Building a Foundation for Sustainable Growth Based on Our Portfolio Strategy and Financial Security

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Review of the 3rd Medium-Term Management Plan and the final fiscal year of the plan (FY2024) Structural factors behind profit growth

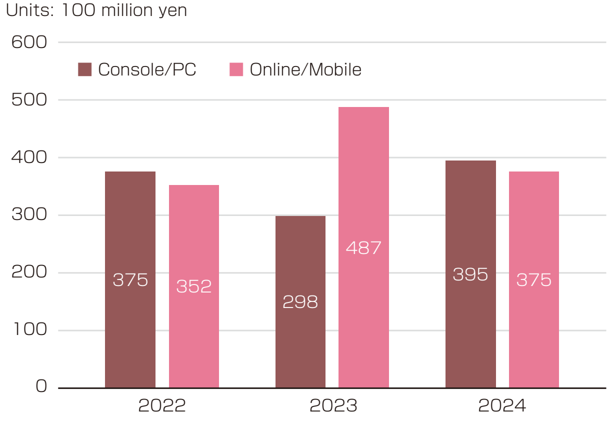
▶ Results of the 3rd Medium-Term Management Plan and implications for strategies in the next fiscal year

The first Medium-Term Management Plan was commenced in FY2018, with the second plan following in FY2021 and the third as a three-year plan starting in FY2022. The results for the last year of the 3rd plan, FY2024 (ending in March 2025), were net sales of 83.1 billion yen (down 1.7% year-on-year) and operating profit of 32.1 billion yen (up 12.7% year-on year). We achieved a certain level of growth in profits, but had limited expansion of sales.

There are several factors influencing the results of the 3rd Medium-Term Management Plan. First, in the console and PC markets, we achieved the planned releases of our flagship titles during the plan period, and we achieved a certain level of success thanks to our collaborative development and the stability of existing IPs. However, we fell short of our target for new IP titles selling in the 5-million-unit range, and overall sales were slightly less than planned. As development projects became larger-scale and longer-term, we saw a tendency for development resources to be concentrated on major titles, resulting in a lack of resources allocated to small- and medium-sized titles. This is a significant issue for our future development structure, and we have already begun working on solutions.

Then, in the online and mobile markets, while we were able to achieve monthly sales of around 1 billion yen with multiple titles, we were unable to create a hit title that reached 2 billion yen in monthly sales. Mobile titles are characterized by stable and continuous monthly revenue generation, whereas sales fluctuate depending on user retention and monetization trends, so there is a tendency for discrepancies to emerge between plans and actual results in the early stages of launch. We recognize that efforts to achieve more accurate revenue forecasts will be a challenge we must undertake in the future.

Change in the 3-year net sales of console/PC and online/mobile



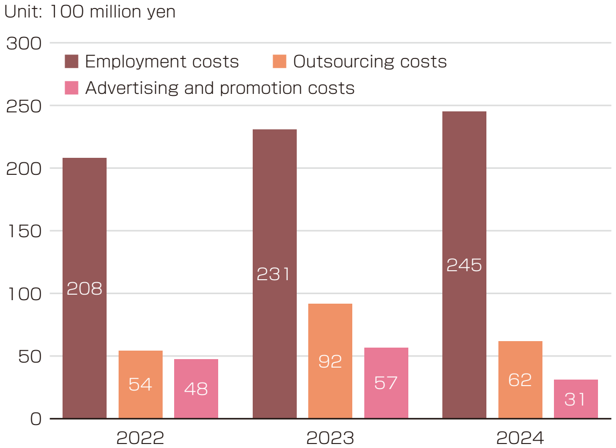
Message from the CFO

Despite these challenges, we kept our expenses under control. Even as we continue to hire more than 200 new graduate employees every year, both domestically and overseas, we have dedicated ourselves to maintaining the profit rate through comprehensive cost management, particularly with outsourcing, advertising, and promotion, therefore securing a modest level of operating profit with respect to our initial plan.

