

First in the world
The historical simulation game genre established through such titles as "Nobunaga's Ambition" and "Romance of the Three Kingdoms"

Over 40 years
The first title "Kawanakajima no Kassen" released in 1981

From Asia to the world
The number of downloads of "Three Kingdoms Tactics" exceeded 80 million globally

ω-Force

Main titles

DYNASTY WARRIORS
SAMURAI WARRIORS
Toukiden

Warriors
"Warriors" became a game genre, having begun with "Dynasty Warriors" released in 1997

Over 21 million copies
The cumulative total global sales volume of "Dynasty Warriors 2" series exceeded 21 million copies

Collaboration with leading IP
"Fire Emblem Warriors: Three Hopes," "The Hyrule Warriors: Age of Calamity" and more

Team NINJA

Main titles

Nioh
DEAD OR ALIVE
Wo Long: Fallen Dynasty

Global
Ownership of the titles establishing global reputations such as "Nioh" and "NINJA GAIDEN"

Hard action
Game features full of a speed and exhilaration

Over 7 million copies
The cumulative total global shipments of the "Nioh" series exceeded 7 million copies

Gust

Main titles

Atelier series
BLUE REFLECTION series

Character
A unique fantastical world view featuring the allure of characters

Media mix
The popular title "Atelier Ryza" was made into an animated TV show in summer 2023

RPG game celebrates its 27th anniversary
Starting from its release in 1997, the cumulative total global shipments of the "Atelier" series depicting the growth of the alchemist exceeded 7.5 million copies

Ruby Party

Main titles

Angelique
Haruka: Beyond the Stream of Time
La Corda d'Oro

First in the world
A romance simulation game for women. The new "Neo Romance" genre established

1995
Combined a game with an event as a pioneer in media mix

More female employees recruited
Continued the proactive recruitment of female employees engaging in development

midas

Main titles

NOBUNAGA'S AMBITION: Shutsujin
Shin Hokuto Musou

Smartphone
Specialized in the development of smartphone games

Enrich the everyday lives of players
Create games that enrich people's everyday lives and society

Challenge
Enter the smartphone game market where there are less restrictions

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Message from the Chairperson

Contributing to the Stability of Employees' Lives and Maximizing the Abilities of Creators

KEIKO ERIKAWA
Chairperson and Representative Director

Yoichi Erikawa, who had a background in wholesaling dye and industrial chemicals, once expressed an interest in owning a computer, citing its practicality for work despite its high cost. As a birthday gesture, I decided to gift him one. It was with this computer that he began his journey into game development. In 1978, as a couple, we ventured into entrepreneurship, and by 1981, our efforts had evolved into a game development firm.

I established the world's first female-oriented team and brand called "Ruby Party" because I believed that we should create not only game software centered around themes like battles, political intrigue, and adventure but also ones that resonate with women and reflect the worldviews they hold dear. This project was initiated with an all-female team from the outset, and right from the start, we prepared vocal songs for each character and worked on merchandise, expanding the scope of business. The character concerts consistently sold out, presenting us with excellent business opportunities and outcomes.

This experience made us acutely aware of the necessity of a female perspective in business, leading us to actively embrace the recruitment of female creators, a commitment that endures to the present day. Our dedication to promoting the active involvement of women is deeply embedded in our history and the lessons we have learned.

We have been involved in game development since the early days of the industry. During that time, we faced numerous challenges, including the need to combat illegal copying and renting of our games. To address these issues, we actively participated in the establishment of organizations such as the Japan Personal Computer Software Association (now the Software Association of Japan) and the Association of Copyright for Computer Software. Over 40 years have passed since we first began making games, and today, with network infrastructure spanning the globe on a previously unimaginable scale, we live in an era users can enjoy location-based games such as "NOBUNAGA'S AMBITION: Shutsujin" directly on their smartphones.

With concepts such as universal basic income under discussion, we are looking towards a future that grants a newfound sense of time and financial freedom. To adapt to such an era, under the slogan "Level up your happiness," we are aiming to become "The World's No. 1 Digital Entertainment Company." We aspire to help our users immerse themselves in a fulfilling and enriching life.

Our distinctive feature lies in achieving revenue targets through rigorous project management that ensures the quality, delivery timeline, and budget of each project. To enable this, we offer robust support to empower our creators, allowing them to unleash their full potential. We provide a range of amenities and benefits to support this initiative, including accommodations and company housing, a deferred scholarship program spanning five years, investments in cutting-edge development facilities, an employee restaurant with delicious cuisine, and initiatives such as free lunches at restaurants for all employees to celebrate the success of hit titles. We also organize enjoyable social events, such as welcoming new employees at the Imperial Hotel. These initiatives serve as the lifeblood for our future, nurturing unity and a cooperative spirit within our teams. This, in turn, consistently translates into the creation of high-quality game software.

As the head of financial operations, I constantly analyze the rapidly changing international landscape and leverage my experience in stock investments, which I began at the age of 18, to enhance profitability through the prudent use of surplus funds. By strengthening our financial foundation, we contribute to creating an environment where our creators can work with peace of mind, unleash their maximum creativity, and immerse themselves in the development of games they love.

Message from the President

We will Sustain and Accelerate Our Growth Beyond that of the Global Game Market by Consistently Creating Exciting Entertainment that is Entirely New.

YOICHI ERIKAWA
President and CEO

Furthering Growth by Continuously Achieving Results that Exceed Expectations

Our mission, driven by the spirit of "Creativity & Contribution," is to pursue and provide "value-added entertainment."

At the heart of KOEI TECMO's philosophy lies the principle of "Creativity & Contribution," rooted in our unwavering commitment to consistently provide fresh and enjoyable entertainment to our game fans, wherein their happiness becomes our own. While playing games is undeniably enjoyable, repetition can lead to boredom. The most valuable aspect of entertainment is found in its novelty-in the thrill of experiencing something entirely new and previously unseen. It is for this reason that we consider our mission to be the relentless pursuit and delivery of "new entertainment."

The dedication to fulfilling this mission with the spirit of Creativity & Contribution has been the paramount factor that has enabled us to achieve the level of growth we have reached today. It is our goal to become "The World's No. 1 Digital Entertainment Company" and are actively expanding our business with the aim of becoming the top in operating income among the world's publicly listed digital entertainment companies. We were ranked 21st in the world three years ago*, 20th two years ago*, and 17th* last year by further raising our ranking.

We use operating profit as a key performance indicator because we perceive it as a reflection of customer expectations towards the Company. We regard the profit portion of the money that customers pay for games that remains with us as the entrusted development funds for creating new and exciting games. The consistent growth in operating profit also reflects the increasing expectations our customers have placed in us. Meeting those expectations and continuing to create even more captivating games is the sure path leading us to become "The World's No. 1 Digital Entertainment Company." It is our unequivocal mission.

*According to our research

Record-high performance in FY2022 with growth exceeding the booming global game market

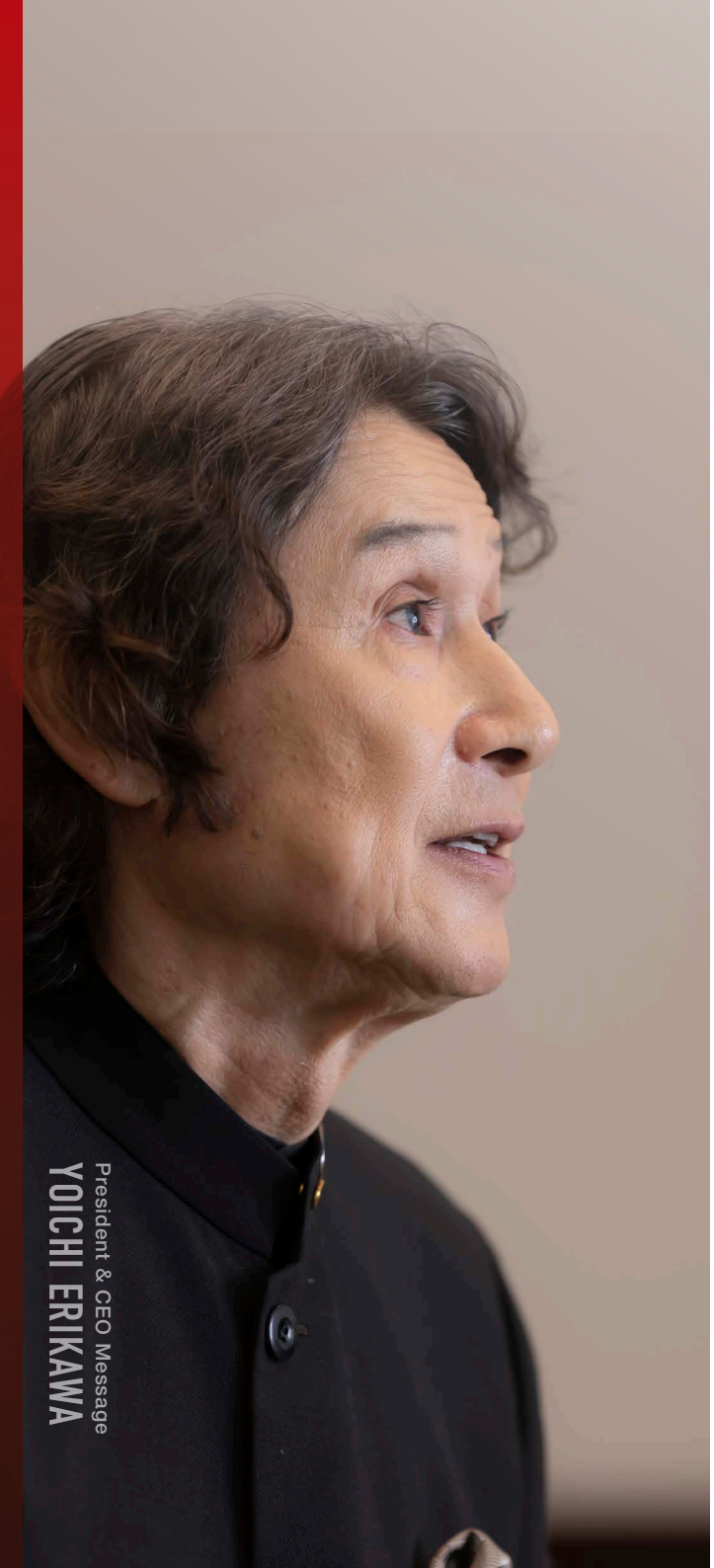
In fiscal year ended March 2023 (FY2022), we were able to achieve our highest-ever sales and operating profit. This accomplishment can be attributed to the successful sales growth of new releases and the steady performance of repeat sales for existing titles, as planned.

A significant tailwind was the increasing number of customers worldwide who chose to purchase games as downloads. The ability to download games instantly when the desire to play strikes and the affordability of existing titles in our lineup have bridged the gap between customers and games. This has led to an increase in long-running titles in recent years.

The game market, which had been on a steady upward trajectory until 2021, experienced a setback in 2022 due to factors such as the semiconductor shortage affecting the supply of gaming consoles and the return of customers to outdoor activities following the convergence of the COVID-19 crisis, resulting in an approximately 5% contraction. Amid these challenges, achieving our highest-ever sales and operating profit can be attributed to nothing but customers' very high regard for our games.

Moreover, it is essential to note that our growth has yielded results surpassing the growth of the global game market.

This market, spanning Japan, North America, Europe, Asia, and emerging countries with remarkable growth, has witnessed substantial growth, driven significantly by the expansion of digitalization in PC and mobile platforms. The market, which was approximately ¥13 trillion in 2018, has shown an average annual growth rate of approximately 18%, reaching around ¥21 trillion by FY2021. Meanwhile, our operating profit during the same period was around ¥12 billion in FY2018 and rose to ¥34.5 billion in FY2021, achieving a remarkable 42% average annual growth rate, outpacing the market expansion.



Creating Profitable and Growth-Oriented Intellectual Property (IP)

While we anticipate that the Japanese game market in 2024 will likely remain relatively stable or experience a slight increase, assuming the semiconductor shortage issues are resolved, we can confidently affirm that our progress in the first quarter aligns with our plans. This outcome should be in line with the expectations of both investors and game fans.

IP licensing-out as a major pillar within a four-layered revenue cycle

Our achievement of 13 consecutive years of profit growth can be attributed to the positive influence of our multi-layered revenue cycle, which includes the creation of new global IP, series, collaborations, and IP licensing-out. Of these, IP licensing-out contributes the most to our growth.

For example, with the use of our "Romance of the Three Kingdoms" IP, Lingxi Games in China created the highly successful smartphone title "Three Kingdoms Tactics," which achieved significant sales not only in China but also in the Asian region. We receive a portion of the revenue in the form of royalties. Licensing income is an efficient, highly profitable, and low-risk business, with the majority of the revenue translating into profits. As a result of the substantial growth in such royalties, we achieved an exceptionally high operating profit ratio of over 50% in FY2022. While the ratios of the four areas of revenue fluctuate annually, the prominence of IP licensing-out as a significant pillar in our business allows us to consistently achieve a high operating profit ratio.

For over 40 years since our inception, we have been continuously creating captivating IP. We are pursuing global growth in five areas: Genre expansion, multi-platform development, collaboration with other companies' IP, tie-up business, and IP licensing-out. We aim to enhance profitability across various fronts through the expansion of our IP, thereby elevating the growth potential of our business.

Rigorous quality and profitability management on a project-by-project basis

KOEI TECMO sets multiple checkpoints during game development, with the perspective of ensuring profitability even for smaller-scale titles. We rigorously implement quality management, which involves reworking a project if it doesn't meet specified evaluation criteria, and profitability management, where we target a 30% operating profit ratio and may halt development midway if it seems unlikely to achieve profitability. In addition, we conduct evaluations of the entertainment factor and bug checks through our Group company, KOEI TECMO QUALITY ASSURANCE. We also seek evaluations from external specialized firms, including overseas assessments. This stringent checking system is a key factor enabling us to deliver new and exciting games to our customers.

Of course, we also maintain a strong awareness of budgets and deadlines. Creating a single game requires a minimum investment of approximately ¥2-3 billion, if not more. For titles in the two million copy range, the budget is around ¥5 billion, while for titles reaching five million copies, it can balloon to ¥10 billion. As the scale increases, development costs naturally grow. Within this context, we view it as the project's mission to comprehensively manage quality, delivery timeline, and budget, with the aim of achieving results that align with or even surpass our plans.

Our system for managing profitability on a project-by-project basis has been in place since our listing in 1994. This approach has led to the continuous release of games that are appreciated by our customers, while also ensuring profitability, culminating in the results we achieve today.

Talent and IP strategy for sustainable growth through developing human resources and creating new IP

Aiming to Pass on All Our Experiences to the Next Generation

When considering our sustained growth, the most crucial element is our "human capital." Game development demands significant funding, and as indicated by the fact that a substantial portion of development costs is attributed to personnel expenses, our most valuable resource at the Company is unquestionably our human resources.

For over 40 years, I have been passionate about games and have continued to live a life where I develop games myself, striving to delight our customers and meet their expectations, and then look to create new games. I also hope that the employees who joined KOEI TECMO because of their love of games will have the opportunity to lead a fulfilling life as game creators, just as I have.

As employees grow, the Company becomes capable of achieving entirely new levels of entertainment, allowing for significant corporate growth. This is an undeniable fact. We will continue to evolve our systems and mechanisms to ensure that each employee can grow and lead a fulfilling life.

To become "The World's No. 1 Digital Entertainment Company" our primary focus remains on creating new global IP that goes above and beyond the expectations of the global gaming community by consistently creating new levels of entertainment.

When KOEI TECMO was founded, our initial aspiration was to create game that would surpass one million copies worldwide. We achieved this milestone, then reached two million, and now, with our current Medium-Term Management Plan, we are a little closer to our goal of five million copies. Our next Company-wide milestone is ten million copies, and various initiatives have been set in motion to make this a reality. We hope that our stakeholders continue to hold high expectations for us as we move forward.

We also have plans to continue promoting strategies to enhance the profitability of IP licensing-out, which is expected to be the most promising source of growth within our multi-layered revenue cycle. For instance, we may expand our IP into various entertainment sectors besides the anime and toy industries. In July 2023, the anime series "Atelier Ryza" began airing on television. We aim to expand our business beyond the gaming industry and pursue collaborations with various sectors, seeking substantial growth as a company.

Establishing a structure for the next-generation management as a crucial mission

As we contemplate KOEI TECMO's future, it becomes crucial to prepare a "next-generation structure" that can assume management responsibilities by the time Chairperson Erikawa and I retire. Although I cannot divulge specific details at this moment, I want to stress that we intend to execute this transition in a phased approach.

As for our governance efforts, we strive to achieve a majority of independent outside directors and establish a clearly defined organizational structure where the Board of Directors oversees and supervises, while the executive officers are responsible for business operations.

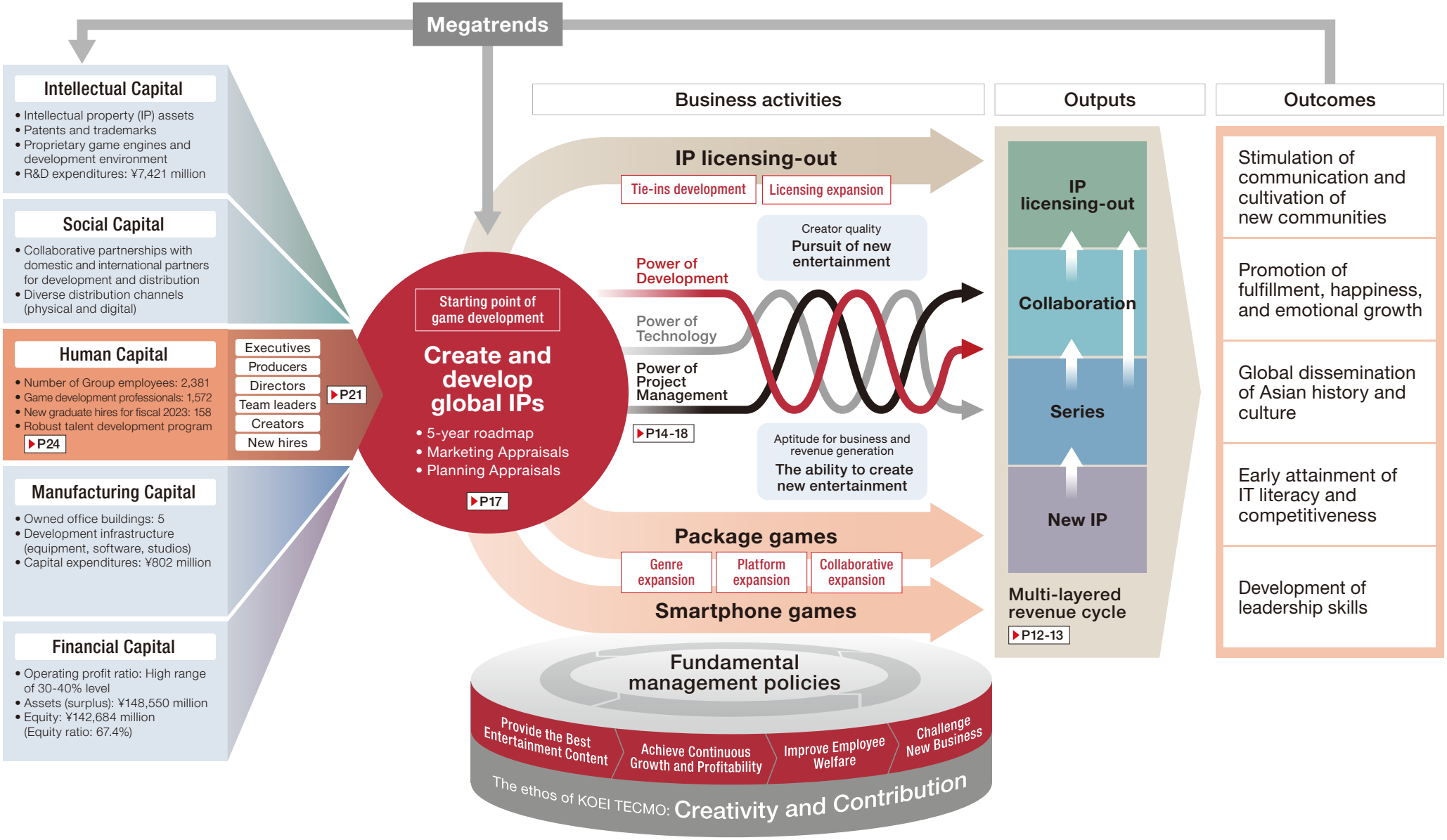
I personally intend to continue game development within the Company as long as there are no physical limitations. However, when it comes to a successor, above all, it must be someone who can create interesting games. The essence of KOEI TECMO is "Creativity & Contribution," and without leaders who can create new and exciting entertainment, we cannot meet the expectations of our customers. The Group is home to exceptionally talented individuals who have a track record of creating unprecedented entertainment. Therefore, I have no concerns whatsoever about finding new leaders among our ranks.

