

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.

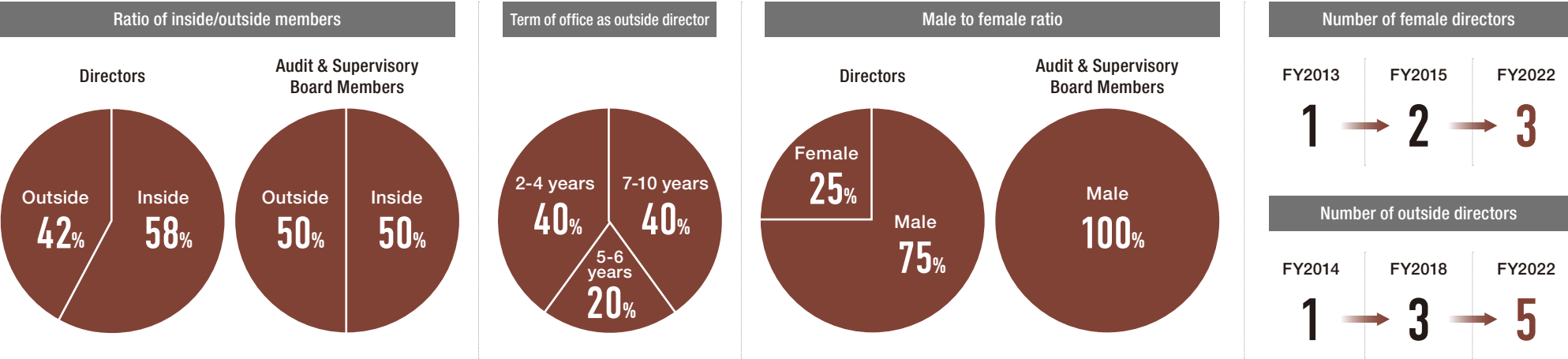
The Group is organized with a holding company structure, under which its operating companies conduct business. The Company is at the center of the Group’s unified governance. We are committed to maximizing corporate value for all stakeholders by planning, operating, and managing the entire Group to optimize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



✔ Composition of directors and Audit & Supervisory Board members (As of September 30, 2024)



## 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.

### 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 five outside directors) and makes decisions on management policies and important business strategies, and supervises the execution of the directors' duties.

**Chairman: Yoichi Erikawa**  
**Members: 12 directors**  
**(including 5 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.

**Chairman: Seinosuke Fukui**  
**Members: 4 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.

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.

### 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.

**Chairman: Hiroshi Kobayashi**  
**Members: 8 directors**  
**(including 5 outside directors)**

### G Special Committee

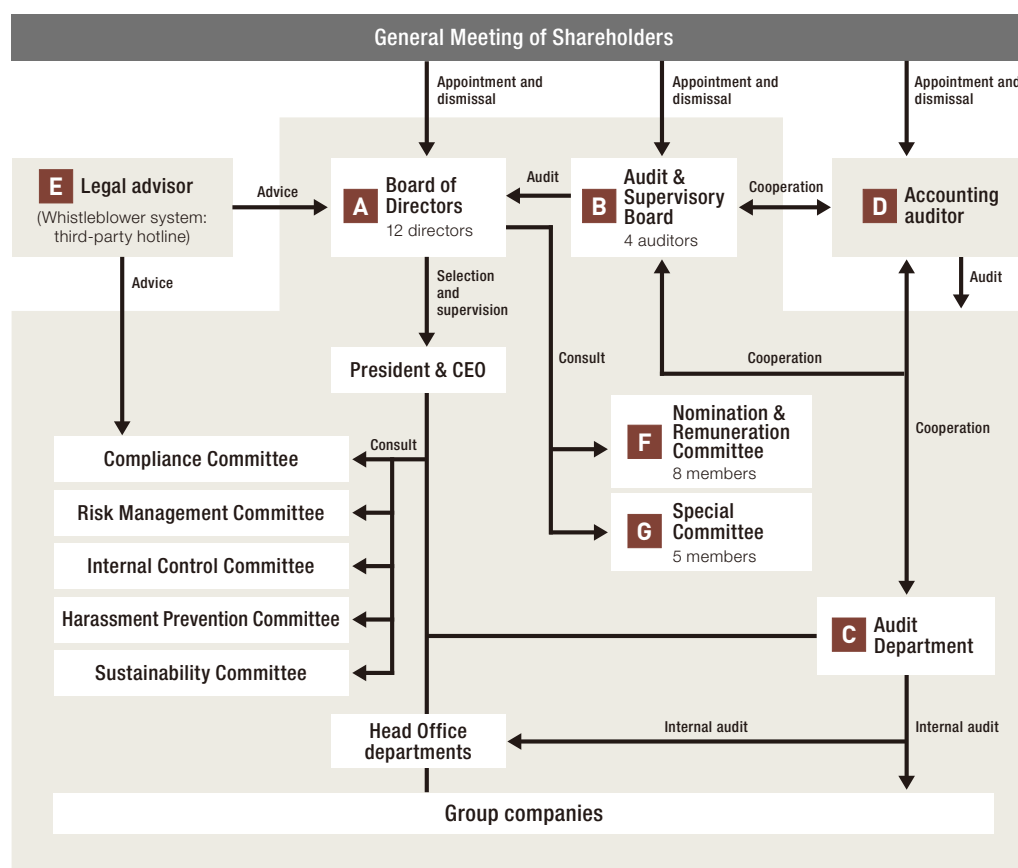
All members of the Special Committee are independent outside directors. The Special Committee deliberates on matters related to important transactions with controlling shareholders or their subsidiaries, as well as other important governance matters that the Board of Directors deems necessary for consultation;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