The 3rd Medium-Term Management Plan both achieved a certain amount of success and highlighted issues that will affect our future growth. With these issues in consideration, in the next Medium-Term Management Plan, we will work to rebuild our management foundation and financial strategy from a medium- to long-term perspective.

▶ Review of the Medium-Term Management Plan P.35

Change in full-year expenses over three years



Overview of the Fourth Medium-Term Management Plan
Strengthening our portfolio and rebuilding our sales capability

▶ Four priority goals and our quantitative revenue goals

The 4th Medium-Term Management Plan, which began in FY2025, is positioned as a three-year period focused on 'building a solid foundation' as the first step towards our long-term vision for the next ten years. Based on our growth and reflections to date, we have delineated our priority issues and quantitative goals in order to establish a sustainable revenue creation structure.

Main points in the Fourth Medium-Term Management Plan

Qualitative Goals

01	Quantitative growth of the pipeline
02	Qualitative growth of the pipeline
03	Growth in sales capability
04	Growth in cost efficiency

Quantitative goals

Three-year cumulative	Operating profit exceeding 100 billion yen (Operating profit ratio exceeding 30%)
Single-year	Operating profit of 40 billion yen (Operating profit ratio exceeding 30%)
Console/PC	Three-year cumulative sales exceeding 30 million
Online/Mobile	Sales to grow in stages over three years

▶ A balanced portfolio and stable revenue structure supporting management

In recent years, game development has become increasingly time-consuming and expensive, resulting in bigger financial burdens and uncertainties. Technology and market trends change rapidly, so development planned around a more distant future entails greater risks.

As CFO, I place importance on ensuring the quality and reproducibility of profits over the medium- to long-term, rather than reacting prematurely to single-year figures.

More specifically, the Group is working to strengthen its internal systems for developing high-quality titles in the shortest possible time, while also placing emphasis on quality, delivery timeliness, and budget. By optimizing project management to guarantee development speed and flexibility, and by promoting efficiency through the use of cutting-edge technologies such as AI, we aim to create an organization that can respond quickly to the rapidly-changing market. Additionally, to mitigate the risk of relying too heavily on major titles, we will build a diverse pipeline that includes small and medium-sized titles, and design a portfolio that generates stable earnings overall, rather than on an individual title basis.

We also aim to generate high profits across the entire business by focusing on a multi-layered revenue structure utilizing multiple development titles. For example, for titles that are developed and published in-house, we can secure sales, but must shoulder all the costs, such as staffing and outsourcing expenses, server costs, and advertising and marketing costs, which leads to relatively lower profit margins if our sales numbers fall short of what we planned. On the other hand, joint development (collaboration) with business partners is a model in which both revenues and expenses are shared, which reduces risk while generating profits. With licensing (royalty income), it's difficult to forecast sales independently, but with extremely high marginal profit, the revenue model makes a large contribution to overall profits. By combining these various types of sales in a well-balanced manner, we aim to achieve levels of profit that are both high and increasingly stable. It is precisely because of this revenue structure that we are able to proactively take on the challenge of developing new titles.

By strengthening our portfolio through this diverse pipeline and multilayered revenue structure, we will manage our business so that we can maintain an operating profit ratio of 30% or more at all times, and will work to ensure profitability and build a reproducible management foundation.

▶ Strengthening of sales capability and presence in overseas markets

Meanwhile, strengthening our sales capabilities is also a key priority in the 4th Medium-Term Management Plan. The Group aims to appropriately increase or in-house sales ratio while building more flexible sales channels, all with an eye toward expanding our in-house publishing structure in the future. We will

Message from the CFO

seek to improve profitability by exploring sales modalities that are suitable for each title and by coordinating with internal and external structures.