It has been 42 years since I released "Kawanakajima no Kassen," a game I created on my own in 1981. Nowadays, a single project involves around 500 staff members at its peak and requires funding in the billions of yen. However, the core of game development remains the same: creating exciting entertainment that is entirely new. KOEI TECMO will continue to push forward in this direction with strength and determination.

President & CEO Message
YOICHI ERIKAWA

Value Creation Process

KOEI TECMO leverages its strengths, including its human resources and other forms of capital, to create societal value based on its ethos of "Creativity & Contribution" and drive sustainable growth.



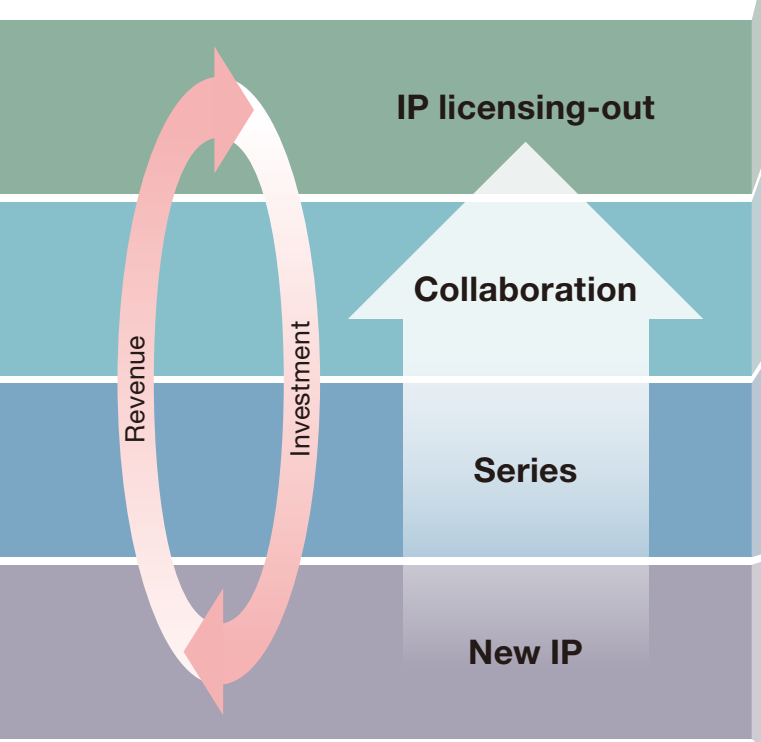
Value Creation Story

KOEI TECMO Strengths 1

Multi-Layered Revenue Cycle

The KOEI TECMO Group has created a multi-layered revenue cycle by:
1. Creating new global IP
2. Developing hit IP into series
3. Leveraging our development capabilities to create collaborative titles
4. Licensing out IP nurtured over the course of many years

This revenue cycle helps us secure robust, sustainable, and stable growth potential in the hit game business, where conditions often fluctuate dramatically.



Recent achievements

4 Licensing out IP nurtured over the course of many years

The economic value of the "Romance of the Three Kingdoms" IP has become evident in the Asian market, particularly in China, leading to significant expansion in performance. This is the result of our dedicated nurturing of this IP for over four decades. Our revenue is royalty-based, and as we solely oversee supervision, our margin profit ratio approaches 100%, making it a highly profitable venture.

Sales of "Three Kingdoms Tactics" (Developed by Lingxi Games, operated by Lingxi Games and Shanghai TCI Network Technology) utilizing our IP have been consistently strong.

3 Leveraging our development capabilities to create collaborative titles

We are driving a collaborative strategy by leveraging our strengths, including our exceptional development expertise, technical prowess, and project management skills, to partner with other companies and their valuable IP. Collaborating with strong IP increases the likelihood of success. Furthermore, in collaborations, we often take on the development responsibilities, leading to an improvement in profitability as we receive revenue in the form of royalties from our collaboration partners.

"Fire Emblem Warriors: Three Hopes," a collaboration with Nintendo Co., Ltd. and INTELLIGENT SYSTEMS CO., LTD., was a hit.

2 Developing hit IP into series

Successful IP is expanded into a series, while also advancing platform and genre expansion to maximize revenue. Recently, there has been an increase in derivative titles and remakes as well. In the realm of packaged games, "Nioh" achieved success in 2017, while in the smartphone game sector, "Romance of the Three Kingdoms Hadou" saw success in 2020. Moving forward, we will aim to expand revenue by continuing to develop series based on these titles and applying the expertise gained from their success in other areas.

"Atelier Ryza 3: Alchemist of the End & the Secret Key" is the third installment of the highly acclaimed "Secret" series, which boasts the highest sales figures within the Atelier series.

1 Creating new global IP

As reflected in KOEI TECMO's ethos, "Creativity & Contribution," we prioritize above all else creating new global intellectual property (IP). Our efforts in new IP development can serve as a long-term revenue source if successful; however, there is also a risk associated with cases where things may not go as planned. We aim for sustainable growth by carefully balancing between "series" and "collaboration" while taking measured risks in our pursuit of new IP.

"Wo Long: Fallen Dynasty" has become a worldwide hit.

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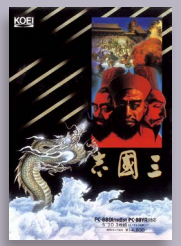
Multi-Layered Revenue Cycle Observed in "Romance of the Three Kingdoms"

"Romance of the Three Kingdoms" series

"Romance of the Three Kingdoms" is a historical simulation game set in China's Three Kingdoms period, featuring the states of Wei, Wu, and Shu. In the game, players assume the role of various characters, including rulers and warriors, during the turbulent late Eastern Han period on the Chinese mainland, with the objective of conquering the territory. This historical simulation game stands as one of KOEI TECMO's flagship titles along with "NOBUNAGA'S AMBITION."

1 New IP



1985 "Romance of the Three Kingdoms" launched

A simulation war game set on the Chinese mainland

2 Series

From "Romance of the Three Kingdoms" to "ROMANCE OF THE THREE KINGDOMS XIV," a total of 37 titles

Cumulative worldwide shipments for the packaged title series exceeded 9 million copies as of 2020

3 Collaboration

"Yo-kai Sangokushi Kunitori Wars"

Collaborative title with LEVEL-5 Inc.

4 IP licensing-out

"Three Kingdoms Tactics"

A smartphone game developed by Lingxi Games that leverages our IP

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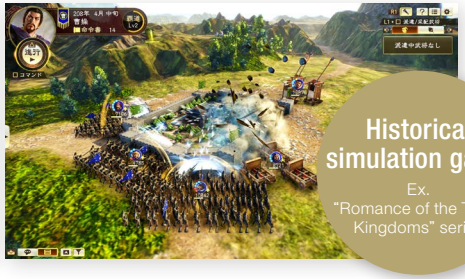
KOEI TECMO Strengths 2 | **Excellent Power of Development, Technology, and Project Management**

Power of Development

At KOEI TECMO, our six brands consistently generate new entertainment, accumulating expertise in a wide range of game development genres, including simulation games, action games, RPGs, and games tailored for women. Games in various genres encompass a wide spectrum of expressions and diverse world views, ranging from fantasy-like 2D characters to photorealistic and highly detailed representations. Among these, the Asian world view centered on history and culture is a particular strength of KOEI TECMO, serving as a wellspring for developing innovative content.

Location-based game
Ex.
"NOBUNAGA'S AMBITION: Shutsujin"

RPG
Ex.
"Atelier Ryza 3: Alchemist of the End & the Secret Key"

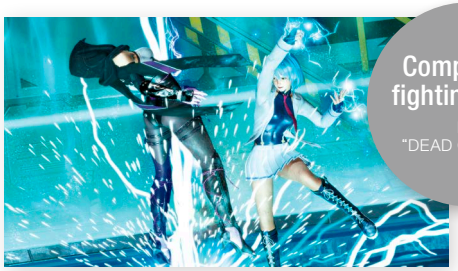


Historical simulation game
Ex.
"Romance of the Three Kingdoms" series

High-difficulty action
Ex.
"Nioh"

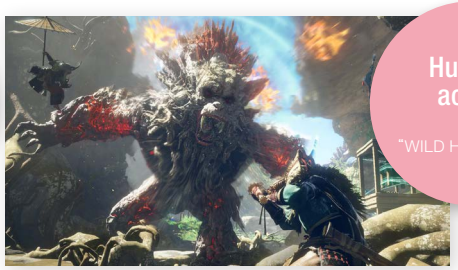
Game development across multiple genres

Asian world view



Competitive fighting game
Ex.
"DEAD OR ALIVE"

MMO*1 Tactics simulation game
Ex.
"NOBUNAGA'S AMBITION: Hadou"



Hunting action
Ex.
"WILD HEARTS™"*2

Romantic simulation game for women
Ex.
"Angelique Luminarise"

Warriors action
Ex.
"SAMURAI WARRIORS 5"

*1 MMO stands for "Massively Multiplayer Online," referring to online games where several hundred to several thousand players can simultaneously participate over the internet. The distinctive feature of these games is that multiple players can communicate and play together.
*2 Developed in collaboration with Electronic Arts Inc.

The capability to bring forth an Asian world view

Historical accuracy
We have garnered high praise, especially from international users, for our meticulous attention to historical accuracy in crafting the world view, storyline, character design, and visual elements such as swords and armor within our games.

Respect for history and culture
Our profound understanding and appreciation of Japanese and Asian history and culture have become our strengths, drawing significant anticipation from gaming enthusiasts worldwide.

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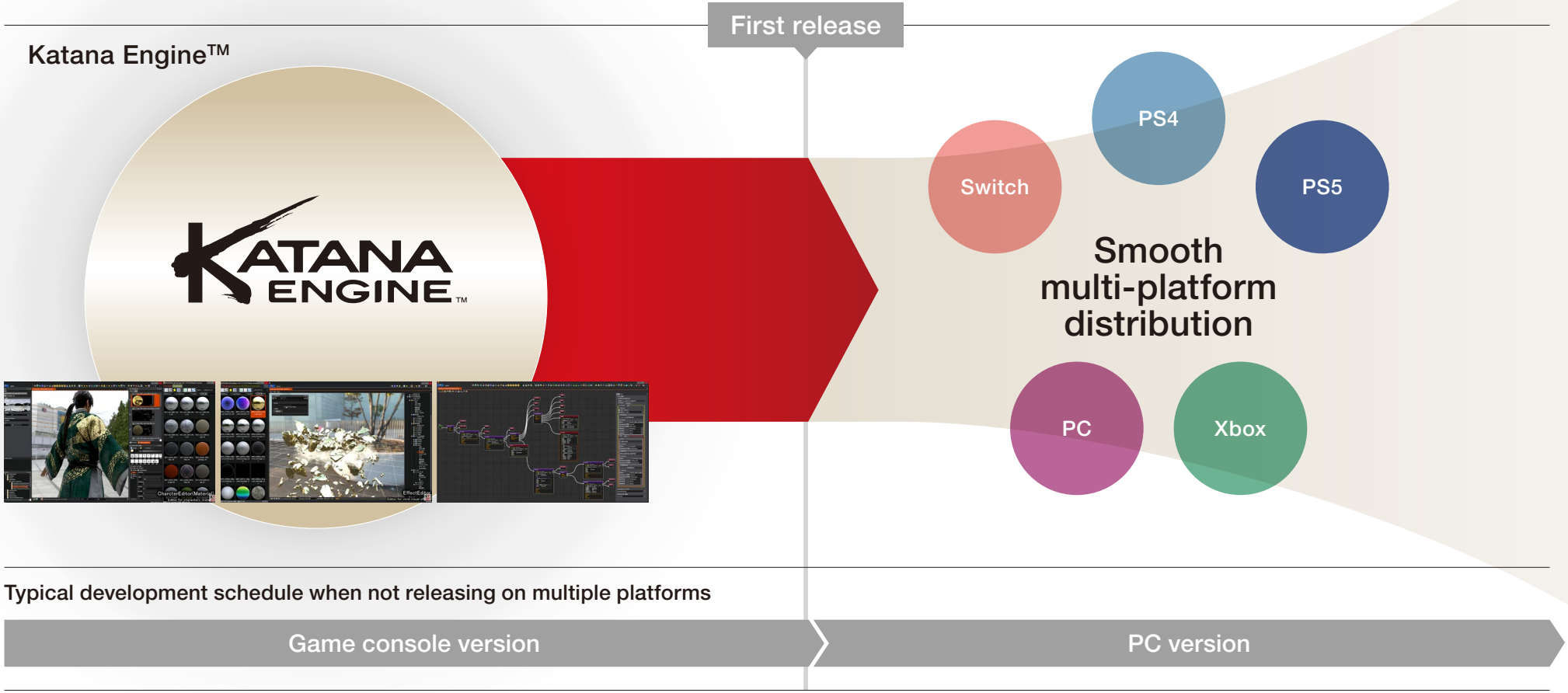
Power of Technology

In-house developed proprietary game engine, "Katana Engine™"

A game engine is a collective term for a set of software and development environments designed to efficiently create high-quality games. Most KOEI TECMO titles have been developed using "Katana Engine™," allowing us to swiftly accommodate new technologies and developer needs. We can provide both a common development environment and individualized environments tailored to each title, thereby helping us realize superior development efficiency.

We have released titles across a diverse range of platforms, including home video game consoles, smartphones, tablets, PCs, and cloud-based systems. "Katana Engine™" also allows us to pursue global multi-platform distribution.

FUTURE TECH BASE is a dedicated R&D department tasked with developing our technological assets, including "Katana Engine™". We research cutting-edge technologies and hone our technical prowess on a daily basis.



KOEI TECMO Strengths 2 | Excellent Power of Development, Technology, and Project Management

Power of Technology

Leveraging technical prowess to enhance development capabilities and quality, thereby maximizing corporate value

FUTURE TECH BASE

FUTURE TECH BASE is dedicated to research and development, focusing on the creation of proprietary game engines, AI, CG software technology, and development support infrastructure. The technical prowess to efficiently develop high-quality game titles in a short timeframe has been instrumental in sustaining the growth and profitability of the Group and stands as one of KOEI TECMO's strengths.

Activities of FUTURE TECH BASE

Forming an ecosystem that continually produces superior games

FUTURE TECH BASE, as the R&D hub for cutting-edge technologies, has been committed to optimizing the capabilities of creators and engineers, fostering a structure for the creation of high-quality titles. At the core of realizing these objectives is our proprietary game engine, "Katana Engine™," developed in-house. This engine has been utilized in most of the game titles created by KOEI TECMO. Using our in-house game engine offers numerous benefits, including:

- **A well-established and continually improving system for streamlining game development**
- **Continued evolution as a versatile game engine capable of developing games in various genres**
- **Effective and efficient advancement of a multi-platform strategy**

Currently, we are diligently enhancing the "Katana Engine™" as we strive for the achievement of titles that could potentially reach the 10 million copies mark, which represents our next milestone. The demands of game development undergo significant changes as hardware environments evolve. We are progressing in our efforts to achieve high-quality advancements in line with that evolution while simultaneously focusing on efficiency and reducing production costs. Furthermore, we are actively advancing research in AI technologies, including deep learning.

In addition to conducting R&D, our department oversees the development infrastructure and the integrated production environment of "Katana Engine™," and also functions as a platform for connecting information across the entire company. FUTURE TECH BASE consolidates various technologies and production capabilities used in various game titles, providing them to the game development department in an easily accessible format. This ecosystem leads to the enhancement of technical and production capabilities in game development, ultimately contributing to even higher-quality next-generation game development. The game development department is actively engaged in sharing information to enhance the overall technical and developmental capabilities of the entire company, achieving synergy in the process.

Active development and utilization of AI technology

We consolidate individually developed AI technology and production environments for each title into "Katana Engine™." The accumulated expertise will be leveraged for future projects. In the 2022 release of "Nobunaga's Ambition: Awakening" we developed game AI to express the individuality of warlords. With the introduction of game AI that allows the in-game warlords to exhibit distinctive behaviors, it is now possible to provide users with an enjoyable and enriched gaming experience.

"NOBUNAGA'S AMBITION: Awakening"

KOEI TECMO Strengths 2 | Excellent Power of Development, Technology, and Project Management

Power of Project Management

Since games are highly creative forms of entertainment, it is generally challenging to accurately estimate the time and costs involved in development. During development, factors such as trial and error to make the content more engaging, and multiple checks and revisions to achieve high quality with fewer bugs, often result in unintentional delays and expenses.

In KOEI TECMO's development process, we rigorously enforce project management to control game development strictly, ensuring the management of quality, delivery timeline, and budget. We establish milestones at each stage of the planning, development, and final stages of the process. Through this system, we have developed a strong project management to create high-quality titles while adhering to budget and delivery schedules.

The management team reviews the game's concept and budget from a marketing perspective.
<Subject of review>
The review includes assessing factors such as whether the game offers an unprecedented level of entertainment, and whether the sales, development costs, development duration, release date, advertising expenses, and other related aspects are reasonable.

After receiving approval in Marketing Appraisal, the specific plan is carefully examined and refined.
<Subject of review>
How to express the concept, what makes the game unique, and other aspects are considered during this phase.

Start of development

<Initiating the project>
- Creating schedules and assigning responsibilities to various departments such as CG, sound, and marketing
- Estimating budgets and person-hours, setting specific numerical targets

<Creation of game content>
- Compiling detailed rules of the game content into a specification document and assigning development tasks to programmers
- Creating various data such as scenarios, characters, and maps
- Developing events and messages

"Review meeting" assessing whether to continue or withdraw

At the mid-development stage, we review whether the initially targeted concept is being accurately portrayed and confirm the game's overview and project intentions. At this point, a decision is made whether to continue or cancel the project.

The meeting includes participants from various departments, including the holding company president, operating company presidents, relevant officers, brand heads not directly involved in the project, sales, marketing, quality control, and others related to game production. They gather to engage in in-depth discussions covering all aspects of the game, from gameplay to visuals and selling points.

After the release, we analyze user behavior, participation rates in events, achievement rates, and other factors to identify issues and develop solutions. Subsequently, we continue with updates, operations, analysis, and retrospective meetings in an iterative process.

Review meeting | Review meeting

Five-year roadmap ▶ Marketing Appraisal ▶ Planning Appraisal ▶ ★ Pre-production (prototype stage) ▶ Alpha version*1 ▶ Beta version*2 ▶ Final version*3 ▶ Game evaluation by KOEI TECMO QUALITY ASSURANCE ▶ Master stage ▶ Post-release

Closed Beta Test (CBT)

This is a test conducted exclusively for specific organizations or users with the purpose of adjusting a product in development. Participants play the prototype software for free during the testing phase and provide feedback, opinions, bug reports, and more to the development team. The feedback received is incorporated into the product, leading to improvements in the game, bug fixes, and balance adjustments, among other things.

We conduct operational checks of various specifications and verify events, messages, and data by playing the game in order to ensure quality. This is the final stage of quality management. External evaluation agencies also review the game, and their feedback is utilized for improvement.

Development and operations continue after the title is released and made available.

5 year

roadmap

Thorough Project Management enables the management of development plans spanning the next five years. In the Medium-Term Management Plan, we are taking on the challenge of developing multiple major titles across the organization.

28 titles

released

In FY2022, we released and operated a total of 28 game titles, including new package titles, new smartphone games, and currently operating smartphone games. We are dedicated to "create and develop global IPs."

30%

Project target operating profit ratio

All our projects are planned with a target operating profit ratio of 30% or more, and we diligently manage quality, delivery timeline, and budget to achieve this goal. This strict management contributes to our high profitability.

*1 Alpha version: The stage in early development where the basic elements of the game are completed.
*2 Beta version: The stage where the major components of the game have been implemented.
*3 Final version: The stage where all elements are implemented, and the game is generally completed.

KOEI TECMO Strengths 2 | Excellent Power of Development, Technology, and Project Management

Power of Project Management

The foundation of KOEI TECMO's ability to adhere to quality, delivery timeline, and budget lies in the high level of awareness and commitment that each employee maintains as they diligently engage in daily development. Newly hired employees who join the Company as fresh graduates acquire this mindset and knowledge through exposure to the development field and our training programs. This corporate culture permeates the organization. Furthermore, we ensure rigorous checks on the adherence to quality, delivery timeline, and budget through milestone evaluations, enabling us to objectively achieve advanced development management.