**Chairman: Masao Tejima**  
**Members: 5 outside directors**

### 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.

## ✓ Corporate governance structure (As of October 1, 2024)



## 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/ Pachinko & Pachislot	Real estate business/ Real estate management/ operation
							Creation of IP	Expansion of IP		
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 Kakiyama	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	●	●		●				

## 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 (FY2023)

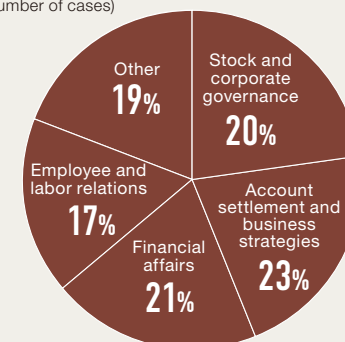
Number of meetings held	Number of agenda per annum	Average duration of meeting (minutes)	Average number of agenda	Average deliberation time per agenda (minutes)
19	144	76	7.6	11

## 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 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
- 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 rights
- Reporting of new plans for game development and revision of budgets

### ✓ Composition by type of content of agenda for meetings 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 FY2023. 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.

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 2024.

### ■ Summary of evaluation results

The Board of Directors of the Company evaluated that the effectiveness of the Board was secured in FY2023. This is because 95.5% of respondents chose the answer “1. Yes” to each question asking if the Board is effective.

Moreover, among five items recognized as items requiring improvement in the previous fiscal year, for the three items in Table 2, the number of respondents who chose the answer “1. Yes” was more than 14 (higher than 80%), showing an improvement.

However, with respect to the two items in Table 3, the number of respondents who chose the answer “1. Yes” was less than 13 (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.



✓ **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	FY2023 Initiatives
● Cooperation among independent outside directors	To create opportunities for exchanges of information among outside directors, we established a policy of having outside auditors participate as observers at Special Committee meetings.
● Training opportunities for directors and Audit & Supervisory board members	We conducted officer training on material issues.
● Advice from outside professionals	There were two cases in which the Company consulted with legal professionals, based on the opinions of outside directors.

✓ **Table 3: Items evaluated as those requiring improvement**

Item	Future initiatives
● Advance preparation, materials and presentations for Board of Directors meetings	Until now, only a portion of materials for Board of Directors meetings requiring confirmation of details have been distributed at an early stage. Going forward, all materials will be distributed early on.
● Cooperation between Audit & Supervisory Board members and outside directors	Since dialogues are currently conducted mainly through online conferencing, going forward we will consider further measures to strengthen cooperation, such as increasing opportunities for face-to-face meetings.

## 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 (FY2023)**

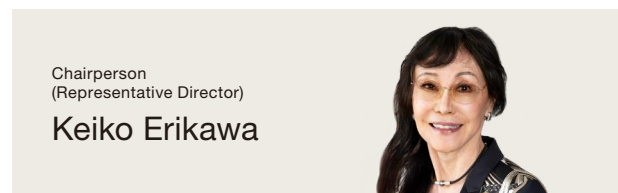
Category	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)					Number of eligible Directors and Audit & Supervisory Board members
		Basic remuneration	Stock options	Bonuses	Other	Non-monetary compensation, etc.	
Directors (excluding outside directors)	718	474	18	222	2	18	8
Audit & Supervisory Board members (excluding Outside Audit & Supervisory Board members)	15	13	—	1	0	—	2
Outside officers	64	52	7	4	0	7	7

## Successor plan for chief executive officer

In CEO successor planning, we aim to build a system to secure and train management personnel, in a timely and appropriate manner, as needed to lead the Group’s business operations globally and actualize growth strategies amid the accelerating pace of changes in the business environment; and are engaged in initiatives to delegate management authority and develop future management candidates at an early stage.