Strengthening our capacity to respond to the global market is also essential. In recent years, rather than using labor-intensive tactics that require an increase in sales headcount, it's become more mainstream to opt for flexible marketing utilizing existing networks. The Company is advancing with the creation of a sales structure that is more in line with this trend. We will work to strengthen the appeal of titles throughout their entire lifecycle; for example, by raising awareness through pre-launch promotional videos and trial versions, ratings on review sites, and forming and fostering player communities. As part of this effort, we are gradually rolling out measures to strengthen our localization capabilities, expand our digital sales channels, and rebuild our collaborative structure with local partners.

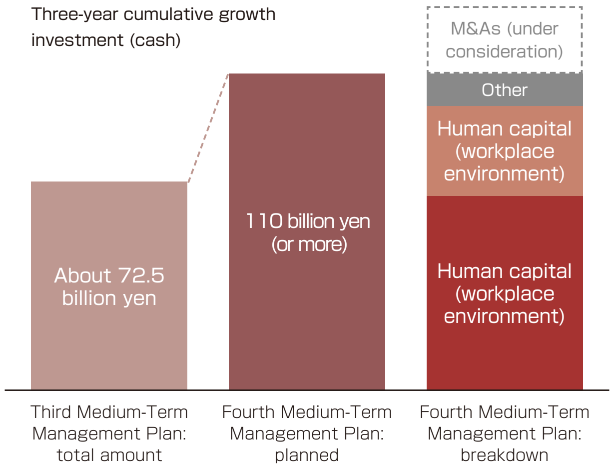
For future growth, it is essential for us to adapt an integrated strategy that includes not only development, but sales and user follow-up. We believe that the three years of the 4th Medium-Term Management Plan will be an important time for us to begin these structural reforms.

Basic policy for a financial strategy based on reinvestment in the business

▶ Cash allocation policy and execution

The basic policy for cash allocation in the 4th Medium-Term Management Plan is to achieve balanced capital allocation with a focus on reinvestment in the business. More specifically, we are prioritizing investments in areas that will generate future profit growth, such as (1) recruiting and training staff to strengthen development capabilities; (2) improving the workplace environment as exemplified by the acquisition of a new office, and (3) investing in development for creating IPs for the medium- to long-term and strengthening our sales capabilities, primarily overseas. Additionally, we are actively considering M&As for appealing IPs or opportunities for synergy, and are focusing on the diversification of our growth drivers.

Cash allocation



Investment in human capital, a sustainable development structure supporting quantity and quality

▶ Expansion of human capital and retraining of key skills

One of the major themes of the 4th Medium-Term Management Plan is our investment in human capital. People are truly the source of our growth. The games industry is labor-intensive, and relies on its developers and the quality and quantity of its human resources to drive profitability and competitiveness.

In recent years, our Group has continued to hire more than 200 new graduates every year both domestically and internationally; as of March 2025, the Group will have 2,684 employees, of which approximately 2,200 were working as developers.

The depth and breadth of our human resources is the foundation of our development infrastructure that enables us to consistently produce titles of all sizes. We hope to increase our total headcount to 5,000 employees in the long term. As General Manager of the Business Administration Division, where I am in charge of personnel management, I recognize that qualitative growth is just as important as the quantitative expansion of human resources. Particularly, the larger a project is, the more important it is to have good middle management driving the project forward. In today's increasingly specialized world, young people have fewer opportunities to experience the full development process, making it difficult to attain the environment for training and growth that existed back in the day, when a small, elite team went through all stages of the development process together. This is why we recognize an urgent need to systematically and deliberately develop our management teams.

In this context, the Group has long built up a system for developing young leaders, primarily through in-house on-the-job training (OJT). The company also proactively shares knowledge through on-site initiatives, such as new function training systems by Future Tech Base (FTB), who is responsible for the company's in-house engine, KATANA ENGINE™, and independent study sessions on project management. These sessions have mainly been voluntary up until now, but moving forward, we will need to systematically organize these efforts and roll them out across the Company as a system for re-education and skill development. In addition, in preparation for accelerating investment in human capital, in FY2023, we began tracking training hours across the Company and worked to visualize qualitative improvements. In conjunction with this effort, we have begun setting future training hour goals and are putting in place a system to support the growth of our human resources in both quantity and quality.