Management in the planning stage

Thorough budget management

In budget planning, we prioritize the producer's foresight and vision. Producers have the responsibility of looking ahead in the game business, considering factors such as the market situation several years in advance, setting target goals and required quality, and estimating the development resources needed to achieve them. They incorporate a variety of opinions from different departments while establishing the budget.

Key focus areas

- **Project operating profit ratio**
- **Process and person-hour management**
- **Budget and actual management**
- **Rigorous review in review meetings for each milestone**

Delivery timelines management

Thorough project management

As development progresses, we closely examine the project's progress and budget consumption at each development milestone. We also conduct weekly management meetings to check for any budget overruns or development delays as part of our Project Management approach, which encompasses both budget and progress management.

Key focus areas

- **Progress monitoring in Group management meetings (weekly)**
- **Management through milestone setting (alpha, beta, and final versions)**
- **Rolling five-year development roadmap (monitoring over a medium-term span)**

What are alpha and beta versions?
These are intermediate versions of the title under development.

- **Alpha version:** The stage in early development where the basic elements of the game are completed.
- **Beta version:** The stage where the major components of the game have been implemented.
- **Final version:** The stage where all elements are implemented, and the game is generally completed.

Quality management

Thorough quality assurance

We conduct regular checks internally to assess the entertainment value of the game at various development milestones. Especially for titles targeting the global market, we also utilize external evaluation agencies to further enhance their quality. Moreover, we achieve high-quality games through rigorous debugging and evaluation conducted by our quality management subsidiary, KOEI TECMO QUALITY ASSURANCE CO., LTD.

Key focus areas

- **Rigorous in-house game evaluation (where well-versed internal monitors score the game, and release is approved if the score surpasses the target)**
- **Implementing loot box verification in accordance with the guidelines of the Computer Entertainment Supplier's Association (CESA)**
- **Formation of an expert team for usability**
- **Conducting checks that consider regional culture and societal issues**

Debugging entails:

- Playing the game from start to finish to check for any issues with the game's progression
- Verifying if in-game events and functions are working correctly
- Anticipating all possible player actions to ensure that errors do not occur

Development of human resources for managing quality, delivery timeline, and budget (training program)

We foster the necessary skills and project management related to quality, delivery timeline, and budget through internal training and online education courses, helping individuals understand their roles and responsibilities in each position.

Rank-specific training

KOEI TECMO Strengths 3 | **Transcendent Human Power**

Creativity × Business

The principles that underpin KOEI TECMO's human resource management are deeply rooted in the philosophy of Yoichi Erikawa, the Company's founder and CEO, who is also known for his game development work under the pseudonym KOU SHIBUSAWA. Erikawa's early life, where he grew up in a family involved in the dye and industrial chemicals business and faced various challenges as a corporate manager, including the closure of his family's business, shaped his perspective. His journey as a game creator began with "Kawanakajima no Kassen," which led him to redirect his focus towards game development. This experience has instilled in him the belief that while creativity is paramount in the gaming industry, achieving sustainable profitability and building a thriving business are equally vital. Erikawa is passionate about instilling this philosophy in all KOEI TECMO employees. At the heart of our human resource culture and values lies the fusion of creativity and business acumen, echoing Erikawa's vision, and serving as the bedrock for our continued profitability and success.

Operating profit ratio (%)

Yoichi Erikawa
President & CEO and Representative Director
Signature work: "NOBUNAGA'S AMBITION" series

Keiko Erikawa
Chairperson and Representative Director
Signature work: "Angelique" series

Managers as well as game creators

Hisashi Koinuma
Executive Vice President and Representative Director
Signature work: "Samurai Warriors" series

Yosuke Hayashi
Director
Signature work: "Nioh" series

Balancing creativity and profitability

Accelerating the Development of High-Quality Titles Through Synergy

KOEI TECMO was established through the business integration of KOEI Co., Ltd. and TECMO, LTD. and later Gust Co., Ltd. joined the Group. Since 2016 after the business integration, we have adopted a brand-based approach to leverage the unique strengths and diversity of each company within the Group. We swiftly integrated various aspects of our human resources systems, including salary levels, while ensuring that our talent can thrive in an environment that encourages synergy. The 2017 release of "Nioh" was a successful example of the synergy achieved through our business integration. It combined KOEI's expertise in Japanese history and culture with TECMO's knowledge in action game development, resulting in a high-quality title that brought innovation to the table. It became a hit, surpassing 7 million copies sold in the series.

1978
"KOEI" established

Created many long-running series that have garnered user support, primarily focusing on simulation games based on Japanese and Asian history

1967
"TECMO" established

Created numerous titles that are highly acclaimed in the Western market primarily through the development studio "Team NINJA"

2009
Management integration

KOEI TECMO HOLDINGS CO., LTD.
(name changed in 2014)

Promotion of Post-Merger Integration (PMI)

2011
Gust Co., Ltd.
(established in 1993)
became a wholly owned subsidiary

Created popular IP with a high level of originality, such as the "Atelier" series, which has a large fanbase.

2017

Collaborative titles born from PMI have driven our performance

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A Human Resource Development System Driving Growth

In the KOEI TECMO Group, we consider people to be our most valuable asset and the foundation of everything we do. Our human resource development policy focuses on cultivating individuals who are self-reliant and professional creators, promoting growth for both our employees and the Company as a whole.

Based on a culture and values that emphasize the importance of having both "creative qualities as a creator" and "business qualities as a professional," we have established a framework to nurture talent and drive innovation.

We look forward to welcoming game fans into our company and seeing their active contributions as game creators, producers, and members of our management team, all nurtured within our comprehensive human resource development framework. Employees grow within our company as a field for realizing dreams. This in turn serves to enhance our corporate value.

Framework for Generating Transcendent Human Power

Game Fans → New Employees → Creators → Leaders → Directors → Producers → Executives

Culture and values

Shared vision of creativity and business

Human Resource Strategy

KOEI TECMO considers people to be its most valuable asset and has established three major pillars for its human resource strategy. To achieve the Group's management policy of "create and develop global IPs", we are actively hiring individuals with diverse backgrounds, skills, and values. We achieve growth and profitability by creating an environment where individuals who can unleash creativity and drive the business can continuously grow. With the revenue generated, we aim to enhance employee welfare and maximize our transcendent human power, one of our strengths.

Management policy

"Create and develop global IPs"

Human resource strategy

Ensure a diverse pool of talent, with a focus on new graduates

Nurture individuals who can unleash creativity and drive business forward

Establish a workplace environment where employees can work with peace of mind over the long term

Ensure a Diverse Pool of Talent, with a Focus on New Graduates

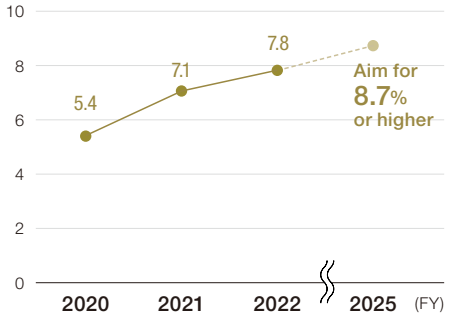
New graduate recruitment initiatives

For many years, KOEI TECMO has considered new graduate recruitment a top priority. In the rapidly changing gaming industry, having new employees with fresh perspectives and new abilities and values is essential for the Company's continued growth. Based on the belief that passion is the driving force, we have continuously emphasized the recruitment of game enthusiasts since our establishment, and more recently, we have dedicated efforts to hiring a diverse range of human resources. To create an environment where new employees with diverse backgrounds can comfortably thrive as professionals, we provide 345 single-person dormitories owned by the Company. We have also significantly increased the initial salary and offer support for student loan repayment, among other initiatives to support their lives after joining the Company.

Empowering female employees

We prioritize fair assessment and treatment of our employees, ensuring equal opportunities for promotions and appointments based on merit. We are committed to creating an environment where women can thrive by providing a comfortable workplace and supporting career advancement, working towards an increase in the ratio of female managers and executives.

Ratio of female managers in Japan (%)



Hiring experienced individuals with diverse strengths

We are focused on hiring experienced individuals with special abilities and values. We have enhanced our recruitment competitiveness through a significant increase in salary levels, and we have clarified the desired profile for candidates. This enables us to attract talent with core skills and competencies. We aim to accelerate the creativity of our employees through the interaction of human resources with diverse skills and perspectives.

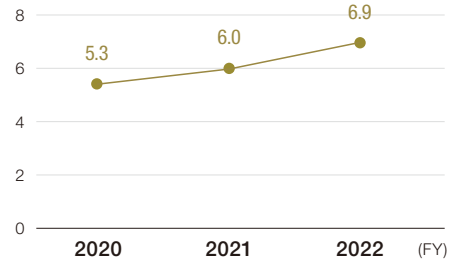
Experienced hires (previous industry)

Gaming, anime, toys, film/video, web, IT, information and communication technology, advertising, real estate, warehousing and transportation, railway, and manufacturing (automobile, machinery, textiles)

Active roles for non-Japanese employees

To create and develop global IPs, it is essential to have personnel who are well-versed in the local languages, cultures, and values of different regions to produce AAA titles* that can be globally recognized. Of the 1,572 personnel in our game development roles, 106 are non-Japanese employees in domestic Group companies, and 423 are employees of overseas development companies. They make up approximately one-third of the game development roles within the KOEI TECMO Group. Further, we emphasize the recruitment of foreign employees in our domestic new graduate recruitment process, and we also carry out local new graduate recruitment at our overseas development subsidiaries. This is aimed at acquiring a diverse range of talents that will drive corporate growth.

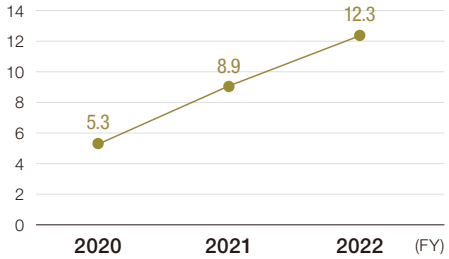
Ratio of non-Japanese employees in Japan (%)



Diverse human resources combined with diverse career paths

At KOEI TECMO, there are multifaceted career paths tailored to each employee's aptitude. In senior positions, in addition to management roles, we also have expert positions that focus on more specialized technical skills and knowledge. In addition, we have job rotation and internal job posting system to enable motivated employees to build new careers. We will promote the ongoing growth and diversification of our employees through systems designed to enhance various skills and abilities, ensuring they thrive in the ever-evolving gaming industry.

Ratio of expert employees in senior positions (%)



*AAA titles refer to highly recognizable and immensely popular games created with a significant production budget.

Nurture Individuals who Can Unleash Creativity and Drive Business Forward

An enriching environment that supports the growth of employees

We have established an enriching environment to nurture both creativity for achieving new forms of entertainment and business skills for ensuring growth and profitability. For example, our philosophy that a great creator should also be a great businessperson is reflected in our activities, such as hosting year-end parties and welcoming new employees in top-class hotels, as well as providing training in dining etiquette.

Extensive support for new employees

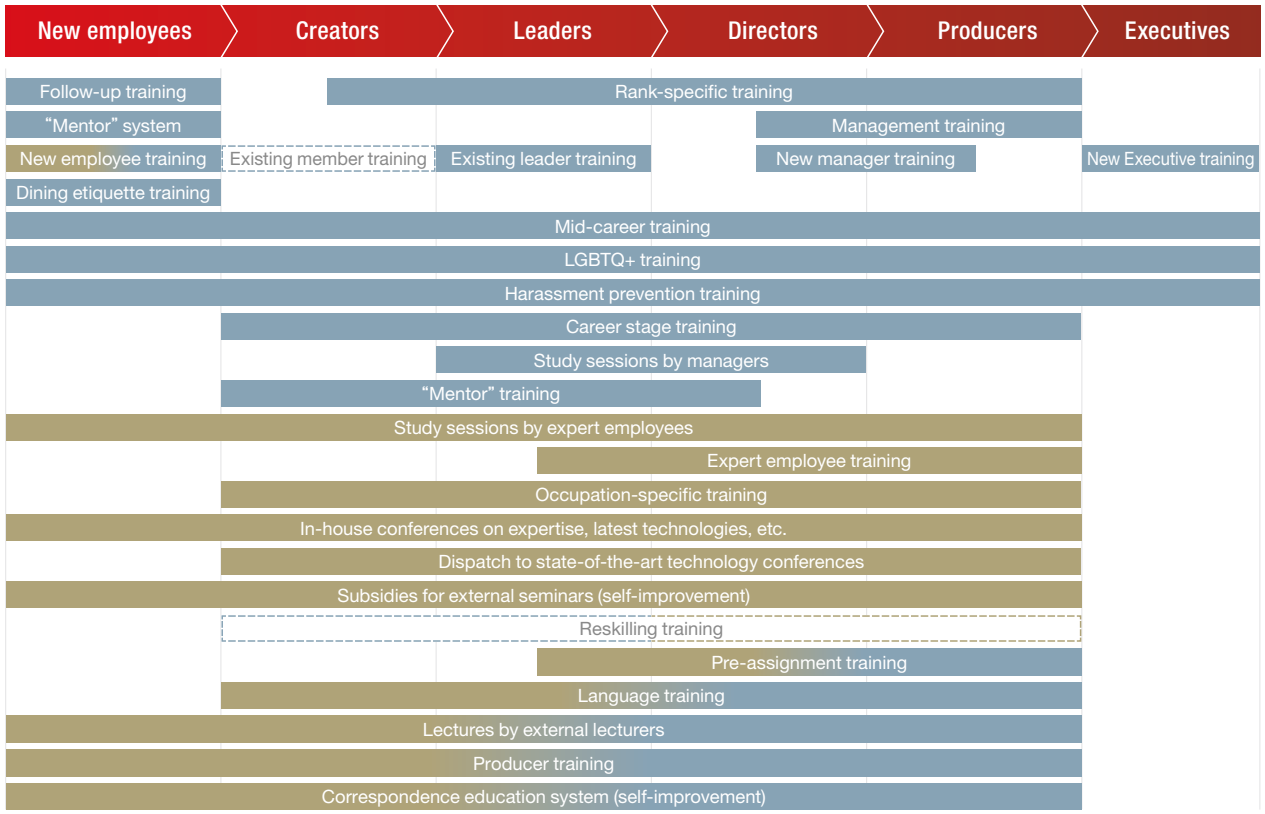
After joining the Company, a training program spanning approximately 1.5 months is provided to new employees. This unique program, conducted annually and continuously improved, is designed to expedite the development of new employees into effective contributors. During the training, participants cover essential business etiquette, gain a deeper understanding of our corporate philosophy and business, and learn about various practical aspects of game development, including planning, scenario creation, and programming workshops. We also organize social events to foster camaraderie. We believe that the connections formed during the new employee training will serve as a foundation for creating new innovations when individuals collaborate and grow together.

Our approach of assigning one senior employee as a mentor to each new employee is designed to provide personal support in both professional and private matters for the first year after their placement. New employees can not only learn their job quickly but also find emotional support and a sense of security during their work. Moreover, mentors gain leadership skills through the experience of guiding their juniors. In this way, the mentor system fosters our culture of nurturing employees collectively.

Initiatives to promote human resource development

We conduct producer training every year to reinforce the basic knowledge required for directors and producers and to share internal expertise. In 2022, we organized practical training with Yosuke Hayashi, a director at the Company and the producer of the “Nioh” series, as an instructor. This training involved a lecture on project initiation, followed by solicitation of actual new project proposals and feedback. We engage in various initiatives to foster the creativity and business skills of our personnel. This includes inviting top creators and experts from various fields to give lectures, as well as participating in external specialized training programs.

Main training



Establish a Workplace Environment where Employees Can Work with Peace of Mind over the Long Term

Our philosophy

At KOEI TECMO, our primary focus is on enabling our employees to realize their full potential and enjoy long, successful careers with us. We have taken measures to establish a work environment that fosters their well-being and offer one of the industry's leading benefit packages. The result of these efforts is a turnover rate of 4.6%, one of the lowest in the industry.

1 Support for career development

We implement various measures to ensure that employees can achieve the careers they desire within the Company and utilize their abilities.

- Treatment of specialized personnel (expert positions)
- Internal job posting system
- Career stage training for employees in their 50s
- Establishment of a career counseling center
- Development of new career paths with the creation of KOEI TECMO QUALITY ASSURANCE

2 Creating an environment of mutual respect

We will establish and enhance an internal environment where employees with diverse perspectives can work comfortably without misunderstandings or conflicts.

- LGBTQ+ training
- Compliance training
- Harassment prevention training
- Establishment of a harassment reporting helpline
- Training on Psychological safety

3 Enhancing motivation

We consider high motivation to be of great importance in unleashing better creativity and are actively addressing this as an important issue.

- Incentive bonus program
- Achievement awards system
- Complimentary lunch celebrations for major hits
- Year-end and new employee welcome parties at top-class hotels
- Refreshment leave
- Stock options
- Employee discount programs

4 Hybrid workstyles

While we primarily emphasize work in the office, we comprehensively consider various circumstances, allowing for diverse workstyles to create an environment in which employees can thrive and improve productivity.

- Establishment of remote work environment
- Annual paid leave utilization rate of 85.4%
- Employment opportunities provided until age 70
- Flextime system
- A system of shortened working hours beyond legal requirements

5 Lifestyle stability

We consider it highly important for our employees to have a stable foundation in life, enabling them to unleash their full potential.

- Increase in starting salaries and improvement of salary level
- Retirement pension system
- Special bonuses and base salary increase for eight consecutive periods
- Stock ownership plan
- Student loan repayment support program
- Welfare fund loan system
- Company-owned single-person dormitory and staff housing

6 Mental and physical health

We have implemented various measures to ensure that our employees are mentally and physically healthy, enabling them to work to the best of their abilities.

- Implementation of workplace COVID-19 vaccination program
- Implementation of influenza vaccination program
- Introduction of counseling services
- Reporting and management of overtime work hours in Board of Directors meetings

A culture that allows employees to balance work and family life

Keiko Erikawa, Chairperson and Representative Director, along with her husband Yoichi Erikawa, has been involved in the management as co-founders. She have undertaken various roles, including CG design, finance, human resources, and expanding employee benefits, all while successfully balancing work and family life. We have established various programs to help employees balance work and family life, such as a childbirth bonus (¥100,000 for the first child, ¥200,000 for the second child, and ¥2 million for the third child and beyond), childcare leave, subsidies for babysitter services, and a system for taking care of family members. We also encourage a supportive atmosphere for our employees through initiatives such as the activities of the *Penguin no Kai* that specifically caters to working mothers and fathers, in a part of the employee's co-op organization *KT Kai*.

Employees who Continue to Harness their Talents

KOEI TECMO is committed to ensuring the long-term viability of the gaming business and fostering an environment where diverse employees can thrive by embracing their unique qualities. In this section, we share messages from employees who serve as a cornerstone of our competitiveness.

Collaboration with a leading U.S.-based video game company

Uncompromising dedication to creating new value

Our development department, famous for the "Warriors" series under the ω-Force brand, is not just about creating titles for our in-house IP. We specialize in collaborating with various companies to bring numerous action games to life. As a proud member of the ω-Force brand, I find myself tackling some of the most challenging titles for the Company. A notable collaboration was with the leading U.S.-based video game company, Electronic Arts (EA), resulting in the creation of the globally renowned title, "WILD HEARTS™". This game is a unique blend of hunting gameplay with intricate crafting elements. To deliver this entirely fresh experience for gamers worldwide, we teamed up with companies that had a strong track record overseas. Our strategy involved presenting prototypes to sales companies in various countries and refining our proposals. EA responded most favorably, cementing our successful collaboration.

During the project, the team at EA was incredibly accommodating and reacted with enthusiasm when we presented our ideas. While we encountered some tough feedback, it was all geared towards creating a product that genuinely resonated with local users. The ability to have frank discussions, distinguishing between what works and what doesn't, was established early in the relationship due to our shared commitment to creating something unique and a mutual sense of respect. Collaboration can sometimes lead to overreliance on the partner. To ensure both parties can maximize their potential, I came to the realization that understanding the cultural and background aspects of our partner and maintaining unwavering dedication without compromising are essential for successful collaboration.

I would like to continue strengthening our relationship and trust with EA and deliver the appeal of "WILD HEARTS™" to game fans around the world.

Takuto E.

In pursuit of authenticity with non-Japanese employees

A company that transforms diversity into value

Yan Z.