1. Delegation of authority  
May and September 2024: Delegated authority for personnel transfers, authorizing expenditures, and signing contracts, through revisions to the executive authority regulations for Group companies in Japan and overseas.  
May 2024: Advanced delegation of authority through reviews of participating members at various meetings
2. Training of next-generation management personnel  
March 2023: Increased the number of officers who could become next generation managers, by increasing the number of executive officers and promoting them

## Directors



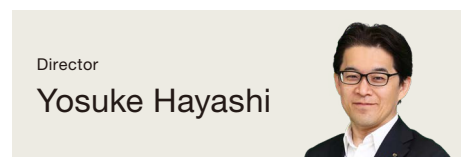
**July 1978** Senior Executive Director, KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.)  
**April 2009** Director, the Company  
**June 2013** Chairperson (Representative Director), the Company (current position)  
**June 2014** Board Director, TECMO KOEI EUROPE LIMITED (currently known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



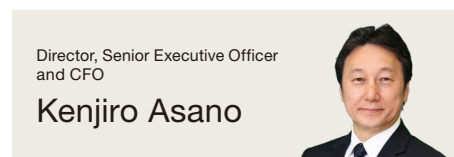
**July 1978** President (Representative Director), Established KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.)  
**April 2009** Director, the Company  
**November 2010** President & CEO (Representative Director), the Company (current position)  
**November 2015** President (Representative 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)



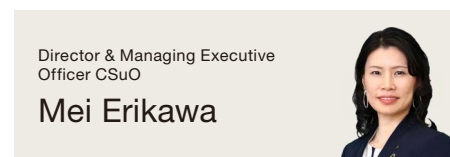
**April 1994** Joined KOEI Co., Ltd. (currently known as KOEI TECMO GAMES CO., LTD.)  
**June 2009** Executive Officer, the Company  
**April 2018** Chairman (Representative Director), KOEI TECMO WAVE CO., LTD. (current position)  
 President (Representative Director), KOEI TECMO NET CO., LTD. (current 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)



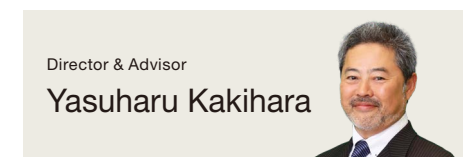
**April 2001** Joined TECMO, LTD.  
**April 2010** Executive Officer, KOEI TECMO GAMES CO., LTD.  
**June 2018** Director, the Company (current position)  
**April 2021** Executive Vice President (Director), KOEI TECMO GAMES CO., LTD. (current position)



**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)



**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 (current position)



**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)

## Outside Directors



**April 1982** Joined Hakuho 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.  
**July 2017** Outside Director, LIVNEX CO., LTD. (current position)  
**May 2022** Director, zetton Inc. (current position)



**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)



**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)



**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)



**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 Daiiei, 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, Nijima Corporation (current position)  
**September 2022** Outside Director, TAIYO CONSTRUCTION CO., LTD. (current position)



## Audit & Supervisory Board Member



Audit & Supervisory Board Member (Full-time)

**Seinosuke Fukui**

**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**

**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. (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

**Satoru Morishima**

**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**

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

## KOEI TECMO GAMES CO., LTD.

Planning, development and sale of software for personal computers/home video game consoles/Planning, development and sale of online games and mobile contents/Event planning and operation Planning, production, and sale of CDs/goods/Planning, printing, and sale of printed materials



President & COO  
General Manager of Entertainment Division

**Hisashi Koinuma**



Director & Executive Vice President  
Representative of AAA Games Studio in the Entertainment Division

**Yosuke Hayashi**



Managing Executive Officer  
General Manager of IP Division and Deputy General Manager of Marketing Division

**Hidekiyo Kobayashi**



Managing Executive Officer  
General Manager of Entertainment Production Division

**Kenichi Ogasawara**



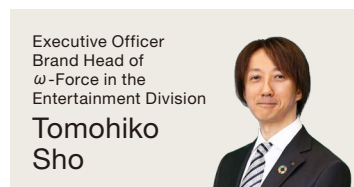
Managing Executive Officer  
General Manager of Marketing Division and Global Business Promotion Division

**Toru Akutsu**



Managing Executive Officer  
Deputy General Manager of Entertainment Division and Brand Head of KOU SHIBUSAWA

**Yukinori Ito**



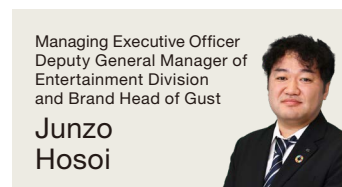
Executive Officer  
Brand Head of ω-Force in the Entertainment Division