Additionally, through the 4th Medium-Term Management Plan, we will work on investing in retraining for specialized skills such as global response and AI utilization, thereby raising the overall level of our human capital.

▶ Human capital overview P.41

▶ Strengthening of our human capital and maximization of our organizational capacity through investment in our development environment

In May 2025, our Group announced the acquisition of a new office in the Minato Mirai 21 district of Yokohama in Kanagawa Prefecture, with the objective of expanding our development environment in response to an increase in employee headcount. The total investment, including building acquisition costs and interior construction costs, is expected to be approximately 25 billion yen (including planned investments). We view this as a proactive investment for the future expansion of our human capital and medium- to long-term business growth.

Message from the CFO

The new office was designed to support the creativity and productivity of our development teams, with a floor layout that ensures ample personal space and encourages collaboration between departments. With the COVID-19 pandemic subsiding, and employees now required to come into the office, there is a growing awareness of the importance of creating a comfortable working environment for our employees. The engagement survey conducted in FY2023 also revealed needs for comfort in office spaces and the workplace environment.

In response to that feedback, we are working to develop a new work environment that is both efficient and comfortable for our team. For our Group, investing in human capital is not just the cost of doing business, but a strategic investment that will lead to future profits. How can we increase the value of these intangible assets, which are difficult to show on our balance sheets, and link them to sustainable growth and the creation of corporate value? This is a theme that, as CFO, I believe should be placed at the core of our company-wide strategy.

Surplus funds and governance
Working towards financial soundness and transparency

▶ Strengthening governance of asset management and implementing predictable financial operation

KOEI TECMO GAMES CO., LTD. has been responsible for managing the Group's surplus funds up until now, but as we restructure our management, we have consolidated fund management and investment responsibilities into the newly-established KOEI TECMO CORPORATE FINANCE CO., LTD. Director and Chairman Emeritus Keiko Erikawa, who has been leading asset management for many years, has assumed the role of President of this new company, so there will be no major changes to our management policy. We will continue to ensure control and monitoring within the Group and conduct integrated cash management and asset management through KOEI TECMO CORPORATE FINANCE CO., LTD.

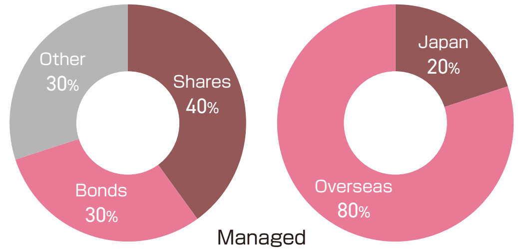
This change in structure reflects our determination to position KOEI TECMO GAMES as a company focused on the realm of entertainment, and to clarify the execution of our business. At the same time, for Group governance, we have further clarified the division of roles between execution and supervision by separating fund management and investment from business divisions. Under this new structure, new President Hisashi Koinuma will be in charge of business management, while new Director and Chairman Emeritus Keiko Erikawa and new Chairman Yoichi Erikawa have transitioned from supervisory roles to management roles.

Our investment policy emphasizes stable continuity, flexibility, and soundness while building a flexible investment structure that can respond appropriately to fluctuations in financial markets. Going forward, we will continue to consider modalities for a next-generation asset management system from a long-term perspective, and aim to further improve the safety and transparency of our corporate finances.