When watching Hollywood movies set in Japan, slight discrepancies can sometimes pull viewers, including me, back to reality. On the other hand, in KOEI TECMO's works, we make a concerted effort to minimize such discrepancies, stemming from our deep respect for each country's cultures. In my role for the sword-fighting action role-playing game "Wo Long: Fallen Dynasty", which is set against the backdrop of the Three Kingdoms, my focus is on eliminating elements that could disrupt a player's immersion. This involves incorporating historical accuracy and the unique sensibilities of the Chinese people to create a realistic in-game world.

The catalyst for my experience was a single comment from my superior. I have always had a straightforward personality, which, within the context of Japanese culture that values harmony, led me to hesitate about expressing my opinions on several occasions. When I joined the development team of "Wo Long: Fallen Dynasty" midway through its development, I found myself at a crossroads. The prototype was already completed, and I hesitated to voice my dissent. That's when my superior encouraged me, emphasizing the importance of honesty and the futility of holding back our opinions since compromising won't lead to a great game. With this encouragement, I, someone with Chinese roots, honestly expressed my numerous concerns and discrepancies within the game. In response, the team members not only welcomed my input but also embraced it with gratitude, promptly adjusting various aspects of the game world. This applied not only to the actions and language of the characters but also extended to the design of characters and equipment, as well as in-game text, down to the smallest details. As a part of this team, I was truly impressed by the dedication of the team members to game development. This experience also reaffirmed my value to the team.

I believe one of the reasons "Wo Long: Fallen Dynasty" has succeeded as new IP is because each member of the team devoted themselves wholeheartedly to the project. While the term "diversity" is often overused and misinterpreted in many companies, I can confidently say that KOEI TECMO is a company that can truly transform diversity into value.

Strengthening global development structure

The day will surely come when international talent will lead KOEI TECMO

Sotaro K.

In just my fourth year at the Company, when I heard about the opportunity to establish a development department in Canada, I was the first to raise my hand, marking the beginning of my journey to global challenges. I ventured overseas with great enthusiasm, but I found myself caught between the opinions of the local team and our headquarters, leading to days of seeking compromise. At the time, I didn't realize that this wasn't making anyone happy. As a result, my assignment in Canada became a valuable life-changing experience, but it also left me with regret.

So, the Company gave me another chance. The mission is to turn the development studio established in Singapore into a profitable and independently operated company.

When I was assigned to Singapore, I began to gain a new perspective that allowed me to envision the users beyond the immediate tasks. When facing challenges, our foremost concern should always be understanding and fulfilling the desires of our users. I have been working with new graduates hired locally to form a team with unwavering commitment to meeting the needs of our users. In our conversations, I have discovered something essential through their shared passion for our company's IP, which they've been enjoying since a young age—the recognition that a worldview grounded in Japanese culture is readily embraced overseas. It is these dedicated local team members, passionate about both our IP and Japanese culture, who will play a pivotal role in our global success.

At present, not only in our Singapore studio but also in our Vietnam studio, talented creators are beginning to thrive. They have grown to the point where they can run projects independently with minimal assistance from headquarters. In the future, I hope to see global talent emerge from these two studios that can lead teams at headquarters, and I consider it my mission to nurture and develop such talent.

Game engine development

Fulfilling creators' dreams and ideals with our in-house game engine

Aleksandra G.

The feature that allows players to freely customize the appearance of the characters they control in a game, including aspects such as gender, hairstyle, and body type, is called "character creation." My current role is to design the user interface for this character creation feature.

My department, known as FUTURE TECH BASE, functions as a technical support unit for our development teams, handling various inquiries from within the Company. One common type of request involves translating the 2D animation style from the original work into a 3D format. At first glance, this might appear straightforward, but the process of replicating the intricate, anime-like visuals is quite complex, akin to achieving photorealistic rendering. Both tasks require empowering artists to fully express their creative visions, demanding advanced graphic techniques. While many other companies might opt to outsource such tasks, we exclusively use our proprietary game engine, "Katana Engine™."

This engine, one of KOEI TECMO's strengths, enables us to accomplish almost everything related to game development, including artwork, AI, data management, and even streamlining game debugging. It also allows for rapid product deployment, with a significant advantage being the ability to release multiple home console versions and PC versions simultaneously.

We choose to develop our own game engine rather than utilizing external ones. I take pride in the Company's decision to follow this path. Having the "Katana Engine™" enables us to promptly respond to feedback from creators, making it the perfect platform for creating something truly unprecedented.

I have been a devoted fan of Japanese anime and games, and it was my dream to be part of their creation when I came to Japan. Today, with my current role, my colleagues, and my encounter with the "Katana Engine™", my dreams have found new horizons.

Message from the CFO

We will Continue to Maintain a Financial Structure that Accomplishes Both Stable Management and New Challenges.

KENJIRO ASANO
Director, Senior Executive Officer & CFO

A solid financial strategy is essential for the continuation and development of a highly uncertain business.

Given the significant sales volatility, our core business of game software development can be described as highly uncertain. Even after investing billions of yen in development over several years, there is no revenue during the development phase. Profits are only realized after the game is released. To survive and drive growth for such a highly uncertain business, a strong financial backbone is essential.

In recent years, due to the improved performance of gaming consoles and smartphones, game development projects have inevitably become larger and longer, leading to a trend of increasing development time and costs. KOEI TECMO is currently taking on the challenge of creating AAA titles* for the global market. Stability and a stronger financial structure are critical to making this possible, so we need to bolster our available funds while embarking on new challenges.

We have adopted this as our fundamental financial stance and strive to maintain what might seem like an excess of surplus funds—specifically, funds that allow us to continue paying our employees' salaries for five years, even if our sales drop to zero. To continue and develop a highly uncertain business, both managers and employees must create a situation where they can proactively take on challenges while having a solid foundation to stand on.

*AAA titles refer to highly recognizable and immensely popular games created with a significant production budget.

Record-high operating profit achieved through stable growth due to a multi-layered revenue cycle, and increased royalties based on IP licensing-out

In FY2022, we achieved our highest-ever operating profit. This accomplishment is a testament to the three core strengths traditionally associated with KOEI TECMO: power of development, technology, and project management. It's the culmination of our persistent efforts to enhance the profitability of individual titles and establish a multi-layered revenue cycle.

We consistently launch serialized, mid-sized titles that have cultivated loyal fan bases. This strategy allows for stable results without over-reliance on any particular title's revenue. Our strengths lie in our seasoned power of development, our unique game engine which showcases our technical expertise, and our project management that emphasizes quality, delivery timeline, and budget to provide the best product to our customers. These three distinguished capabilities enable us to maintain a high operating profit ratio and keep accumulating operating profit, fortifying our current financial position.

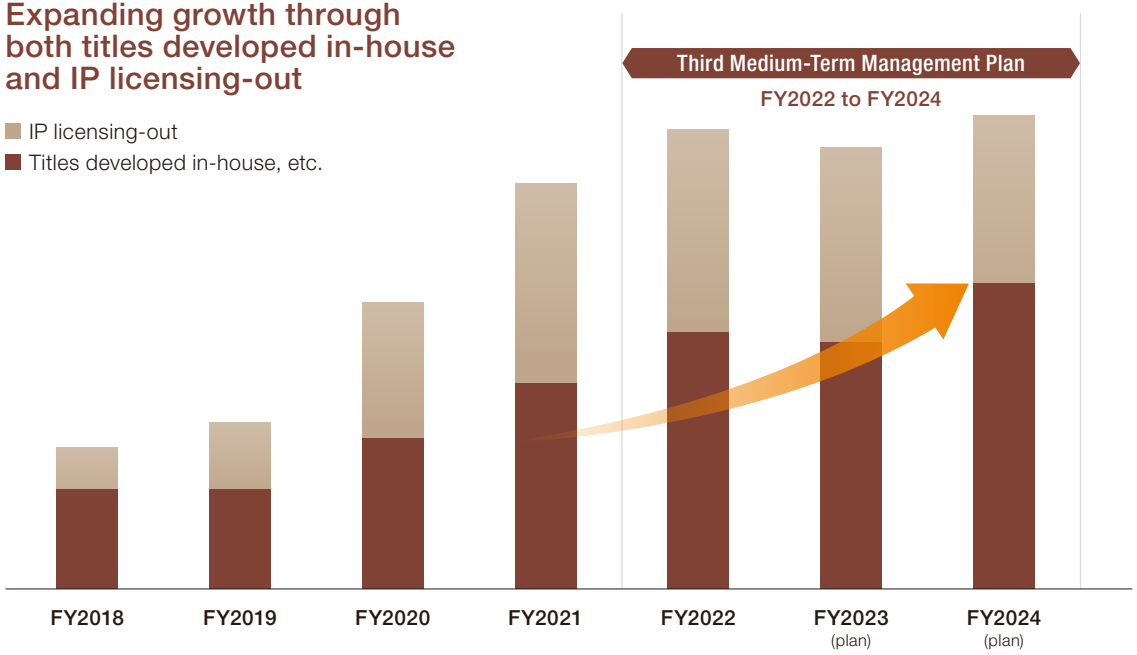
We have established a multi-layered revenue cycle in which we (1) create new IP, (2) develop hit titles into series, (3) develop collaborative titles, and (4) IP licensing-out. This cycle has contributed to our consistent and stable growth, as well as high profitability, which in turn played a significant role in achieving our record-high operating profit.

Among these, a notable feature in recent years is the significantly increased weight of royalties from collaborative titles and IP licensing-out. In particular, the royalties from IP licensing-out represent the fruits of our consistent efforts in creating high-quality new titles and series titles. We take great pride in the fact that it has become a significant source of profit.

Of the four pillars of revenue, (1) to (3) come with risks associated with in-house development. While series, which have a clear existing customer base, and collaborative titles, where responsibilities could be shared with partners, diversify risk to a certain extent, creating new titles means a significant challenge. However, thanks to our multi-layered revenue cycle, we can proactively take on that challenge. This is one of our strengths that is not commonly found in other gaming companies.

Transition of Operating profit (image)

Expanding growth through both titles developed in-house and IP licensing-out



Main collaborative titles

Creating new value through collaborations and partnerships with other companies

	Title	Partner
FY2023	"DRAGON QUEST CHAMPIONS"	SQUARE ENIX CO., LTD.
	"Fate/Samurai Remnant"	TYPE-MOON, Aniplex Inc.
	"Atelier Resleriana: Forgotten Alchemy & the Liberator of Polar Night"	Akatsuki Games Inc.
FY2022	"Fire Emblem Warriors: Three Hopes"	Nintendo Co., Ltd.
	"Ultra Kaiju Monster Rancher"	Bandai Namco Entertainment Inc.
	"WILD HEARTS™"	Electronic Arts Inc.
FY2021	"Touken Ranbu Warriors"	DMM GAMES, NITRO PLUS
	"STRANGER OF PARADISE FINAL FANTASY ORIGIN"	SQUARE ENIX Co., Ltd.

"DRAGON QUEST CHAMPIONS" is developed and operated by KOEI TECMO, published by SQUARE ENIX CO., LTD.
"Fire Emblem Warriors: Three Hopes" is developed by KOEI TECMO, with overseas published by Nintendo Co., Ltd.
"Ultra Kaiju Monster Rancher" is developed by KOEI TECMO, with published by Bandai Namco Entertainment Inc.
"STRANGER OF PARADISE FINAL FANTASY ORIGIN" is co-developed with SQUARE ENIX CO., LTD.

Focus on human capital while leveraging conservative financial strategies and a flexible management plan to strengthen our advantages

We believe that in the highly uncertain game development business, our financial approach should be conservative and prioritize safety.

For instance, there's the issue of how to recognize the costs of game development projects that are becoming larger and taking longer in accounting terms. In the case of other gaming companies, it's common to account for games under development as work in progress assets and then, after release, to amortize these assets as expenses. However, in KOEI TECMO's case, even for games set to be released after the next fiscal year, the development costs incurred during the current fiscal year are recognized as expenses for that year. This prevents the risk of sudden impairment losses on games under development as non-performing assets in the future.

Furthermore, for each area such as new IP, series, and collaborations, we plan how to allocate our precious human resources for each game title and how to recoup cash. In other words, we set up a plan that links business strategies with cash flow, which is also one of the measures to ensure the reliability of our management plan. The title development plan, which looks several years ahead, and the associated resource allocation are constantly re-examined depending on the situation, allowing us to respond flexibly to business uncertainties.

We must also focus on initiatives to further enhance the strengths of our human resources. Currently, KOEI TECMO is devoted to expanding its development capacity both domestically and internationally. As we anticipate an increase in personnel costs in the future, it is essential to pursue growth and profitability commensurate with those costs and to build financial strength.

At KOEI TECMO, we place a strong emphasis on in-house development, with the quality and quantity of our human resources being directly linked to our development capabilities. Our basic human resources strategy is to attract and cultivate exceptional talent worldwide, fostering a long-term commitment from them. The excellent power of development, technology, and project management that underpin KOEI TECMO's success today, as well as the high caliber of our game titles, are a testament to the effectiveness of this strategic approach.

For the development of outstanding titles in the future, it is crucial to create an environment where young talents can thrive. This fiscal year, KOEI TECMO has implemented a base salary increase for the eighth consecutive year, aiming for an industry-leading wage level. Investment in people is the source of sustainable growth, and we will continue to focus on recruitment, training, and improving compensation.

Investment of surplus funds with emphasis on risk/return balance and capital efficiency

The proportion of surplus funds, such as marketable securities, on our balance sheet has become very high. From the perspective of return on equity (ROE), the capital efficiency of these surplus funds is also a crucial element. We believe it is essential to manage these funds appropriately while considering the balance between risk and return, and to ensure that the entire balance sheet is working effectively.

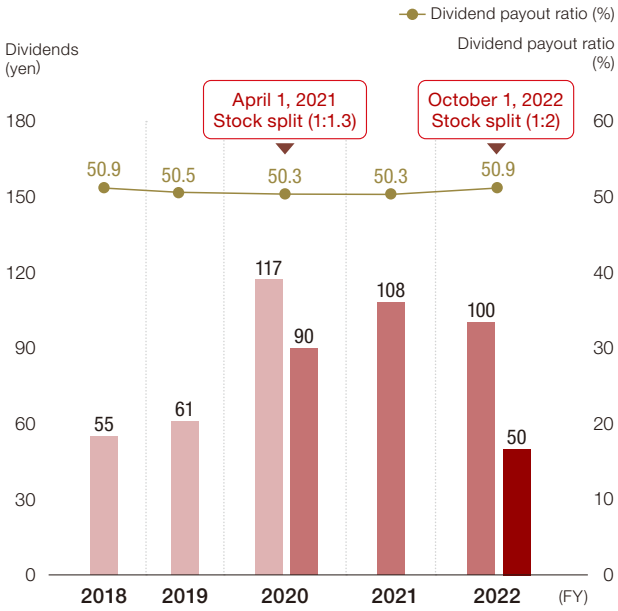
In FY2020 and FY2021, we achieved non-operating income of over ¥14 billion on the back of an extremely positive market condition. However, the result for FY2022 fell far short. While we cannot attribute the reasons solely to macro-environmental factors, it's fair to say that we were significantly influenced by the dramatic changes in the market.

The management of surplus funds is inherently designed to bolster our core business. Based on that, we have consistently pursued a balance of risk and return, aiming for stable asset management with a medium- to long-term outlook. While we have achieved notable non-operating income from our investment activities, we also acknowledge several severe criticisms regarding our oversight mechanisms in asset management. Recognizing these points, we are presently focused on refining our investment approach and fortifying our governance structure.

In our asset management approach, we are refining our portfolio with three key considerations: "Agility" to swiftly adjust to environmental changes, "Stability" to maintain a positive non-operating balance over the medium to long term, and "Soundness" to ensure asset integrity. To enhance our governance, we have initiated routine reports to the Chairperson and the Board of Directors, incorporated rigorous scrutiny by the Board of Directors, and amplified our internal oversight capabilities.

In addition, we continue with our policy to allocate 50% of our after-tax profit either to dividends or for share buybacks, ensuring returns to our shareholders. This 50% total payout ratio is relatively high among companies in Japan. Based on our ample cash flow, we believe that there will be no shortage of business funds even if we continue with our current shareholder return rate and future-oriented investments.

Transition of dividends and dividend payout ratio



Record-high profits resulting from business integration: Considering M&A beyond the gaming industry

In December 2021, KOEI TECMO conducted a tender offer of treasury share and issued Euro-yen denominated convertible bonds with stock acquisition rights. These actions were taken to meet the Tokyo Stock Exchange Prime Market's Continued Listing Criteria of a tradable share ratio of 35% or more. Similar examples have been unprecedented in Japan, and this scheme, implemented to preserve equity among shareholders and transparency in trading, received high praise from the market, culminating in the Special Prize in the convertible bonds category at the Capital Eye Awards - BEST DEALS OF 2021.

In the short term, achieving the 35% tradable share ratio and meeting the Continued Listing Criteria of the Prime Market are the most crucial objectives in our capital policy. To achieve this, it is necessary for our stock price to rise, and we will strive to further improve our performance by the expiry date of the Euro-yen denominated convertible bonds, which is December 2024.

The merger of Koei and Tecmo took place in 2009. In the subsequent year, we restructured our organization so that all employees could work under the same environment, conditions, and rules, accelerating synergy generation. It took time for the results of the merger to manifest, but record-high profits in FY2022 are seen as evidence that our past efforts were not in vain.

Our policy is to continuously search for M&A opportunities as one of our growth strategies. However, the reality is that such opportunities have not materialized as readily as desired. When we contemplate M&A, we place significant emphasis on specific criteria. Firstly, we consider the value of IP and the human resources that the target company possesses. Secondly, we evaluate whether the expected synergies from the acquisition justify the premium that may be required. Lastly, we pay close attention to the clarity and feasibility of the post-merger integration plan.

There are many industries that own IP other than the gaming industry, such as movie, music, literature, and comics. We should consider which companies to collaborate with based on an ever broader perspective than before.

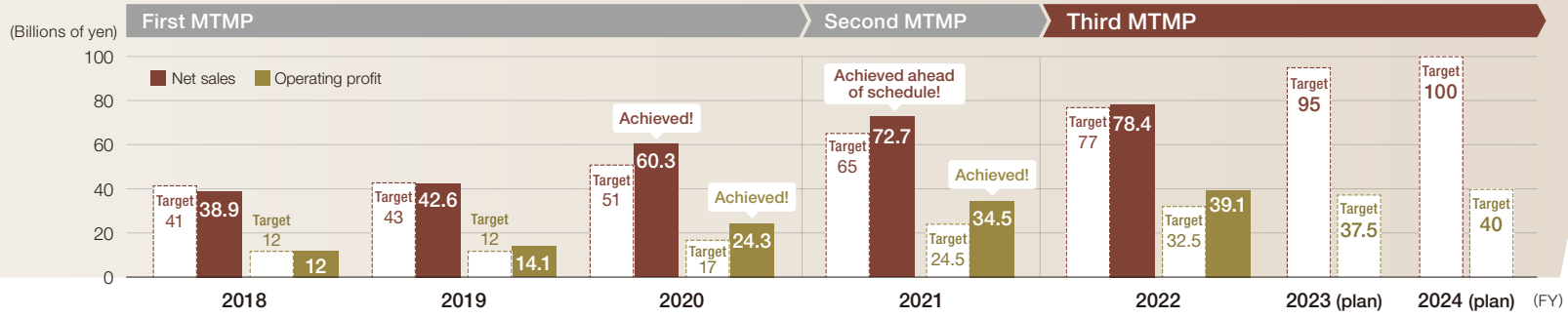
As mentioned earlier, our most valuable asset is our human resources. We promise to continue increasing our workforce both domestically and internationally, to invest in training and improving compensation, and to enhance engagement for future growth. While these initiatives may seem gradual and time-consuming, we believe that, in the long run, they are the most crucial measures for KOEI TECMO, which prioritizes internal development.

Review and Present Status of Medium-Term Management Plan

KOEI TECMO launched its first Medium-Term Management Plan (MTMP) in FY2018. In the second plan, which started in FY2021, we surpassed our final-year profit targets—operating profit of ¥30 billion and ordinary profit of ¥40 billion—in the first year. We therefore embarked on a new three-year Medium-Term Management Plan in FY2022, aiming to achieve net sales of ¥100 billion, operating profit of ¥40 billion, and ordinary profit of ¥50 billion in FY2024.

