

# Communication with Institutional Investors

## Talking with Analysts about Management Strategy and Improving Corporate Value

We brought together a group of analysts to discuss the KOEI TECMO Group's management strategy for the sustainable growth of our group. Chairman Erikawa and President & CEO Koinuma sat down to exchange their honest ideas and opinions on corporate ideology, long-term vision, IP strategy, and the future of our industry.

### Participants

- Joji Kido, Asset Management One Co., Ltd.
- Kohei Oba, Nomura Asset Management Co., Ltd.
- Akio Otani, Tokio Marine Asset Management Co., Ltd., and 2 others
- KOEI TECMO: Yoichi Erikawa, Chairman (Representative Director) & Chairman of the Board of Directors; Hisashi Koinuma, President & CEO (Representative Director)

### Value Creation Unique to KOEI TECMO: A DNA that strives for entertainment value and purpose

#### Q. Analyst A

The global game market continues to expand, and now, with the arrival of generative AI, we've reached a moment where anyone can create content, further intensifying your competition. How do you intend to set KOEI TECMO apart from the rest and achieve your own identity?



#### A. Chairman Erikawa

KOEI TECMO Ethos is "Creativity and Contribution". No matter the market or moment, we always want to create new, innovative entertainment. These recent market trends are to our advantage. More specifically, the Asia market for console and PC action games is growing at a rapid pace, and a TV show based on a Japanese period drama achieved high acclaim and won a prestigious industry award in the United States. Global interest in the history and culture of Japan and the East has never been higher, and considering our 44 years of experience in developing historically-oriented games, there's no better time for us to take action to expand globally.

#### Q. Analyst A

Not to get philosophical, but I'd like to ask you to elaborate on your corporate slogan, "Level up your

happiness". I remember playing *Romance of the Three Kingdoms* when I was still a university student. When I beat the game, I remember the message that appeared on screen: "Thanks to you, we were able to unify our country. You've grown, and I know you will do well in the future." I felt accomplished for finishing the game, but the message made me feel confident and encouraged, too. Many entertainment companies say they want to make their customers happy, but perhaps KOEI TECMO is unique in that it wants to create the feeling of "leveling up".



#### A. Chairman Erikawa

Looking back on our company roots, we once called ourselves the "E&E Division"—short for Entertainment & Education. We wanted to create games that have both entertainment value along with a separate purpose. Since the 1980s, we have continued to create games that are not only fun but encouraging. That DNA has been passed down to our current management team and staff. We want everyone to feel like they're growing: both our players, and our developers, who see their own talents and skills improve. We want both sides to feel the happiness of leveling up—hence, *Level up your happiness*.



#### A. President Koinuma

I would say everyone in the company shares that joy, just to know our players are happily leveling up.

### The Challenge of Ranking in the Global Top 10: Strategies for Expansion

#### Q. Analyst B

This is the first time you have presented a long-term vision. What should you be focusing on right now to achieve the long-term vision of ranking among the world's top 10 in operating profit?



#### A. President Koinuma

Our biggest focus is, as always, our human resources. We're committed to the growth and education of our workforce. Now is the perfect time for us to reassess how we share our collective knowledge, the experiences and learnings we've gained from our successes and failures. One of our priorities is to make this knowledge clearer and more accessible, and level up our organization's ability to make high-quality games. Once we accomplish that, we can start to focus on our promotional and sales strategies.

## Q. Analyst C

One of KOEI TECMO's key strengths is its unique company culture. With one of your goals being to grow the organization to 5,000 employees, are you worried about the risk of diluting or affecting that culture?



### A. President Koinuma

You bring up a great point. From our past experiences, we know that maintaining a balanced and diverse portfolio, with both small and large titles, is the best way to expand while maintaining the quality of our organization. We also believe that on-the-job education is important, and that experiencing the full timeline of a game's development from creation to sale and post-mortem review is essential for our developers to grow. During the 3rd Medium-Term Management Plan, we focused on major titles, thinking we could use AAA titles to drive an increase in revenue. However, we've learned that each title has its own appropriately-sized market, and trying to force it to expand throws things out of balance. With this in mind, I believe that while we continue to create major AAA titles, we will also keep making smaller titles on the scale of 100,000 to 200,000 units that are their own stable business, just as we've done in the past. From a management perspective, it may seem easier to scale everything upwards, but doing so would mean losing the ability to maintain our current level of quality.

## Q. Analyst D

Changing topics from development: what are some challenges you anticipate the Company will face when expanding globally?



### A. President Koinuma

To be honest, we have little experience developing major console or PC titles for a global audience solely, and the same goes for our presence in North America and Europe. One of the major themes of the 4th Medium-Term Management Plan is to focus on promotion and marketing efforts to create a foundation upon which we can build future sales efforts. For example, the main promotional entity for the last two *Nioh* games was not the KOEI TECMO GROUP, but for the upcoming *Nioh 3*, we are planning to handle all of the promotional work ourselves.

## Q. Analyst B

Amidst ongoing restructuring in the industry, what is KOEI TECMO's philosophy on M&A?



### A. Chairman Erikawa

It all boils down to whether a company has intellectual property (IP) that is attractive—whether it is succeeding and expected to grow and develop further. We must be able to recreate the same spirit and ethos of that IP with the fans we have in-house, even if a specific creator departs. For example, with *Gust*, the company had extremely great characters. When we acquired them, the *Atelier* series was selling around 100,000 units per year, but it has since grown and matured into an IP that sells over 1 million units per year.

## Through Dialogue: The future of KOEI TECMO

### Analyst E

Thank you for today's discussion—you shared many things we wouldn't have known from our external perspectives. One point I took particular notice of was what President Koinuma mentioned about your portfolio strategy to mix small, medium, and large titles to maintain quality while training your employees. When I heard you were aiming to increase headcount to 5,000, I envisioned that meant we would see double the number of AAA titles, but today's talk reminded me that your strategy is much different from other companies on the market.

### Analyst B

Within the industry, your Group particularly excels at working and collaborating with other companies. I think investors will find it easier to understand this if you demonstrate your hybrid strategy of building stable foundations through collaborations and established series to take on the risk of developing new IP. Disclosing your plan to increase headcount and your game pipeline strategy will also help to clarify what sets KOEI TECMO apart from other companies in the industry.