Non-operating revenue and funds investment policies and results

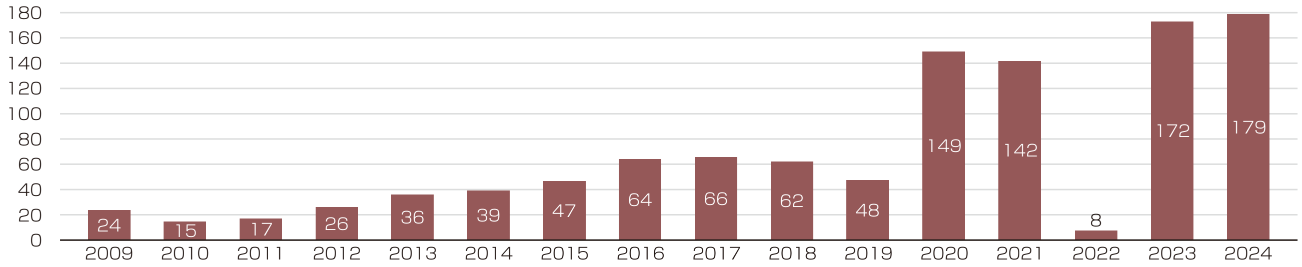
Management purposes and policies

- Stabilize the financial base and support our core business
- Manage surplus funds from each fiscal year after investing in the business
- Aim for continuity that enables stable earnings from a medium- to long-term perspective
- Be agile and responsive to financial market trends
- Ensuring the soundness of the balance sheet



Managed portfolio

Units: 100 million yen



A capital policy that lives up to trust and the power of dialogue to connect to the future

▶ Maintaining a Prime Market listing and our shareholder's trust

As a company listed on the Prime Market of the Tokyo Stock Exchange, in order to satisfy the continued listing criteria of a tradable share ratio of 35% or higher, in December 2021, the Group used TOBs to acquire approximately 18 million shares (converted into the current number of shares) from our largest shareholders as treasury stock, then used the treasury stock as seed shares to issue convertible bonds (CB) with stock acquisition rights. Initially, the plan was to increase the tradable share ratio by converting these CBs into shares, but these CBs are now due for redemption. In September 2025, we disposed of 18 million shares of treasury stock and offered an additional 7 million shares from major shareholders, bringing the total number of tradable shares to a maximum of 25 million. In this disposal and sale of treasury stock, we allocated 70% to general investors, primarily individuals, with the intention of ensuring that individual investors who are also fans of our games will hold the majority of shares. We intend to reconsider and improve how we present our business performance and financial information, as well as our IR activities, so that new shareholders, including institutional investors, can gain a deeper understanding of our Company. We will continue to build trusting relationships through transparent capital policies and strive to create even greater corporate value.

Message from the CFO

▶ Execution of sustainable returns based on dividends and shareholders' equity

The Group regards the return of profit to shareholders as one of our most important policies, and we are continuing with a stable return policy of a consolidated annual total dividend payout ratio of 50% or an annual dividend of 50 yen per share. We provided returns at the same level in FY2024, endeavoring to achieve both corporate growth and shareholder returns while balancing this with ROE. Furthermore, the total annual dividends of the Group have increased approximately 16-fold since the management integration (FY2009: 1.16 billion yen to FY2024: 18.9 billion yen), and the figures clearly demonstrate that we have continued to provide stable shareholder returns linked to our profit levels.

We will also pursue balanced management, paying close attention to maintaining an appropriate level of shareholder equity to prevent excessive accumulation of retained earnings.

▶ Sustainably enhancing ROE with an awareness of capital costs

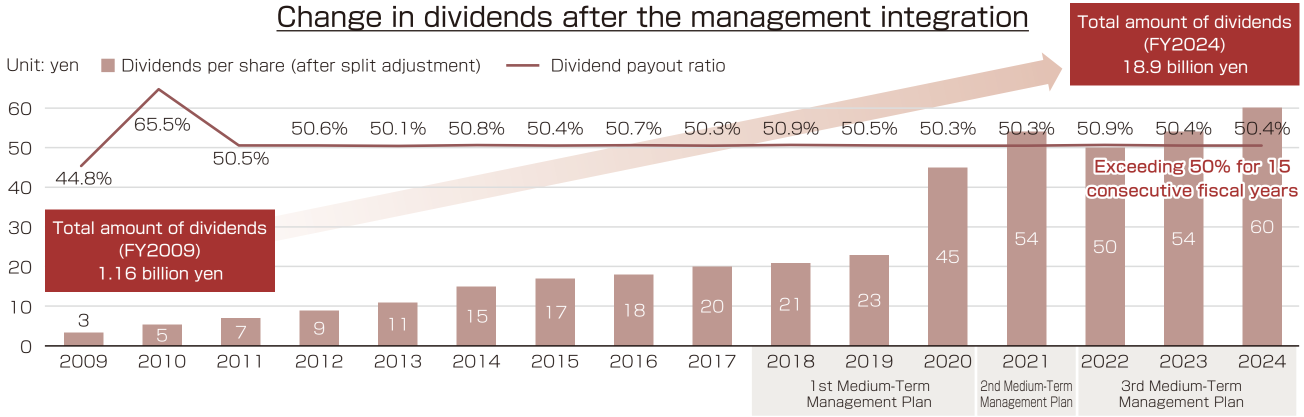
In the 4th Medium-Term Management Plan, we will continue to be conscious of capital costs while maintaining ROE at 20% or more.