		First MTMP (FY2018 to FY2020)	Second MTMP (FY2021)	Third MTMP (FY2022 to FY2024)
Basic policy		Pursuit of top-tier titles and aiming for major advancement	Realization of AAA titles*1 and expansion of smartphone games to the next stage of growth	Realization of AAA titles*1 and expansion of smartphone games to leap forward to the next stage
Priority goals		● Aim for at least 10% annual growth over three years relative to FY2020 results of net sales of ¥51 billion, operating profit of ¥17 billion, and ordinary profit of ¥21 billion ● Realize 5-million unit level titles and a smartphone game with monthly sales exceeding ¥1 billion	● Operating profit target for FY2023: ¥30 billion ● 5-million unit level package game (new IP) ● 2-million unit level package game each quarter ● Smartphone title with monthly sales of ¥2 billion ● Multiple smartphone titles with monthly sales of ¥1 billion	● Operating profit target for FY2024: ¥40 billion ● 5-million unit level package game (new IP) ● 2-million unit level package game each quarter ● Smartphone title with monthly sales of ¥2 billion ● Multiple smartphone titles with monthly sales of ¥1 billion
Main titles that contributed to achieving targets	Packaged games	● "The Hyrule Warriors: Age of Calamity"*2 surpassed a total of 3 million copies worldwide (2020)	● "Nioh" series surpassed a total of 6 million copies (2021)	● Collaborative title "Fire Emblem Warriors: Three Hopes"*4 surpassed 1 million copies worldwide (2022)
	Smartphone games	● IP licensing-out title "Three Kingdoms Tactics"*3 a big hit in mainland China (2019)	● "Romance of the Three Kingdoms Hadou" surpassed monthly sales of ¥1 billion (2021)	● Services for "Nobunaga's Ambition Hadou" launched (2022)

*1 AAA titles refer to highly recognizable and immensely popular games created with a significant production budget.
*2 A collaborative title with Nintendo Co., Ltd., which is the distributor for overseas
*3 Developed by Lingxi Games and operated by Lingxi Games and Shanghai TCI Network Technology
*4 A collaborative title with Nintendo Co., Ltd. and INTELLIGENT SYSTEMS CO., LTD., with Nintendo the distributor for overseas



The World's No. 1 Digital Entertainment Company

The Pursuit of High-Quality Game Development and Actions Geared Toward Future Growth are Being Passed Down to the Next Generation.

I want to create even better games and to guide the next generation of KOEI TECMO by maintaining a creator's perspective and sensitivity with a dual focus on both game development and business management.

HISASHI KOINUMA
Executive Vice President and Representative Director of KOEI TECMO HOLDINGS CO., LTD.,
President & COO of KOEI TECMO GAMES CO., LTD.

The shared value of sustainable growth held by all employees

I aspired to become a game developer during my high school years. At that time, the gaming industry didn't enjoy the same level of social recognition it does today, making it challenging to persuade my parents to see it as a viable career choice. I managed to gain their support, however, thanks in no small part to KOEI TECMO's status as an over-the-counter company with a debt-free management approach and a high profit margin. This robust financial foundation, which has endured for over 40 years, allowed me to pursue my path as a game developer.

At that time, KOEI TECMO's primary products were simulation games for PCs, and I was astounded by how well these high-priced games sold. Our four fundamental management policies have remained unchanged for over 20 years. Our ability to thrive indefinitely is rooted in the cycle where we develop high-quality games that yield profits, with those profits then being reinvested internally to support new game development. I feel like I've been learning about this kind of management system since the day I joined the Company. Additionally, based on my past experiences, I strongly believe that what sets us apart is the emphasis placed by all team members on not only creating top-tier content but also recognizing the significance of profitability and schedule management. I believe that these values are the reason for our ability to achieve sustainable growth.

The strength of leaders with a creative background

Even as a current executive, my passion for games remains unchanged, which further fuels my desire to continue creating games. As a business manager with a background as a creator, my strength lies in my ability to make decisions from both the perspectives of a creator and an executive. For instance, when considering whether to release free updates for a title that may not be performing well financially, the common business practice is to exercise caution due to profitability concerns. However, I approach such decisions from a creator's perspective. If I think that it benefits the customers, I'm willing to allocate resources. At first glance, this might appear unreasonable, but if our customers, who have embraced our passion, remain dedicated fans for 10 or 20 years or more, that investment will undoubtedly be repaid to us.

What's crucial in game development is holding the belief that we are here because of our customers and approaching it from a creator's perspective. We should explore, reflect, and strive to find the best solutions for the delight of our customers. That's why maintaining a creator's perspective and sensitivity in management is essential, and I see it as my responsibility to fulfill that role.

Investing in our work environment and human resources by working backward to achieve our goals

As a company, we recognize that our key priorities are to create a work environment where our creators can work comfortably and stress-free and to bolster our human capital, including measures such as workforce expansion. Improving our workplace environment directly contributes to fortifying creativity and content capabilities. Strengthening human capital is essential for enhancing competitiveness in international markets and embracing new technologies. Moreover, when we have the flexibility to augment our human resources, it not only expands the range and quantity of titles we can develop but also aids in optimizing our workforce allocation. Workforce expansion is therefore an imperative.

The fact is that our present workforce falls short when it comes to achieving our aim of becoming "The World's No. 1 Digital Entertainment Company," especially when focusing on titles for the global market. Although our long-term vision involves becoming a company with 5,000 employees, our current strategy revolves around gradually expanding our workforce as we work backward to determine how far we can grow the Company.

In the rapidly growing gaming industry, the competition for talent acquisition is expected to intensify further. While ensuring comprehensive employee benefits and favorable compensation, we must also convey our appeal in a holistic manner, including the kind of work and work style found within our company, as well as the career paths one can envision.

KOEI TECMO has always placed great importance on nurturing employees who joined as new graduates, allowing them to grow and accumulate experience while actively contributing to the forefront of the development scene. We intend to continue this policy and remain dedicated to developing our human resources.

KOEI TECMO's unstoppable growth trajectory

One of the major concerns about KOEI TECMO is whether it can continue to grow after President Erikawa retires. In response to this, I can affirmatively state that it is absolutely possible. Our relationship has not changed for more than 20 years since we worked together in the roles of producer and creator, crafting games while sharing our ideas from morning till night. At KOEI TECMO, we believe that everyone should make their own decisions and speak up when something isn't right, regardless of age or hierarchical roles. This sentiment remains the same today and isn't unique to me. The creativity and managerial capabilities that have been built since our founding are deeply ingrained in the foundation of the Company. Even when President Erikawa retires, I am confident that KOEI TECMO's spirit and commitment to creating high-quality games will persist, and we will continue to grow. The current structure, where six brands operate independently and have the discretion to advance their projects, is a clear manifestation of this approach.

What will be crucial in the future is fearless management that embraces change. The game industry may experience significant transformation due to rapidly evolving technologies such as AI, NFTs, and the metaverse. Amid this, it's imperative to uphold our established corporate philosophy while seizing change as an opportunity, linking various domains with our core business, and expanding the possibilities of creation. Personally, I will continue to embrace change while steering the Company as one of its leaders.

Column Special titles

After joining the Company, I was involved in the development of various games as a creator, but the title that left the strongest impression on me was "Kessen". It was our first-ever launch title*, designed for the state-of-the-art PlayStation 2 in 2000. It was a game that marked a turning point for both me and the company. During that time, I served as the lead programmer for the first time, while President Erikawa took on the role of producer. In our pursuit of achieving a high level of quality, we engaged in frequent discussions and exchanged ideas. I still feel that we belong to the same team developing the same game, and this extends to our relationship in management, where we continue to collaborate.

*A launch title refers to software released simultaneously with the launch of a new gaming console.

Hisashi Koinuma

Hisashi Koinuma holds the position of Executive Vice President at KOEI TECMO HOLDINGS, CO., LTD., and serves as the President of KOEI TECMO GAMES CO., LTD. Born in 1971, he joined KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.) in 1994 following his university graduation. Starting as a programmer, he advanced to the role of producer for several titles, including "SAMURAI WARRIORS", "Attack on Titan", and "Nioh". His journey within KOEI began in 2006 when he became an executive officer, and from then on, he held various executive positions within the Company and its affiliated Group companies. In 2015, he took up the role of President at KOEI TECMO GAMES.

A Company Brimming with Exciting Projects

By continuing to be gamers and creators, we will create a cycle of joy between our customers and the Company, contributing to the growth of the next generation.

YOSUKE HAYASHI
Director of KOEI TECMO HOLDINGS CO., LTD.
Director & Executive Vice President of
KOEI TECMO GAMES CO., LTD.

"NOBUNAGA'S AMBITION" as a guide to management

I was born in 1979, part of the generation that witnessed the peak of the Family Computer era during my elementary school years. It wouldn't be an exaggeration to say that I have grown up with video games, right up to the present.

I studied programming at university, and in 2001, I joined TECMO, LTD., with the desire to turn my passion into a career. The business merger in 2009 signaled a major turning point. Over the years, I have had the opportunity to learn and grow alongside the Company in various roles: developer in my twenties, project manager in my thirties, and now, business manager in my forties.

When I began to focus on management, I had no experience or knowledge, and I remember being uncertain about what steps to take. During that time, my textbook was the game "NOBUNAGA'S AMBITION", as President Erikawa had mentioned in a certain interview that it reflected his own management experiences and struggles.

In "NOBUNAGA'S AMBITION," every subordinate general possesses unique skills and talents, requiring strategic placement in the right positions for them to excel. To achieve success, one must multitask in the game, allocating limited resources while considering the balance between the development of one's own country and the conflicts with the rival's. To accomplish this, one must also consider how to position and move effectively.

When I played the game with a managerial and business perspective, everything seemed to make sense, and putting those principles and methodologies into practice yielded positive results. Although my responsibilities have become bigger and my scope is broader compared to those days, what I learned from "NOBUNAGA'S AMBITION" remains just as valuable today.

A gamer's perspective: Essential for successful management

To successfully navigate the future gaming market and to continue delivering results by harnessing our development capabilities, which could be seen as the source of our competitiveness, we must manage projects while refining our skills as creators. Moreover, by instilling management qualities into our creators, they are able to transition into managers. While this is the ideal career path that the Company envisions, I firmly believe that, above all else, continuing to be a gamer is crucial for me to walk this path.

Games are created to be enjoyed by our customers. To excel in management, one important thing usually found with gamers is the ability to have an intuitive understanding of what our customers find entertaining. This is precisely why, even in the role of a manager, one should maintain their identity as a gamer. I, too, have aspired to be a creator who pursues what our customers find captivating while having faith in what I personally find engaging. In doing so, I have integrated development and management into crafting games.

For instance, the dark feudal-Japan action RPG "Nioh" released in 2017 had its origins in a project conceived during the KOEI era. At a juncture when development faced challenges and the project underwent multiple revisions, the merger of KOEI Co., Ltd. And TECMO, LTD. occurred, leading to my participation in the project from Team NINJA. The final completion of "Nioh" represented a breakthrough title, combining TECMO's expertise in creating action

games with international appeal and KOEI's know-how in developing historically-themed games. It was the transformative outcome of the merger that allowed us to bring new IP to life after 12 years of development, which resulted in a highly successful title. This episode is one example symbolizing the synergy between development and management within the Company.

Creating a cycle of joy between customers and ourselves

In areas that are more directly related to management, we prioritize management that emphasizes the balance between quality, delivery timeline, and budget. Even when striving to create excellent work, it is crucial to maintain a balance between meeting deadlines and managing resources. Prioritizing time at the expense of quality or encountering resource disruptions would not be viable as a sustainable business. We consider how to manage these aspects and reconcile the contradictions between them. We constantly strive to determine what configuration is better for both our customers and the Company, and work towards finding the optimal solution.

Sustainable growth is only achievable when each individual can engage in their work while conscientiously balancing priorities, rather than upper managers unilaterally setting goals for employees to follow.

It is also my responsibility to create an environment where creators can grow and thrive. Game development involves a diverse range of specialized staff, and while it may seem simple to create great games by just consolidating excellent skills, it's not quite that straightforward. Games that we passionately create are delivered to our customers, bringing them joy, which in turn becomes our own delight. Staff with successful experiences collaborate with and complement each other, approaching development with confidence. Once again, games are created that bring joy to our customers. Such a cycle represents a state where teamwork is effective, and I aspire to create more of these cycles.

Yosuke Hayashi

Director of KOEI TECMO HOLDINGS CO., LTD. and Director & Executive Vice President of KOEI TECMO GAMES CO., LTD.
Born in 1979, Yosuke Hayashi joined TECMO, LTD. in 2001 after graduating from university. At Team NINJA, he took part in the "DEAD OR ALIVE" series and the "NINJA GAIDEN" series. After the merger, in 2010, he assumed the position of Executive Officer at KOEI TECMO GAMES. He served as the producer for Team NINJA's development projects, and in 2015, took on the role of studio head while also serving as the co-director of "Nioh". He became a Director of KOEI TECMO HOLDINGS in 2018, and since 2021, has served as Director and Executive Vice President of KOEI TECMO GAMES.

A company brimming with excitement

From an external perspective, the impression of President Erikawa firmly steering the ship at KOEI TECMO over the years may be strong, but his current approach is more about supporting than leading. In this stance, he supports Mr. Koinuma, the on-site creators, and me. We make every effort to articulate the president's intentions to the best of our ability, ensuring they are commonly understood within the Company. These principles will undoubtedly be passed on as the Company's DNA to the next generation of creators.

We will continue to ask ourselves which path to take and what kind of games we should create for the future. While working toward achieving our long-term vision, we will keep building up our accomplishments by constantly considering what we can do ourselves. As a Director, I will continue to lead us forward, ensuring that KOEI TECMO remains a place where we, both as creators and gamers, can always carry on projects that bring joy and excitement.

Column

Learning from the chaos of the TECMO era

When the former owner of TECMO passed away, the company's management fell into disarray, and I remember to this day that many employees, myself included, had a difficult time. That's why I have made up my mind to conduct business with the commitment that the same thing will never happen again and to always consider what I can do both for the company and for the employees.

Basic stance on corporate governance

With the vision of becoming "The World's No.1 Digital Entertainment Company", we aim to contribute to the enrichment of the lives of people around the world by establishing a structure that maximizes the creation of new value through effective utilization of the Group's management resources and know-how, the integration of planning and development capabilities, and other efforts. To this end, we recognize that the important management issue of strengthening corporate governance is essential to sustainably maximizing corporate value over the long term.

The Group is organized with a holding company structure, under which its operating companies conduct business. The Company is at the center of the Group's unified governance. We are committed to maximizing corporate value for all stakeholders by planning, operating, and managing the entire Group to optimize it in its entirety, as well as by overseeing the management of the Group as a whole.

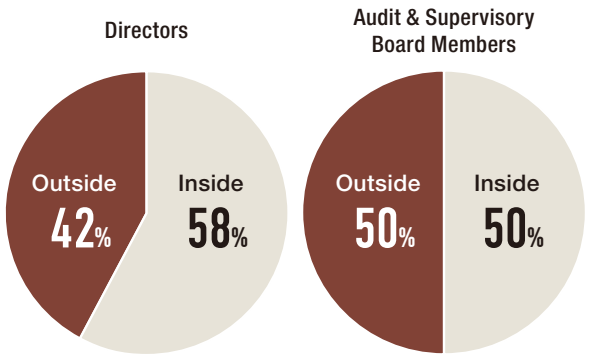
Transition in corporate governance reform

Changes to strengthen the governance structure

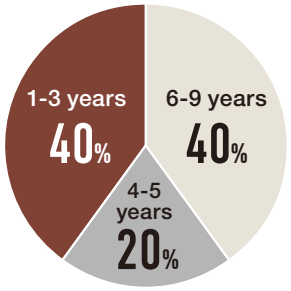
- **Jul. 2009** Established a Risk Management Committee
- **Oct. 2009** Established a Compliance Committee
- **Jun. 2014** Elected Outside Directors
- **Dec. 2015** Compliance with the Corporate Governance Code
- **Jun. 2019** Established a Nomination & Remuneration Committee
- **Mar. 2022** Established a Special Committee

Composition of directors and Audit & Supervisory Board members (as of October 1, 2023)

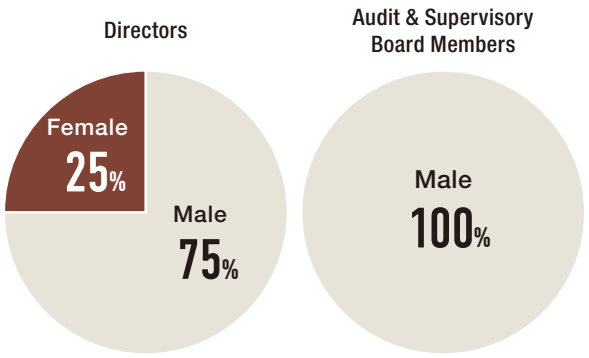
Ratio of inside/outside members



Term of office as outside director



Male to female ratio



Number of female directors

FY2013	FY2018	FY2023
1 →	2 →	3

Number of outside directors

FY2014	FY2018	FY2023
1 →	2 →	5

Corporate governance structure

As a holding company, we are responsible for formulating management policies and monitoring each business and support function, while each operating subsidiary is responsible for formulating business policies and executing these policies. In order to maintain this system and optimize the entire Group, we have adopted the following structure.

In addition, equivalent management systems have been established at the operating companies under close guidance from the Company to further strengthen the management system of the entire Group.

A Board of Directors

Taking into account the scale of the Company, important emphasis is placed on maneuverability. The Board of Directors consists of 12 directors (including 5 outside directors) and makes decisions on management policies and important business strategies, and supervises the execution of the directors' duties.

Masao Tejima, Hiroshi Kobayashi, Tatsuo Sato, Michiaki Ogasawara and Fumiko Hayashi are outside directors.

B Audit & Supervisory Board

The Audit & Supervisory Board consists of four members, including two full-time auditors (one outside) and two auditors (one outside), that hold regular meetings.

Masaki Kimura and Kengo Takano are outside auditors.

C Audit Department

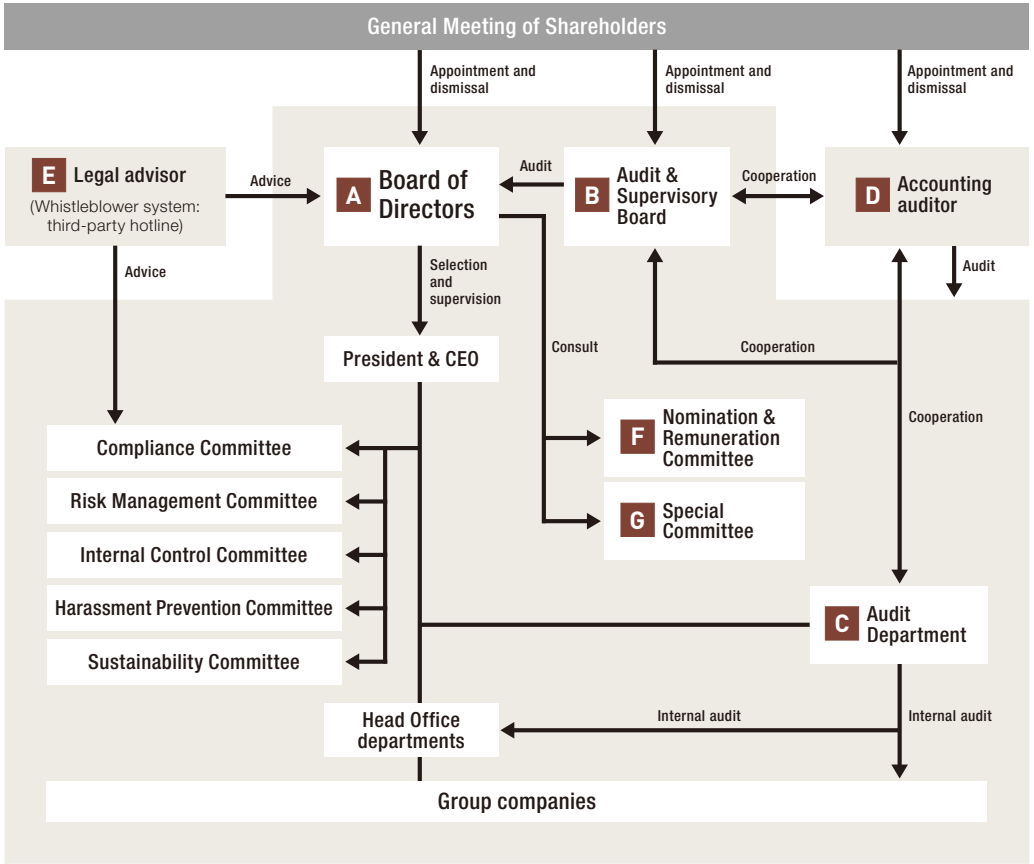
The Audit Department has been established as the internal audit division to check the business activities of the entire Group, and to exercise an internal check and balance function.