**Tomohiko Sho**



Managing Executive Officer  
Deputy General Manager of Entertainment Division and Brand Head of Team NINJA

**Fumihiko Yasuda**



Managing Executive Officer  
Deputy General Manager of Entertainment Division and Brand Head of Gust

**Junzo Hosoi**



Director & Managing Executive Officer  
Brand Head of Ruby Party in the Entertainment Division and Deputy General Manager of Marketing Division

**Mei Erikawa**



Executive Officer  
Brand Head of midas in the Entertainment Division

**Keisuke Kikuchi**

## KOEI TECMO WAVE CO., LTD.

Planning, operation and management of Arcade facilities/LCD development for slot and pachinko machines



President

**Kazunori Hatsumi**

## KOEI TECMO NET CO., LTD.

Distribution, wholesale, and online sales of personal computer software, home video games and peripheral devices.



President

**Hisashi Koinuma**

## KOEI TECMO QUALITY ASSURANCE CO., LTD.

Inspection of entertainment contents/Quality assurance and service functions/ Entertainment content translation services and overseas screening service/ Audio recording business for entertainment content overseas/ Support for Service Operations/User support for all Services



President

**Kazumi Fujita**

## 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 below, 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.

### Basic policy on internal control systems

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.



## Business risks

Matters that may have a significant effect on investors' decisions include the following below. 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.

### ① 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.

### ② 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 titles through the creation of new titles and by thoroughly managing its development schedule with an eye for 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.

### ③ 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.

### ④ Management of personal information

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

### ⑤ 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.

### ⑥ 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.

### ⑦ 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.

### ⑧ 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.

## Approach to information security

The Group believes that it is essential to earn the trust of stakeholders to create new value and contribute to the development of society. For this reason, we regard information security as one of our key management issues, and are working to strengthen security throughout

the global Group, preventing information security incidents such as unauthorized access, information leaks, and internal misconduct, and taking measures to protect personal information.

### 1. Information security measures

The Group is working to strengthen risk control against increasing and diversifying information security incidents and cyberattacks, and other security incidents such as unauthorized accesses and information leaks.

#### (1) Unauthorized access and malware countermeasures

We are implementing integrated and effective security measures by introducing EDR (Endpoint Detection and Response) and MDM (Mobile Device Management) on terminal devices used by Group employees. In addition, by using SIEM (Security Information and Event Management) to consolidate and manage logs, we have established a system that enables us to promptly investigate and recover from any abnormal behavior or security incident that we detect.

Through these systems, we are taking measures to detect suspicious behavior, and promptly investigate the causes as well as ascertain the extent of damage in the event of an incident.

We are also preparing for external attacks based on the guidance for the introduction of Attack Surface Management (ASM) issued by Japan's Ministry of Economy, Trade and Industry (METI) in May 2023. We constantly collect information on new standards and trends and update our information security management to ensure that we can implement optimal countermeasures, while assessing the need for them.

#### (2) Information leak risk countermeasures

To reduce the risk of information leaks, the Group encrypts files containing personal or confidential information using information protection tools. We have also taken measures to protect contents so that, even in the event of a data leak, nobody but relevant personnel can access the contents. We also limit information leaks from inside the Group by restricting the use of USB devices and obtaining simple operation logs for all PCs.

### 2. Natural disaster risk countermeasures

To increase business continuity, the Group utilizes cloud platform environments in compliance with international standards to prevent the shutdown of mission-critical systems due to natural disasters such as major earthquakes. To ensure swift recovery in the event of a large-scale failure, we conduct annual restoration drills simulating recovery from backups. Some systems that operate on premises are also backed up to remote locations to prepare for any data loss.

### 3. Information security education

The Group is focusing efforts on raising security awareness so that every employee can help to create a safer and more secure work environment through their actions. Specifically, we provide information security education through e-learning to firmly instill knowledge and awareness in employees.

We also conduct practical targeted attack e-mail drills to improve employees' ability to respond to e-mails—which are particularly vulnerable and a frequent point of origin for cyber-attacks—and prevent the occurrence of security incidents.

### 4. Employing security personnel

In recent years, the Group has been actively introducing services and systems relating to the security field and implementing advanced security measures. We also place a high priority on security experience in recruitment, and actively hire experienced personnel. By focusing on the two axes of systems and human resources, we are seeking to strengthen and increase the effectiveness of our security measures and further improve risk management.

### 5. Escalation process

The Group has established an escalation process for when it receives information regarding risks, and has regulations in place stipulating the swift formation of an organizational body headed by the president to make prompt decisions and take action in the event of an incident.