From a long-term perspective, as equity capital increases with the accumulation of retained earnings, it will be difficult to maintain a high level of ROE unless profits grow at a similar pace. The Group recognizes this as an important issue for our financial strategy. To address it, the Group has established a basic policy of returning 50% of profits to shareholders as dividends, and has established guidelines in advance to prevent excessive accumulation of retained earnings.

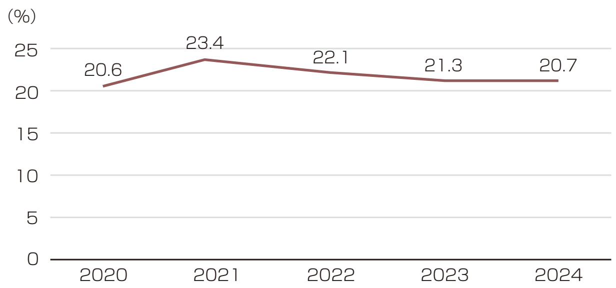
Meanwhile, revenue, the numerator for calculating ROE, includes non-operating income in addition to operating income, but the Group places importance on operating income obtained from our core business of game development and sales. We are also aware of other indicators, such as the ratio of operating income to equity (operating income-based ROE) as an option for future financial management.

In the last few years, revenue has been supported by non-operating income and expenses such as asset management, which has helped to boost ROE. However, asset management is influenced by fluctuations in financial markets. We aim to achieve a healthy and sustainable ROE by focusing our efforts on increasing operating profit without relying excessively on these fluctuations. We plan to proceed with a policy of stably ensuring a certain level of non-operating revenue.

Change in dividends after the management integration



Change in ROE



▶ My responsibility to communicate the "meaning" of financials

As CFO, it's my responsibility to not only produce the numbers, but to communicate the *meaning* of the numbers. It's a responsibility I take very seriously, which is why I will strive to provide honest and transparent information to our shareholders and other stakeholders, continue to implement a sound capital policy, and uphold accountability. I believe it is our responsibility not only to support financial sustainability, but also to build trust in our company and achieve an increase in corporate value into the future.

Expenses accounting policy for development costs Placing importance on transparency and stability without recording assets

In the game industry, accounting policies for development costs may differ from company to company, with each company handling them in accordance with their business and accounting strategies. Many companies record development costs that are expected to generate future sales as assets, and amortize them over a fixed period after release (capitalization). While this can help avoid the pressures of short-term expenses, it also carries the risk of titles becoming non-performing assets if sales fall short of plans, and in some cases, issues remain regarding financial transparency and consistency.

On the other hand, the Group does not record development costs as assets in anticipation of future sales, but rather adopts a policy of treating development costs as expenses incurred for that period. This clarifies the relationship between the income statement and cash flow, and also curbs excessive bloating of our balance sheet. As a result, sound and conservative business management incorporating the risk of future earnings fluctuations becomes more possible.

While this accounting policy may have the effect of pushing down profits in the short term, I believe it will contribute to improving our long-term corporate value by increasing the transparency of our revenue structure and strengthening the conservatism and predictability of our finances.