D Accounting auditor

The Company has engaged KPMG AZSA LLC, an accounting auditor, to conduct accounting audits which are fair and appropriate. The Company also strives to maintain an environment in which audits are conducted from a fair and unbiased standpoint by providing management information accurately and promptly.

The Audit & Supervisory Board and the accounting auditor mutually exchange information and opinions as necessary to enhance and improve the audit system.

Corporate governance structure (As of October 1, 2023)



Executive Officer System

The Company has introduced an Executive Officer system and is working to ensure that it enables prompt management decisions and appropriate execution of duties.

E Legal advisor

The Company receives advice on legal issues from time to time based on a legal advisory contract with its legal advisor.

F Nomination & Remuneration Committee

A majority of members of the Nomination & Remuneration Committee are independent outside directors. The Nomination & Remuneration Committee deliberates on matters submitted by the Board of Directors regarding the nomination and compensation of the Group's directors and executive officers; and also submits reports and proposals to the Board of Directors.

G Special Committee

All members of the Special Committee are independent outside directors. The Special Committee deliberates on matters related to important transactions with controlling shareholders or their subsidiaries, as well as other important governance matters that the Board of Directors deems necessary for consultation; and also submits reports and proposals to the Board of Directors.

Status of holding meetings of the Board of Directors

To secure sufficient opportunity and time for deliberations on important management matters at meetings of the Board of Directors, the Company formulates annual schedules that ensure appropriate frequency of meetings.

Through these meetings, sufficient information exchange and a sharing of views are implemented between directors and Audit & Supervisory Board members.

Status of holding meetings of the Board of Directors (FY2022)

Number of meetings held	Number of agenda per annum	Average duration of meeting (minutes)	Average number of agenda	Average deliberation time per agenda (minutes)
20	171	82	8.5	10

Issues discussed by the Board of Directors

Actual content of issues discussed by the Board of Directors are mainly as follows:

- Formulation, revision and implementation of medium-term management plans and annual management plans and reporting of status of progress
- Reporting of status of execution of business by each division
- Reporting of new plans for game development and revision of budgets
- Reporting of status of audits by Audit & Supervisory Board members and internal audits
- Decision-making regarding trading of securities, etc. and reporting of status of investment management
- Decision-making regarding content of agreement on related party transaction and reporting of status of relevant transaction
- Report of internal control evaluation findings
- Decision-making regarding evaluation and amounts of remuneration of the Group's directors and executive officers
- Decision-making regarding appointment, change of job title, etc. of the Group's directors and executive officers
- Decision-making regarding transfer of important employees
- Establishment, revision or abolition of important rules
- Evaluation of effectiveness of the Board of Directors
- Decision-making regarding acquisition and sale of real estate
- Reporting of status of intellectual property right

Composition by type of content of agenda for meeting of the Board of Directors

(by number of cases)

Evaluation of effectiveness of the Board of Directors

For the purpose of continuing to improve its roles and functions, the Board of Directors of the Company implemented an evaluation of the effectiveness of the Board for FY2022. An outline is provided below.

Evaluation method

An evaluation questionnaire containing eight items and 38 questions shown in Table 1 was conducted for all directors and Audit & Supervisory Board members. For each question, close-end, three-choice answers based on a quantitative evaluation and open-ended response were collected.

In FY2022, in addition to 36 questions that were the same as those in the previous year, two new questions of "cooperation between Audit & Supervisory Board members and outside directors" and "cooperation among independent outside directors" were asked. Questionnaire results were tallied and analyzed by the secretariat of the Board of Directors and reported to the Board. The Board discussed on evaluation results at a meeting held in June 2023.

Summary of evaluation results

The Board of Directors of the Company evaluated that the effectiveness of the Board was secured in FY2022. This is because 93.9% of respondents chose the answer "1. Yes" to each question asking if the Board is effective.

Moreover, with respect to the three items in Table 2, the number of respondents who chose the answer "1. Yes" increased by more than three compared to the previous year, showing an improvement.

However, with respect to the five items in Table 3, the number of respondents who chose the answer "1. Yes" was less than 14 (less than 80%), indicating that these items needed improvement. Based on the evaluation results, the Board of Directors of the Company aims to further improve the effectiveness of the Board.

May 2023
Questionnaire for all directors and Audit & Supervisory Board members
(three-level quantitative evaluation and open-ended response to all 38 questions)

May 2023
Tallying and analysis conducted by Secretariat

June 2023
Discussions by the Board of Directors based on evaluation results
(issue identification and determination of initiatives)

From July 2023
Commencement of initiatives based on decisions made

Table 1: List of evaluation items
(Number of questions in parentheses)

Matters regarding the Board of Directors	Composition of the Board of Directors (9 questions)
	Operation of the Board of Directors (7 questions)
	Role 1: Indication of overall direction (2 questions)
	Role 2: Framework for supporting management (2 questions)
	Role 3: Management oversight (8 questions)
	Framework for supporting directors and Audit & Supervisory Board members (1 question)
Self-evaluation, etc.	Self-evaluation (8 questions)
	Self-evaluation of the Board of Directors (1 question)

Table 2: Items evaluated as showing improvement

Item	Content evaluated
• Ratio of inside/outside members of the Board of Directors	The number and ratio of outside directors are appropriate.
• Successor plan	The Board of Directors appropriately oversees successor plans for chief executive officer, directors and executive officers.
• Access to information for directors	Directors proactively collect information in order to effectively perform their roles and responsibilities and request additional information from the Company, as necessary.

Table 3: Items evaluated as those requiring improvement

Item	Future initiatives
• Advance preparation, materials and presentation	To secure the time necessary for reviews, the Company will continue to ensure that provides materials that require careful reading in advance and will distribute materials early and at an appropriate timing.
• Cooperation between Audit & Supervisory Board members and outside directors	The Company will examine practical measures for creating communication opportunities.
• Cooperation among independent outside directors	The Company will examine practical measures for creating communication opportunities.
• Training opportunities	The Company will continue to work to produce practical proposals to improve training opportunities.
• Advice from outside professionals	The Company will examine the establishment of flows for receiving advice from and create opportunities for having dialogue with external professionals.

Director remuneration

The Company has a policy regarding the determination of the amount of remuneration, etc. for directors and corporate auditors and the method of calculation thereof, which is as follows.

Basic policy

The Company's basic policy is to link the remuneration, etc. of the Company's Directors to the interests of shareholders so that it will function as an incentive for the Company to continuously increase its corporate value, and to set the remuneration, etc. of individual Directors at an appropriate level based on the responsibilities of their respective positions. Specifically, the Company's basic policy is to structure the remuneration as follows: basic compensation (monthly remuneration); performance-linked remuneration, etc. (bonuses); and stock-based remuneration.

Policy for determining the amount of individual base (monthly) remuneration (including policy for determining the timing or conditions of granting remuneration, etc.)

The basic monthly remuneration for full-time directors of the Company shall be a monthly fixed remuneration, which shall be determined by the Board of Directors according to the base monthly amount it sets for the director's position and responsibilities, and the evaluation of each full-time director by the President & CEO within the range determined by the Board of Directors.

The basic monthly remuneration of non-executive directors of the Company shall be a fixed monthly remuneration, which shall be determined by the Board of Directors in a manner that is balanced with the remuneration of full-time directors.

Policy for determining the details and calculation method of the amount of performance-linked and non-monetary compensation, etc. (including policy for determining the timing or conditions of granting remuneration, etc.)

Performance-linked remuneration, etc. (such as bonuses) for full-time directors of the Company shall be monetary remuneration reflecting the key performance indicators (KPI) of the Group in order to raise awareness of the need to improve the performance of the Company for each fiscal year. The total amount calculated in accordance with the degree of achievement of consolidated operating profit, consolidated ordinary profit, or consolidated net income targets for each fiscal year, and an incentive amount determined in accordance with the incentive payment standards and based on operating profit of games and other products, shall be paid at a certain time each year, based on a resolution of the Board of Directors. Performance-linked remuneration, etc. (bonuses) for the Company's non-executive directors shall be monetary remuneration. Whether or not that remuneration will be granted shall be determined at a meeting of the Board of Directors to be held at a certain time each year in view of the status of the Company's profits. Amounts determined using base (monthly) remuneration as a reference shall be provided to the non-executive directors.

Non-monetary compensation for directors of the Company shall consist of subscription rights to shares as stock options, and shall be paid approximately once every two years by decision of the Board of Directors. Non-monetary remuneration, etc. for full-time directors shall be determined in consideration of their positions and performance. Non-monetary remuneration, etc. for part-time directors shall be determined based on their positions.

Policy on determining the ratio of the amount of base remuneration, performance-linked remuneration, or non-monetary remuneration, etc. for individual directors

The percentage of remuneration for each type of director shall be determined based on the base remuneration, using the remuneration levels of companies of a similar business size and in a related industry or business category to the Company as a reference. In addition, full-time directors will be paid performance-linked compensation (bonuses) to reinforce the relationship between corporate value and compensation, and the ratio of compensation other than base remuneration will increase for higher positions.

Determination of the details of remuneration, etc. for individual directors

The details and amount of individual remuneration shall be determined by a resolution of the Board of Directors. The Nomination & Remuneration Committee, of which at least half of the members are independent outside directors, shall deliberate on the matters submitted by the Board of Directors, and make reports and submit proposals to the Board of Directors. Finally, based on the reports and proposals of the Nomination & Remuneration Committee, the Board of Directors shall determine the individual remuneration of each director in accordance with their duties and responsibilities.

Table 1: Total amount of remunerations by type, and number of directors applicable for each category of directors (FY2022)

Category	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)					Number of eligible Directors and Audit & Supervisory Board members
		Basic remuneration	Stock options	Bonuses	Other	Non-monetary compensation, etc.	
Directors (excluding outside directors)	764	418	18	326	1	18	8
Audit & Supervisory Board members (excluding Outside Audit & Supervisory Board members)	13	12	–	1	0	–	2
Outside officers	55	44	6	3	0	6	7

Table 2: Total amount of remuneration, etc. of persons whose total amount is ¥100 million or more (FY2022)

Name	Executive classification	Amount of remuneration, etc. by type (millions of yen)					Total amount of remuneration, etc. (millions of yen)
		Basic remuneration	Stock options	Bonuses	Other	Non-monetary compensation, etc.	
Keiko Erikawa	Director	81	2	83	0	2	168
Yoichi Erikawa	Director	92	3	94	0	3	190
Hisashi Koinuma	Director	79	3	80	0	3	163

Status of internal control systems

The Group has established and documented a comprehensive set of rules and regulations covering all aspects of its business operations, under which each director, officer, and employee performs his or her duties with authority and responsibility.

In addition, the Board of Directors has resolved the basic policy, as shown on the right, for the "systems to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and other systems to ensure the appropriateness of operations of the stock company", as stipulated in Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Companies Act, and is working to improve the internal control system.

1. System to ensure that the execution of duties by officers and employees of the Group is in compliance with laws and regulations and the Articles of Incorporation
2. System for the storage and management of information related to the execution of duties by the Company's directors
3. Regulations and other systems for managing the risk of loss of the Group
4. System to ensure the efficient execution of duties by directors and other officers of each Group company
5. System for reporting to the Company concerning the execution of duties by directors, etc. of the Company's subsidiaries
6. System to ensure the appropriateness of Group business operations
7. Matters concerning employees who are requested by the Company's Audit & Supervisory Board to assist them in their duties, matters concerning the independence of such employees from directors of the Company, and matters concerning the effectiveness of instructions given to such employees
8. System for Group officers and employees to report to the Audit & Supervisory Board members and other systems for such reporting
9. System to ensure that a person who makes a report to the members of the Audit & Supervisory Board of the Company will not be treated disadvantageously as a result of such report
10. Matters concerning procedures for prepayment or reimbursement of expenses incurred in the performance of duties by the members of the Audit & Supervisory Board of the Company and other matters concerning policies for the treatment of expenses or liabilities incurred in the performance of such duties
11. Other systems to ensure that the Company's Audit & Supervisory Board audits are conducted effectively
12. Basic policy on elimination of antisocial forces and improvement status

Status of risk management system

The Company has appointed the director in charge of compliance as the person in overall charge of risk management, and has also established a Risk Management Committee to centrally manage risks throughout the Company, thereby ensuring information exchange, mutual cooperation, accurate judgments, and prompt responses among related departments. Specifically, matters and information related to business execution risks are reported at regular meetings, and upon determining whether the reported matters and information may have a significant impact on the Company's survival, a task force is established as necessary to investigate, respond to, and consider and implement necessary measures to prevent recurrence. These matters are reported to and approved by the Board of Directors, and a system is in place to instruct internal and external parties to take necessary actions, report to relevant organizations, and promptly disclose information.

Cultivation of future executives

The Company positions the cultivation of future executives as an important management issue. It is a basic policy that an employee who joins the Company shall build his or her professional career through game development first as a creator, work his or her way up to team leader, producer and division head, and finally become a person who will drive the future growth of the Company as a member of the management team.

Employees of the Company who are involved in game development are required to have both the potential to create new entertainment that has never been seen before as creators and the potential to lead initiatives toward a successful business by controlling quality, delivery timeline, and budget and by managing the development team. Under our personnel system, employees who create new fun and produce substantial results are highly evaluated. Those who are highly skilled in the field of management are proactively selected and are encouraged to climb the career ladder by gradually expanding their management scope.

The Company considers the management of game development teams to be corporate management itself. It consists of strict control of quality, delivery timeline, and budget and game development through team efforts toward a successful business. Through training programs, employees acquire the knowledge needed for management at different career stages, so that they can build a skillset appropriate for managers. Through these initiatives, the Company fosters personnel who support its long-term growth.

Moreover, the Company pursues initiatives to foster successors by promoting the delegation of authority to next generation management teams.

Business risks

Matters that may have a significant effect on investors' decisions include the following. Forward-looking statements in the text are based on the judgment of the Company as of the end of the consolidated fiscal year under review.

The Company's policy is to recognize the possibility that these risks may occur and to endeavor to avoid their occurrence and to respond to them if they do occur. However, investment decisions concerning the Company should be made after careful consideration of this section and other items mentioned herein. Please note that the following description is not an exhaustive list of all the risks associated with an investment in the Company.

❶ Changes in the market environment

In the game industry, the platforms that provide content are becoming more diverse and sophisticated, while technological innovation and user preferences are rapidly changing, and new products and services are being introduced in response to these changes. In recent years, competition with other entertainment businesses, including those based around the Internet, has intensified. The Company's policy is to differentiate itself from its competitors and ensure stable profitability by flexibly responding to rapid technological innovation and developing and selling highly original, high-quality content in a timely manner. However, inadequate response to changes in the market environment could affect the Company's operating results and business development.

❷ Short-term fluctuations in operating results due to timing of product launches

The Company strives to achieve its annual performance targets by reducing its dependence on specific title through the creation of new titles and by thoroughly managing its development schedule with an eye to optimal product launch timing. However, natural disasters, market trends, or unavoidable changes in development schedules could affect the Company's business performance and financial position due to fluctuations in the timing of product launches.

❸ Overseas business expansion

The Company is actively pursuing business development overseas, and thus the occurrence of risks due to laws and regulations, political and social conditions, and exchange rate fluctuations in each country may affect the Company's business performance and financial position.

❹ Management of personal information

The Company acquires users' personal information and pays careful attention to managing that information. However, issues such as leakage of personal information may affect the Company's business performance and financial position.

❺ Intellectual property rights

The Company endeavors to protect the intellectual property rights it holds from infringement by others. And the Company takes sufficient care to ensure that its products and services do not infringe on the intellectual property rights of others. However, if any doubt or dispute arises with a third party regarding the possibility of infringement, the Company's business performance and financial position may be affected.

❻ Legal regulations

The Amusement Segment is regulated by the Act on Control and Improvement of Amusement Business and related government ordinances and regulations. In the future, if these laws and regulations are significantly revised or abolished, or if new laws and regulations are enacted or enforced, the Company's business performance may be affected.

❼ Holding of marketable securities

The Company holds cash and cash equivalents and marketable securities with high liquidity in order to invest in the Entertainment Segment and other development and business investments. These assets are invested in domestic and foreign stocks and bonds, etc. to ensure safe and efficient fund management. Investment decisions and portfolio settings are made in accordance with internal rules based on internal controls to manage risk. In the event of sudden fluctuations in the stock and bond markets, foreign exchange rates, or economic conditions, impairment or valuation losses on marketable securities held by the Company may occur, which may affect the Company's business performance and financial position.

❽ Information systems

The Company is committed to the proper management and efficient operation of the information systems necessary for its business operations. The inability of information systems to function due to unexpected computer viruses, cyberattacks, software or hardware failures, or disasters could affect the Company's business performance.

On Becoming a Company that People Aspire to Invest in

As outside directors, we aim to consider what we can do for each shareholder and realize governance that allows us to offer suggestions from every perspective.

Outside Director
Masao Tejima

Masao Tejima, who previously worked at Hakuhodo Inc., currently holds the position of President and CEO at T & T Corporation. He joined KOEI TECMO as an outside director in June 2014 and has since played a key role as a member of the Nomination & Remuneration Committee and Chairperson of the Special Committee.

Outside Director
Fumiko Hayashi

Fumiko Hayashi, who has held various positions including Chairperson and CEO of The Daiei, Inc. and Mayor of Yokohama City, joined KOIE TECMO as an outside director in June 2022. She currently serves as a member of the Nomination & Remuneration Committee and the Special Committee.

Outside Director
Michiaki Ogasawara

Michiaki Ogasawara, who previously served as Vice-Minister of the Ministry of Internal Affairs and Communications, joined KOEI TECMO as an outside director in June 2021. He currently serves as a member of the Nomination & Remuneration Committee and the Special Committee.

First, please share your thoughts on current challenges and issues in the governance structure.

Hayashi: Our evaluation suggests that the governance and compliance systems at KOEI TECMO are operating at a notably high level when compared to companies of a similar scale. This observation can be attributed, in part, to the fact that both the Chairperson and President are from the founding family, which has fostered a robust commitment in this area. Furthermore, the Company prioritizes employees and upholds a transparent and equitable compensation system, a commendable practice.

Ogasawara: KOEI TECMO can be described as an owner-operated company, and the Company consistently receives favorable evaluations for its management performance. For instance, in FY2022, ROE exceeded an impressive 20%, and PBR, a key indicator on the Tokyo Stock Exchange (TSE), exceeded 5. What stands out is the Company's ability to achieve sustained and stable growth over the long term. Nevertheless, the rapid pace of technological advancement in information and communication technology (ICT) fields, such as artificial intelligence (AI), poses a growing challenge. The Company's key challenge lies in navigating these environmental changes and ensuring sustainable growth. Additionally, it's essential to strategize for the smooth management of generational transitions, a common concern for owner-operated businesses.

Hayashi: Regarding generational transitions, I believe that the Company's internal directors are meticulously considering personnel decisions. In the March 2023 Board of Directors meeting, there was the appointment of a substantial number of young executives. This reflects a commitment to nurturing the next generation of director candidates.

Tejima: With the Company's top leadership holding substantial stakes, it has the capacity to place shareholders at the center of its governance structure, a definite strength. This underscores the importance, as outside directors, of consistently assessing how we can comprehend the views and sentiments of minority shareholders, ensuring that the Company's management aligns with their interests. During the General Meeting of Shareholders, we are fortunate to have attendees who have long been avid supporters of the Company and take joy in becoming shareholders. We firmly believe that governance entails discerning the ways we can cater to the needs of each of these shareholders.

Ogasawara: The TSE has also been implementing various initiatives concerning protection of minority shareholders in listed subsidiaries. KOEI TECMO has established a process where a Special Committee, consisting of independent outside directors, can thoroughly review and examine certain issues or cases when necessary. Both top management and administrative departments firmly recognize the importance of preventing conflicts of interest, and I believe that this aspect is functioning effectively.

> “I have high expectations for the numerous talented individuals to build a platform centered on the idea of innovation over mere improvement through creative thinking as an important element of corporate culture and foster the power to create freely and without inhibition.”
>
> —— Masao Tejima

What are the necessary steps for improving and strengthening governance, and what roles do the three of you play in this regard?

Ogasawara: It’s worth highlighting that four of the five outside directors bring prior experience as company presidents to the table. Having such a high proportion of individuals with top executive experience is relatively uncommon in Japan, and it’s deserving of recognition. Additionally, within our Board of 12 directors, three are women, including Ms. Hayashi, which is a relatively high representation in the context of Japanese corporations. I believe that further inclusion of women would also be a positive development. Drawing on my extensive experience in public institutions, where I have addressed societal needs, I intend to actively offer insights aimed at achieving the alignment and harmony of economic and social values.

Tejima: The gaming industry is currently experiencing significant transformation. The primary distribution channel for game software is shifting from physical to digital. Additionally, gaming platforms have expanded, encompassing not only gaming consoles and PCs but also smartphones. Looking ahead, it’s increasingly important to consider metrics beyond how many items were sold. We are entering an era where metrics focused on user engagement and in-game interactions are gaining prominence. Alongside conventional metrics like physical copies, there has been a growing trend of questioning how to interpret these numbers, especially within the context of business on new platforms. Moreover, as these platforms expand, the gaming environment of users is rapidly evolving. People are engaging with games not just in traditional indoor settings but also in a variety of settings such as trains and other forms of public transportation. Understanding these diverse user experiences is crucial. I strongly encourage KOEI TECMO’s executives to actively explore how games are being enjoyed today. Recognizing that offering recommendations from this perspective is part of the role of outside directors, I aim to contribute in this regard as well.

Hayashi: I view my role as an outside director to be centered on offering recommendations from a customer-centric perspective, particularly given my unique background in retail among the five outside directors. I am eager to provide guidance and insights on comprehending the thoughts and emotions of each customer, along with strategies for integrating their viewpoints into our decision-making process, encompassing not just their perspectives but also the practical implementation steps. Through my past management experiences, I have come to realize that ultimately, it all comes down to people. I am committed to assisting in problem-solving to ensure a management approach that values both customers and employees alike.

How do you view the monitoring function, one of the roles expected of the outside directors?

Hayashi: Outside directors are now able to participate in the weekly management meetings. I feel that information is being provided and shared at a level that exceeds our expectations. At present, it can be said that the monitoring function is working well.

Ogasawara: I would certainly like to see a continuance of the system enabling outside directors to participate in the management meetings. The Board of Directors itself convenes approximately twice a month, totaling around 20 times a year. While this frequency may be slightly higher than what I’ve experienced in other companies, it is not inherently negative. Personally, I believe it would be beneficial to provide opportunities for not only deliberations within the Board of Directors but also discussions with department heads, occasional engagement with mid-level staff, and even seeking input from external experts. I view these additional avenues as valuable in enhancing the Board’s monitoring function.

Tejima: When I was first appointed as an outside director in 2014, for several years, the Board of Directors meetings were held on a weekly basis, allowing for fresh, real-time updates on the operational situation to be reported every week. Learning about the on-site perspectives and conditions in this manner has been tremendously valuable, and it greatly aids in making informed decisions during the Board of Directors meetings today. In conjunction with this background, the environment where outside directors, as mentioned by Ms. Hayashi and Mr. Ogasawara, can attend management meetings has enabled the current Board of Directors to engage in discussions with a sharp focus on governance and management. This outcome can be attributed to the collective framework that includes the appointment of outside directors.

Hayashi: When we examine the content of the proposals presented at the Board of Directors meetings, it is clear that they have been carefully thought out in advance and incorporate input from operational teams. Nevertheless, the outside directors will still offer their critical opinions, which means the quality of the discussions is exceptionally high.

In regard to KOEI TECMO's growth strategy, what are your thoughts on the human resource strategy and promotion of digital transformation (DX)?

Ogasawara: Societal awareness of the importance of DX has significantly increased following the COVID-19 pandemic. Across various industries, there is a growing demand for top-tier IT talent. As a result, societal recognition and economic incentives for such talent have notably improved. Recognizing this, it is a prudent move for the Company to take this situation as a sense of crisis and seek to welcome the talents with industry-leading compensation. However, it's obvious that talent acquisition cannot rely solely on compensation. In addition to competitive remuneration, it is imperative that KOEI TECMO's products are highly regarded by customers and that the Company's vision and purpose strike a chord with society. To successfully attract and retain top-tier talent, a robust and ethical management approach remains indispensable.

Tejima: I believe KOEI TECMO provides an environment conducive to the growth of young employees. Therefore, what becomes crucial is to give the young employees an extra push to help them achieve higher, by showing them the path and the view from higher up as well as the destination. I hope that the executives and section leaders who have shared the journey with the current managers, can inspire young employees even more to strive for the Company's goals, drawing from the experiences and insights they have gained along the way.

Hayashi: I am concerned about the fact that, although to a limited extent, employees who have been with the Company for about three years have left. When comparing KOEI TECMO's turnover rate, which stands at 5.4%, to the average turnover rate of 31.5% for Japanese companies among third-year employees*, it is clear that we are significantly below the industry norm. However, upon closer examination, it appears that some employees may be enticed to leave for other opportunities, possibly due to more favorable compensation packages. While job satisfaction is not solely determined by salary and benefits, I believe it's essential to thoroughly investigate and consider the underlying factors and true reasons for the outflow of human resources. For instance, if the issue lies with internal communication, it may indicate that there is a need for more comprehensive education and training for middle managers overseeing many of our engineers. If the top-level vision isn't effectively communicated to middle managers, it is indeed a cause for concern.

Ogasawara: In recent years, an increasing number of new employees in Japan are registering on job transition websites shortly after joining a company, suggesting a shift in the mindset of the younger generation. It is crucial to thoroughly analyze the reasons behind their departures and implement necessary measures to address these trends. Moreover, it is equally important to foster an environment where people from other companies are inclined to join KOEI TECMO, and even individuals who have previously left the Company are enticed to return.

Tejima: As Ms. Hayashi is concerned, it is crucial to reconsider the connection between top managers and the younger to mid-career employees. In companies like KOEI TECMO, which continue to experience rapid growth under the leadership of the founder, who also holds the position of chairman or president, the thoughts and intentions of top management often stem from the founder's unique abilities. For employees who do not directly work with the founder, conveying these thoughts and intentions can be challenging. Hence, I strongly believe that having someone capable of "translating" the thoughts of top management is of utmost importance for effectively reaching a broader audience of employees. I am confident that achieving this capability will not only facilitate human resource development but also drive forward our DX initiatives, contributing to our sustainable growth.

In closing, please share your thoughts on what is most important for improving KOEI TECMO's corporate value.

Ogasawara: I believe that what has the greatest impact on corporate value is the potential for sustained growth. In the future, to effectively respond to the rapidly evolving societal changes, it will be increasingly important to foster diversity within the organization. In KOEI TECMO, there exists an ideal career path that benefits both the Company and its employees, where dedicated game fans join as employees, build their skills while contributing to the business, and eventually ascend to executive positions. In the future, it may be important to provide multifaceted career paths that accommodate not only gender, age, and nationality diversity but also individuals with advanced expertise and experience from various fields. These aspects represent different dimensions that must be considered in planning for the development of future managers in the Company. In any case, the acquisition, development, and retention of exceptional human resources are of utmost importance in management. We, as outside directors, are committed to providing strong support in this regard.

> "To effectively respond to societal changes, it will be increasingly important to foster diversity within the organization."
>
> —— Michiaki Ogasawara

* A survey conducted by the Ministry of Health, Labour and Welfare in 2022 found that the job turnover rate within three years of university graduation was 31.5%.

> “I hope that all employees take pride in the fact that we are making something that can make people smile.”
>
> —— Fumiko Hayashi

Tejima: Cultivating the ability to drive transformation is also vital for the Company’s future success. For example, Apple Inc. in the United States has continued to thrive as a world-class company, even under new leadership, by building upon the philosophy of its founder, Steve Jobs, and the company’s core values. I believe one reason this was possible is that Apple Inc. had a “platform” in place that enabled successive managers to drive innovation. An emblematic example of this is to remove the previously standard-equipped headphone jack-from iPhone 7 models onwards. This sentiment elicited dissatisfaction from many people, and I’m one of them. However, this innovation catalyzed the rapid proliferation of the existing “Bluetooth” technology, leading to explosive growth in various markets such as smartphone-centered music, communications, and entertainment. It also gave rise to entirely new markets and opportunities. Such a bold innovation as this is something that, perhaps, would have been impossible for traditional Japanese companies. I believe that Apple has not only created products and services but has also established a “platform” as a corporate culture where successors can drive innovation.

Top managers at KOEI TECMO, I believe, are also the people who have been creating a unique corporate culture, which can be seen as its own “platform” for innovation. The Company possesses a unique field and a dedicated fan base that sets it apart from others. I believe that the Company has the power to bring about a transformation in the game market, akin to how Apple replaced the headphone jack with “Bluetooth,” albeit in a different form and context. I strongly encourage everyone to come together and collectively embrace this challenge.

Hayashi: During my time in the private sector, I was consistently involved in retailing and had the experience of being a CEO in both unlisted and publicly traded companies. While KOEI TECMO’s position may differ from retail, there is a common thread in terms of a shared desire to deliver better products and services to users and customers. Games have the potential to bring significant vibrancy to people’s lives. I hope that all employees take pride in the fact that we are making something that can make people smile. As an outside director, I am committed to ensuring that such passion and pride will firmly bear fruit in the games KOEI TECMO creates.

Tejima: Our role involves expressing opinions on various matters, even including those that may be harsh. But in essence, the five outside directors share the common aspiration for the Company being recognized as outstanding and appealing, both in terms of its business and as an investment opportunity. To achieve this vision, we remain committed to putting forth our utmost efforts.

Directors and Audit & Supervisory Board Members (As of October 1, 2023)

Directors

Chairperson
(Representative Director)

Keiko Erikawa

January 3, 1949

July 1978	Senior Executive Director, KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.)
April 2009	Director, the Company
June 2013	Chairperson (Representative Director), the Company (current position)
June 2014	Board Director, TECMO KOEI EUROPE LIMITED (currently known as KOEI TECMO EUROPE LIMITED) (current position)
April 2015	Chairperson Emeritus (Director), KOEI TECMO GAMES CO., LTD. (current position)
April 2020	Chairperson (Representative Director), KOYU HOLDINGS CO., LTD. (current position)
January 2021	Chairperson Emeritus (Director), KOEI TECMO WAVE CO., LTD. (current position) Chairperson Emeritus (Director), KOEI TECMO NET CO., LTD. (current position)
June 2021	Outside Director, SoftBank Group Corp. (current position)

Since the foundation of KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.), Keiko Erikawa has endeavored to develop the Company and strengthen the management base as manager and financial officer. Moreover, she has been endeavoring to improve the personnel system and welfare and foster human resources. She has also been driving the promotion of women's participation in the Company by creating the world's first game targeting women and launching the Ruby Party brand for multimedia development while striving to improve the status and develop the entire game industry through various industry organizations.

President & CEO
(Representative Director)

Yoichi Erikawa

October 26, 1950

July 1978	President (Representative Director), Established KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.)
April 2009	Director, the Company
November 2010	President & CEO (Representative Director), the Company (current position)
November 2015	President (Representative Director), KOYU HOLDINGS CO., LTD. (current position)
April 2018	Chairman Emeritus (Director), KOEI TECMO WAVE CO., LTD. (current position) Chairman (Representative Director), KOEI TECMO NET CO., LTD. (current position)
April 2020	Board Director Chairman and CEO, KOEI TECMO AMERICA Corporation (current position) Board Director Chairman and CEO, KOEI TECMO EUROPE LIMITED (current position)
April 2021	Chairman (Representative Director) (CEO), KOEI TECMO GAMES CO., LTD. (current position)

Since the foundation of KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.), Yoichi Erikawa has provided strong leadership and led the development of the Company as manager. In addition, he created a lot of video games representing the Company group including "Nobunaga's Ambition" and "Romance of the Three Kingdoms" as video game producer KOU SHIBUSAWA, and has endeavored to improve the corporate value of the Company as an entertainment company. He is a manager with abundant experience in management and an exceptional video game producer. He is focusing on the development and further improvement of corporate value of the Company.

Executive Vice President
(Representative Director)

Hisashi Koinuma

October 2, 1971

April 1994	Joined KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.)
June 2009	Executive Officer, the Company
April 2018	Chairman (Representative Director), KOEI TECMO WAVE CO., LTD. (current position) President (Representative Director), KOEI TECMO NET CO., LTD. (current position)
April 2020	Board Director President and COO, KOEI TECMO AMERICA Corporation (current position) Board Director President and COO, KOEI TECMO EUROPE LIMITED (current position)
April 2021	Executive Vice President (Representative Director), the Company (current position) President (Representative Director) (COO), KOEI TECMO GAMES CO., LTD. (current position)

After joining KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.), Hisashi Koinuma has gained field experience as video game developer and led the entertainment business, which is the Company group's core business, by developing video games representing the Company group including the "Warriors" series and producing collaborative products using the IP of other companies. As a talented leader for the next generation management team, he is focused on the development and further improvement of corporate value of the Company.

Director

Yosuke Hayashi

February 9, 1979

April 2001	Joined TECMO, LTD.
April 2010	Executive Officer, KOEI TECMO GAMES CO., LTD.
June 2018	Director, the Company (current position)
April 2021	Executive Vice President (Director), KOEI TECMO GAMES CO., LTD. (current position)

After joining TECMO, LTD. Mr. Yosuke Hayashi has gained field experience as a video game developer and recently led the Entertainment Division engaged in the development of major titles including "Nioh" series, and significantly contributed to create and develop global IPs. As a talented leader for the next generation management team, he is focused on the development and further improvement of corporate value of the Company.

Director, Senior Executive Officer
and CFO

Kenjiro Asano

July 24, 1960

May 2002	Joined KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.) Executive Officer, KOEI Co., Ltd.
January 2008	Board Director, KOEI Corporation (currently known as KOEI TECMO AMERICA Corporation) (current position)
April 2009	Executive Officer and CFO, the Company
April 2017	Director, KOEI TECMO GAMES CO., LTD. (current position)
June 2018	Director, Senior Executive Officer and CFO, General Manager of Business Administration Division, the Company (current position)

After joining KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.), Kenjiro Asano has gained experience and achieved satisfactory results mainly as person responsible for the administrative department and, after the management integration, supported the management of the Company as CFO. As the CFO and General Manager of Business Administration Division, he is focused on the development and further improvement of corporate value of the Company.

Director & Managing
Executive Officer CSuO

Mei Erikawa

April 30, 1976

June 2010	Audit & Supervisory Board Member, KOEI TECMO GAMES CO., LTD.
July 2013	Director, KOEI TECMO GAMES CO., LTD. (current position)
June 2015	Director, the Company (current position)
April 2020	Senior Director, KOYU HOLDINGS CO., LTD. (current position)
October 2022	Deputy-president (Representative Director), KOYU HOLDINGS CO., LTD. (current position)
April 2023	Director, Managing Executive Officer, Deputy General Manager of Business Administration Division, the Company Director, Managing Executive Officer, KOEI TECMO GAMES CO., LTD. (current position)
October 2023	Director, Managing Executive Officer, Deputy General Manager of Business Administration Division, and CSuO, the Company

Mei Erikawa has gained experience in management as Director of the Company and KOEI TECMO GAMES CO., LTD. and led Ruby Party and endeavored to develop IPs in many fields as a person responsible for the development of video games and planning and operation of events mainly targeted at women. With a woman's perspective, she will continue to contribute to the Company's business expansion and female advancement in the Group.

Director & Advisor

Yasuharu Kakihara

December 30, 1970

June 2001	Audit & Supervisory Board Member, TECMO, LTD.
March 2007	Chairperson (Representative Director), TECMO, LTD.
April 2009	Chairperson (Representative Director), the Company
June 2013	Director & Advisor, KOEI TECMO GAMES CO., LTD. (current position) Director & Advisor, the Company (current position)

Yasuharu Kakihara has experience and achieved results as Chairman (Representative Director) of the Company and KOEI TECMO GAMES CO., LTD. As a corporate manager who had successively worked in different important posts at the Company and the Group companies, he works to provide advice on management and oversees the management of the Company.

Directors and Audit & Supervisory Board Members (As of October 1, 2023)

Outside Directors

Director
Masao Tejima
November 18, 1957

April 1982	Joined Hakuhodo Inc.
February 2001	President (Representative Director) CEO, T&T Corporation (current position)
June 2014	Outside Director, the Company (current position)
May 2015	Outside Director, zetton Inc. (current position)
July 2017	Outside Director, LIVNEX CO., LTD. (current position)
May 2022	Director, zetton Inc. (current position)

Masao Tejima has been involved in the digital realm from the earliest stages of related businesses, established a number of businesses in the fields of IT and marketing, and also engaged in the management and public offering of companies listed on the NASDAQ as a member of management at the head offices of three U.S. companies, and successively worked in different important posts such as representing the Japanese corporations of such companies. He works to provide advice on management and supervise the management of the Company from a practical and multilateral perspective utilizing his abundant experience and broad knowledge as a global manager.

Director
Hiroshi Kobayashi
April 5, 1957

April 1980	Joined Nomura Securities Co., Ltd.
April 1991	Director, SQUARE CO., LTD. (currently known as SQUARE ENIX, Co., Ltd.)
September 2000	President (Representative Director), DWANGO Co., Ltd.
June 2015	Outside Director, the Company (current position)

Hiroshi Kobayashi successively worked in different important posts in the ever-changing entertainment industry for a long time. He works to provide advice on management and supervise the management of the Company utilizing his abundant experience and broad knowledge as a manager.

Director
Tatsuo Sato
September 18, 1952

May 1986	Director, Kadokawa Media Office K.K.
October 2014	Representative Director and President, KADOKAWA DWANGO CORPORATION (currently known as KADOKAWA CORPORATION)
June 2015	Representative Director and Chairperson, KADOKAWA DWANGO CORPORATION
April 2016	President, KADOKAWA DWANGO Educational Institute
June 2018	Outside Director, the Company (current position)

Tatsuo Sato has successively worked in different important posts in the KADOKAWA Group, an integrated entertainment business group, for a long time. In 2016, he took office as President of KADOKAWA DWANGO Educational Institute and has focused on the operation of the school and education of students. He works to provide advice on management and supervise the management of the Company utilizing his abundant experience and broad knowledge as a manager.

Director
Michiaki Ogasawara
January 29, 1954

April 1976	Joined Ministry of Posts and Telecommunications (currently known as Ministry of Internal Affairs and Communications)
September 2012	Vice-Minister for Internal Affairs and Communications
June 2015	Outside Director, Daiwa Securities Group Inc.
June 2021	Outside Director, the Company (current position)
June 2022	Chairperson of the Board, The Yu-cho Foundation (current position)

Michiaki Ogasawara has been engaged mainly in the administration of information and communication in the Ministry of Internal Affairs and Communications, and has successively worked in important posts such as Vice-Minister for Internal Affairs and Communications over years. He works to provide advice on management of the Company regarding legal affairs and compliance and supervise the management of the Company.

Director
Fumiko Hayashi
May 5, 1946

February 1999	President (Representative Director), Fahren Tokyo K.K. (currently Volkswagen Japan Sales K.K.)
August 2003	President, BMW Tokyo Corp.
May 2005	Chairperson and CEO, The Daiei, Inc.
June 2008	President (Representative Director), Tokyo Nissan Auto Sales Co., Ltd. (currently Nissan Tokyo Sales Co., Ltd.)
August 2009	Mayor of the City of Yokohama
April 2014	President, Mayors Association of Designated Cities
June 2022	Outside Director, the Company (current position), Outside Director Nojima Corporation (current position)
September 2022	Outside Director, TAIYO CONSTRUCTION CO.,LTD. (current position)

Fumiko Hayashi has experience in being involved in municipal administration for many years such as assuming office as the first female president of the Mayors Association of Designated Cities. In addition, she has directed market development and business enhancement of domestic and overseas automobile brands in the significantly changing automotive industry by utilizing her managerial experience. She has also successively held important positions such as serving as corporate representative of automotive sales companies. She works to provide advice about and supervise the Company's promotion of diversity and sustainable growth by utilizing her abundant experience and broad knowledge as an administrator and with a unique perspective as a female executive.

Audit & Supervisory Board Member

Audit & Supervisory Board Member (Full-time)
Seinosuke Fukui
November 10, 1953

June 1988	Joined KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.)
June 2009	Executive Officer, the Company
June 2017	Full-Time Audit & Supervisory Board Member, the Company (current position) Audit & Supervisory Board Member, KOEI TECMO GAMES CO., LTD. (current position) Audit & Supervisory Board Member, KOEI TECMO NET CO., LTD. (current position) Audit & Supervisory Board Member, KOEI TECMO WAVE CO., LTD. (current position)

Audit & Supervisory Board Member (Full-time) (Outside)
Masaki Kimura
December 1, 1958

February 1988	Joined The Bank of Yokohama, Ltd.
June 2014	Audit & Supervisory Board Member (Full-time), the Company (current position)
January 2023	Audit & Supervisory Board Member (Full-time), KOEI TECMO GAMES CO., LTD. Audit & Supervisory Board Member, KOEI TECMO GAMES CO., LTD. (current position) Audit & Supervisory Board Member, KOEI TECMO NET CO., LTD. (current position) Audit & Supervisory Board Member, KOEI TECMO WAVE CO., LTD. (current position)

Audit & Supervisory Board Member
Satoru Morishima
January 2, 1947

December 2000	Joined KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.)
April 2009	Audit & Supervisory Board Member (Full-time), the Company
June 2017	Audit & Supervisory Board Member, the Company (current position)

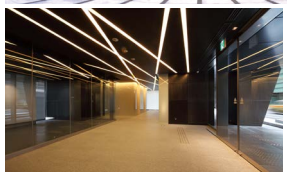
Audit & Supervisory Board Member
Kengo Takano
August 10, 1957

April 1980	Joined The Bank of Yokohama, Ltd.
June 2019	Outside Audit & Supervisory Board Member, YOKOHAMA GYORUI CO., LTD. (to present) Outside Audit & Supervisory Board Member, ATSUGI CO., LTD.
June 2021	Audit & Supervisory Board Member, the Company (current position)

Directors and Audit & Supervisory Board Members (As of October 1, 2023)

Skill matrix of director

Name	Position	Gender	Key experience and expertise							
			Corporate management	Governance/ risk management	Finance/ accounting	SDGs/ sustainability/ diversity	Entertainment business		Amusement business	Real estate business
							Creation of IP	Expansion of IP	Amusement facilities/ Pachinko & Pachislot	Real estate management/ operation
Keiko Erikawa	Chairman (Representative Director)	Female	●	●	●	●	●	●		●
Yoichi Erikawa	President & CEO (Representative Director)	Male	●	●	●	●	●	●		●
Hisashi Koinuma	Executive Vice President (Representative Director)	Male	●	●		●	●	●	●	
Yosuke Hayashi	Director	Male	●	●		●	●	●		
Kenjiro Asano	Director Senior Executive Officer and CFO	Male	●	●	●	●				●
Mei Erikawa	Director Managing Executive Officer and CSuO	Female	●	●		●	●	●		●
Yasuharu Kakihara	Director & Advisor	Male	●	●		●				
Masao Tejima	Outside Director (independent)	Male	●			●				
Hiroshi Kobayashi	Outside Director (independent)	Male	●	●		●				
Tatsuo Sato	Outside Director (independent)	Male	●	●		●				
Michiaki Ogasawara	Outside Director (independent)	Male		●		●				
Fumiko Hayashi	Outside Director (independent)	Female	●	●		●				



10-Year Financial Summary

(Millions of yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	**FY2022**
Fiscal year										
Net sales	37,576	37,799	38,332	37,034	38,926	38,968	42,645	60,370	72,759	**78,417**
Operating profit	7,140	9,652	11,069	8,781	11,711	12,092	14,102	24,397	34,527	**39,133**
Ordinary profit	10,728	13,568	15,755	15,211	18,293	18,307	18,869	39,299	48,696	**39,899**
Profit before income taxes	10,691	13,715	15,573	15,211	18,293	18,307	20,247	39,174	48,638	**39,963**
Profit attributable to owners of parent	6,936	9,434	10,855	11,624	13,017	13,694	15,306	29,550	35,359	**30,935**
Capital investment	1,862	4,858	432	8,669	3,853	240	14,630	1,542	1,375	**802**
Depreciation and amortization expenses	894	921	846	714	701	734	752	1,615	1,571	**1,643**
R&D expenses*	4,978	4,882	5,891	6,081	4,705	4,813	5,492	7,628	4,839	**7,421**

* R&D expenses: Starting from the FY2023 1st quarter, we review the scope of R&D expenses included in general and administrative expenses and manufacturing expenses for the current period. R&D expenses are calculated on assuming that the scope was revised in fiscal 2013.

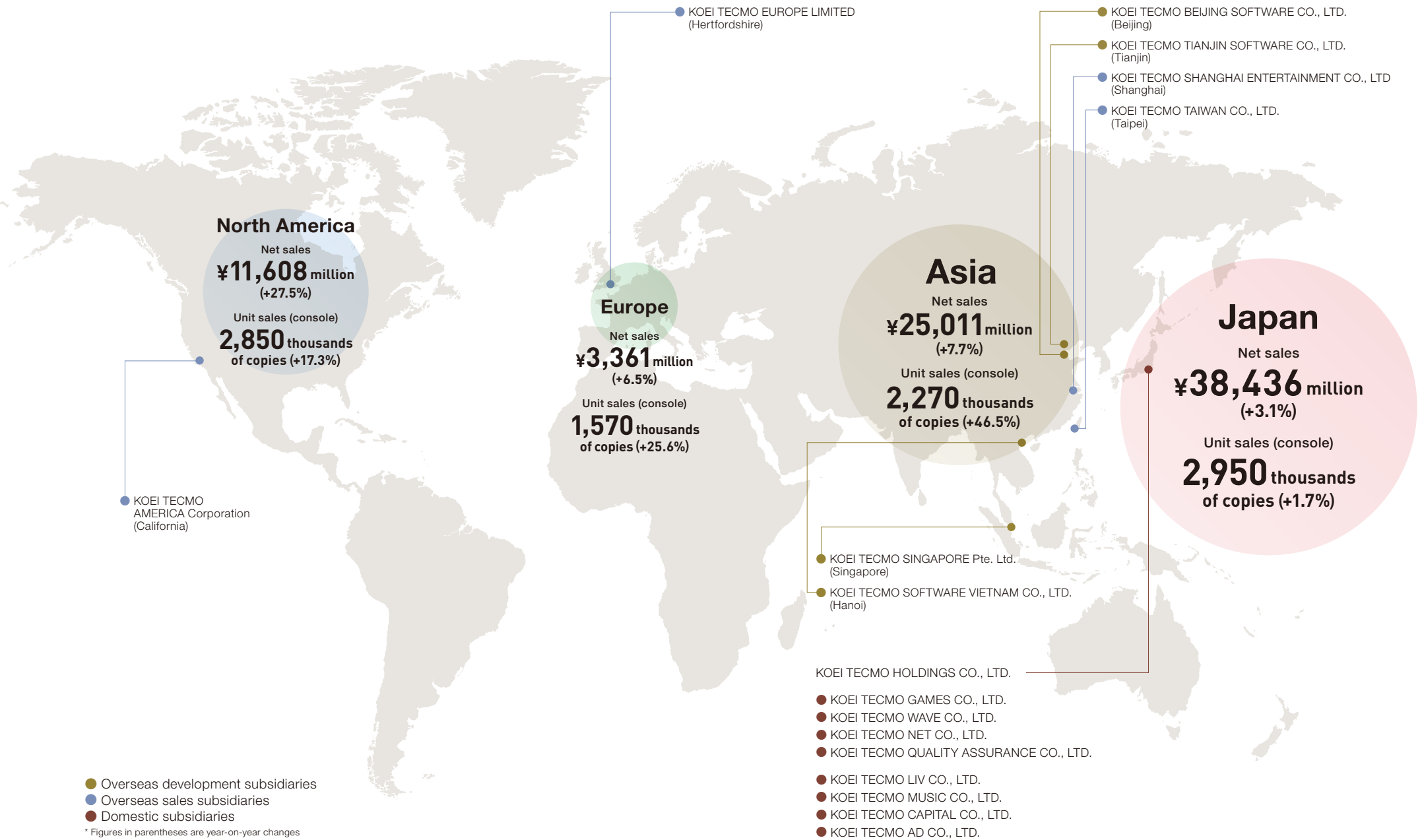
End of fiscal year										
Total assets	100,622	115,216	110,925	119,461	128,594	129,192	147,793	190,671	219,803	**210,889**
Net assets	88,788	100,672	98,706	106,516	116,242	119,284	122,346	165,129	138,101	**142,684**
Cash flows										
Cash flows from operating activities	7,265	10,357	10,935	9,890	10,389	9,597	9,748	29,726	24,819	**29,692**
Cash flows from investing activities	(8,585)	(7,579)	(6,138)	(3,935)	(9,984)	(1,496)	(10,496)	(12,291)	(13,168)	**(21,394)**
Cash flows from financing activities	(2,787)	(3,045)	(4,746)	(5,082)	(5,533)	(7,730)	6,906	(19,396)	(4,561)	**(16,588)**
Free cash flows	(1,320)	2,777	4,797	5,955	405	8,101	(747)	17,434	11,650	**8,298**
Cash and cash equivalents at end of period	11,764	11,874	11,270	11,745	6,540	6,968	12,803	11,439	19,503	**11,733**
Per share information										
Net profit per share (yen)	21.33	28.94	33.10	35.41	39.50	41.54	46.48	89.34	107.28	**98.20**
Net assets per share (yen)	272.62	306.92	300.22	322.85	351.13	361.70	369.33	496.15	437.16	**450.72**
Dividends per share (yen)	40.00	55.00	52.00	56.00	62.00	55.00	61.00	117.00	108.00	**50.00**
Dividends per share (after stock split adjustment)	10.68	14.69	16.67	17.95	19.87	21.15	23.46	45.00	54.00	**50.00**
Dividend payout ratio (%)	50.1	50.8	50.4	50.7	50.3	50.9	50.5	50.3	50.3	**50.9**

Note: The Company implemented a 1.2-for-1 common stock split on October 1, 2015, a 1.2-for-1 common stock split on October 1, 2018, a 1.3-for-1 common stock split on April 1, 2021, and a 2-for-1 common stock split on October 1, 2022.
Net profit per share, net assets per share, and dividends per share (after stock split adjustment) are calculated on the assumption that the said stock split was implemented at the beginning of fiscal 2013.

Other indicators										
Operating profit ratio (%)	19.0	25.5	28.9	23.7	30.1	31.0	33.1	40.4	47.5	**49.9**
ROE (Return on Equity) (%)	8.1	10.0	10.9	11.4	11.7	11.7	12.7	20.6	23.4	**22.1**
ROA (Return on Asset) (%)	11.0	12.6	13.9	13.2	14.8	14.2	13.6	23.2	23.7	**18.5**
Equity ratio (%)	88.2	87.3	88.8	89.0	90.1	92.0	82.5	86.4	62.6	**67.4**
Number of employees excluding temporary staff (average number of temporary staff)	1,455 (285)	1,497 (308)	1,570 (305)	1,654 (309)	1,737 (310)	1,757 (330)	1,835 (369)	1,983 (458)	2,063 (446)	**2,381 (493)**

Please refer to the URL for the graph. https://www.koeitecmo.co.jp/e/ir/finance/chart/

Global Business Expansion (as of March 31, 2023)



- Overseas development subsidiaries
- Overseas sales subsidiaries
- Domestic subsidiaries

* Figures in parentheses are year-on-year changes

Setting Materiality (Key Issues)

Direction of initiatives

Our purpose is to contribute to the fulfillment and enjoyment of people around the world through the creation of new value instilled within our products and services under the ethos of "Creativity & Contribution."

Materiality (key issues)

We have established five key issues that we will promote to contribute to the realization of a sustainable society and enhance our corporate values.

For more details on our sustainability initiatives, please access here.

https://www.koeitecmo.co.jp/e/sustainability/

People

See pages ▶ P19-27

Society

Governance

See pages ▶ P37-50

"Creativity & Contribution"

Products and services

Environment

What we can do

As a member of society, we are committed to academic promotion, regional and social contributions, and disaster relief.

● Vocational education activities and lectures

Lecturers are sent to local elementary and junior high schools every year as "*Machi no Sensei*."

University lectures are held on the latest technologies.

● Support for research activities

Supporting the FOST Awards to honor outstanding researchers

● Regional contribution through partnerships and local revitalization projects

Example of an education poster created in collaboration with Ashikaga City, using our IP

Delivering excitement to the world

We value intellectual properties and provide original products and services that leverage our strengths.

Protecting the environment for future generations

Our goal is to promote the conservation of energy and resources and conduct efficient, environmentally friendly business management. In fiscal 2022 we calculated our own greenhouse gas emissions.

● Introduction of energy-saving facilities and green innovations

A focus has been on making our new headquarters, KT Building, in Minato Mirai, Yokohama, a pleasant, green environment.

Non-Financial Data

Number of employees (consolidated)

FY2018	FY2019	FY2020	FY2021	FY2022
1,757	1,835	1,983	2,063	**2,381**

Average age (years)

FY2018	FY2019	FY2020	FY2021	FY2022
36.3	36.4	35.8	35.9	**35.8**

Ratio of persons leaving their jobs (full-time employee/contract employee) (%)

FY2018	FY2019	FY2020	FY2021	FY2022
5.6	4.9	3.1	4.2	**4.6**

Ratio of new employee 3 years later leaving their jobs (%)

FY2018	FY2019	FY2020	FY2021	FY2022
7.7	12.1	8.8	3.1	**5.4**

Ratio of mid-career recruitment (%)

FY2018	FY2019	FY2020	FY2021	FY2022
30.7	26.7	13.9	23.0	**21.9**

Ratio of foreign national employee through regular recruitment (%)

FY2018	FY2019	FY2020	FY2021	FY2022
11.4	11.4	15.9	14.1	**17.2**

Percentage of female employees taking childcare leave (%)

FY2018	FY2019	FY2020	FY2021	FY2022
100.0	100.0	85.7	88.9	**100.0**

Percentage of male employees taking childcare leave (%)

FY2018	FY2019	FY2020	FY2021	FY2022
37.5	50.0	41.9	80.8	**66.7**

Percentage of female employees (%)

FY2018	FY2019	FY2020	FY2021	FY2022
21.7	21.8	21.5	21.6	**21.7**

Ratio of days taken as paid annual leave (%)

FY2018	FY2019	FY2020	FY2021	FY2022
73.5	81.4	56.9	73.2	**85.4**

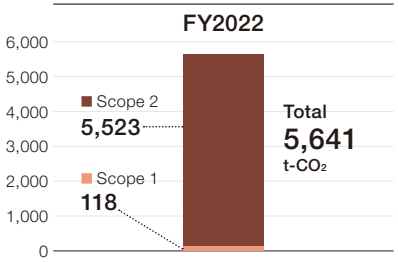
Number of days taken as paid annual leave per person (days)

FY2018	FY2019	FY2020	FY2021	FY2022
12.6	13.7	13.5	18.1	**21.2**

Average statutory overtime work (hours)

FY2018	FY2019	FY2020	FY2021	FY2022
12.3	11.2	12.7	13.8	**12.9**

CO_2 emissions (t-CO_2)



* Scope of calculation: Domestic and overseas consolidated subsidiaries
* Calculation period: April 2022 to March 2023
* Calculation criteria: Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (ver.2.5 Ministry of the Environment and Ministry of Economy, Trade and Industry Government of Japan)
* Excluded from calculation: Some locations with extremely low energy consumption (such as small businesses with 10 or fewer employees)
* Emission factor: For fuel and domestic electricity, we calculated by the emissions factor specified in the GHG emissions accounting, reporting, and disclosure system administered by Japan's Ministry of the Environment. For overseas electricity, we calculated by the emissions factor specified by each country's government or IGES (Institute for Global Environmental Strategies) CDM Project Database.

* Calculation scope: Full-time and contract employees of six domestic companies (KOEI TECMO HOLDINGS CO., LTD., KOEI TECMO GAMES CO., LTD., KOEI TECMO WAVE CO., LTD., KOEI TECMO NET CO., LTD., KOEI TECMO QUALITY ASSURANCE CO., LTD. and CWS Brains, LTD.)
The number of employees includes KOEI TECMO SOFTWARE VIETNAM CO., LTD. from FY2022.

Company Profile and Investor Information (as of March 31, 2023)

Company profile

Trade name KOEI TECMO HOLDINGS CO., LTD.
Capital ¥15 billion
Address Hiyoshi Offices：1-18-12 Minowa-cho, Kouhoku-ku, Yokohama, Kanagawa, 223-8503, Japan

Date of establishment April 1, 2009
Number of employees 2,381 Consolidated*
Business overview Group Management

* This is the number of full-time employees (excluding employees transferred outside the Group, and including employees transferred to the Group)

Investor information

Total number of authorized shares
Common stock: 700,000,000

Total number of shares issued
Common stock: 336,096,924 shares
(including treasury stock as of March 31, 2023)

Fiscal year April 1 to March 31 of the following year

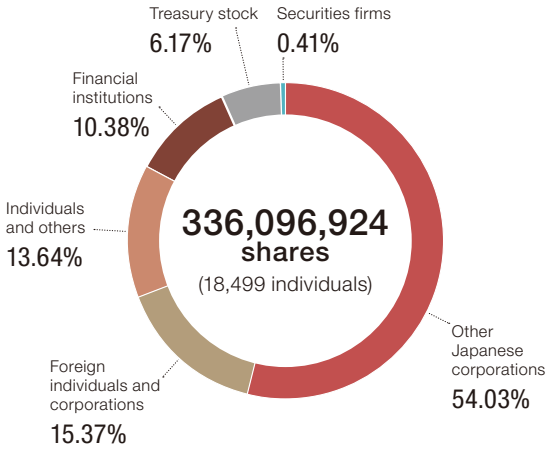
Number of shareholders 18,499

Securities code 3635 (Tokyo Stock Exchange, Prime Market)

Administrator of shareholder registry
Sumitomo Mitsui Trust Bank, Limited
4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Basic policy for shareholder returns
The Company regards the return of profit to shareholders as one of its most important management policies, and its basic policy for returning profit to shareholders is a consolidated annual total distribution ratio of 50%, which includes share buybacks, or an annual dividend of 50 yen per share.

Distribution of shares by type of shareholder



Principal shareholders

Name or designation	Number of shares held	Ratio of shares held to total number of shares issued and outstanding (excluding treasury stock) (%)
KOYU HOLDINGS CO., LTD.	153,755,990	48.75
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,271,600	8.01
Kankyo Kagaku Co., Ltd.	22,596,570	7.17
JP MORGAN CHASE BANK 380815 (Standing proxy: Settlement Sales Division, Mizuho Bank, Ltd.)	18,680,460	5.92
Yoichi Erikawa	7,158,234	2.27
Custody Bank of Japan, Ltd. (Trust Account)	7,086,500	2.25
Keiko Erikawa	6,929,350	2.20
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 (Standing proxy: Settlement Sales Division, Mizuho Bank, Ltd.)	4,650,716	1.47
Mei Erikawa	4,130,828	1.31
Ai Erikawa	4,065,984	1.29

* The Company holds 20,727,352 shares of treasury stock that is excluded from the above list of major shareholders.

Group companies

Domestic bases

KOEI TECMO GAMES CO., LTD. (Nishi-ku, Yokohama, Kanagawa, Japan)
KOEI TECMO WAVE CO., LTD. (Chiyoda-ku, Tokyo, Japan)
KOEI TECMO NET CO., LTD. (Kouhoku-ku, Yokohama, Kanagawa, Japan)
KOEI TECMO QUALITY ASSURANCE CO., LTD. (Kouhoku-ku, Yokohama, Kanagawa, Japan)
KOEI TECMO CAPITAL CO., LTD. (Kouhoku-ku, Yokohama, Kanagawa, Japan)
KOEI TECMO LIV CO., LTD. (Kouhoku-ku, Yokohama, Kanagawa, Japan)

Overseas bases

KOEI TECMO AMERICA Corporation (California)
KOEI TECMO EUROPE LIMITED (Hertfordshire)
KOEI TECMO TAIWAN CO., LTD. (Taipei)
KOEI TECMO TIANJIN SOFTWARE CO., LTD. (Tianjin)
KOEI TECMO BEIJING SOFTWARE CO., LTD. (Beijing)
KOEI TECMO SINGAPORE Pte. Ltd. (Singapore)
KOEI TECMO SOFTWARE VIETNAM CO., LTD. (Hanoi)
KOEI TECMO SHANGHAI ENTERTAINMENT CO., LTD (Shanghai)

Notes:
1. KOEI TECMO SOFTWARE VIETNAM CO., LTD., which was an unconsolidated subsidiary in the previous fiscal year, has been included as a consolidated subsidiary from the current fiscal year due to its increased importance.
2. CWS Brains, LTD., which was a consolidated subsidiary in the previous fiscal year, has been excluded from consolidated subsidiaries because all of its shares were transferred on March 31, 2023.
3. KOEI TECMO SHANGHAI ENTERTAINMENT CO., LTD was established on November 10, 2022.