

Message from the President

Delivering KOEI TECMO Titles to the World While Evolving into a Strong, Worldwide Presence

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Reflecting on My First Year as CEO of the Holdings Company Under the New Structure

After actually stepping into the role of President of KOEI TECMO HOLDINGS, I realized there is a significant difference between observing from the sidelines and being the one who bears responsibility. The first major issue I faced was the disposal of treasury shares and secondary offering of shares conducted last September, shortly after I took office. I had almost no prior experience engaging with investors, but this reminded me how important it is to communicate our vision and strategy to stakeholders. With events like this, the year felt fresh and interesting, but it was also filled with first-time experiences that made me acutely aware of the challenges involved. As president of the operating company, my focus had always been on how to generate profit through the business. But as president of the holdings company, my days are spent considering how to best guide the entire Group by bringing everyone together and envisioning the next ten years. It's both fascinating and demanding.

Improving Management Quality Through Separation of Oversight and Execution

In terms of governance, this was a year in which we advanced the separation of oversight and execution. Chairman Yoichi Erikawa, who had long led the company's execution, shifted his focus to oversight, while I assumed responsibility

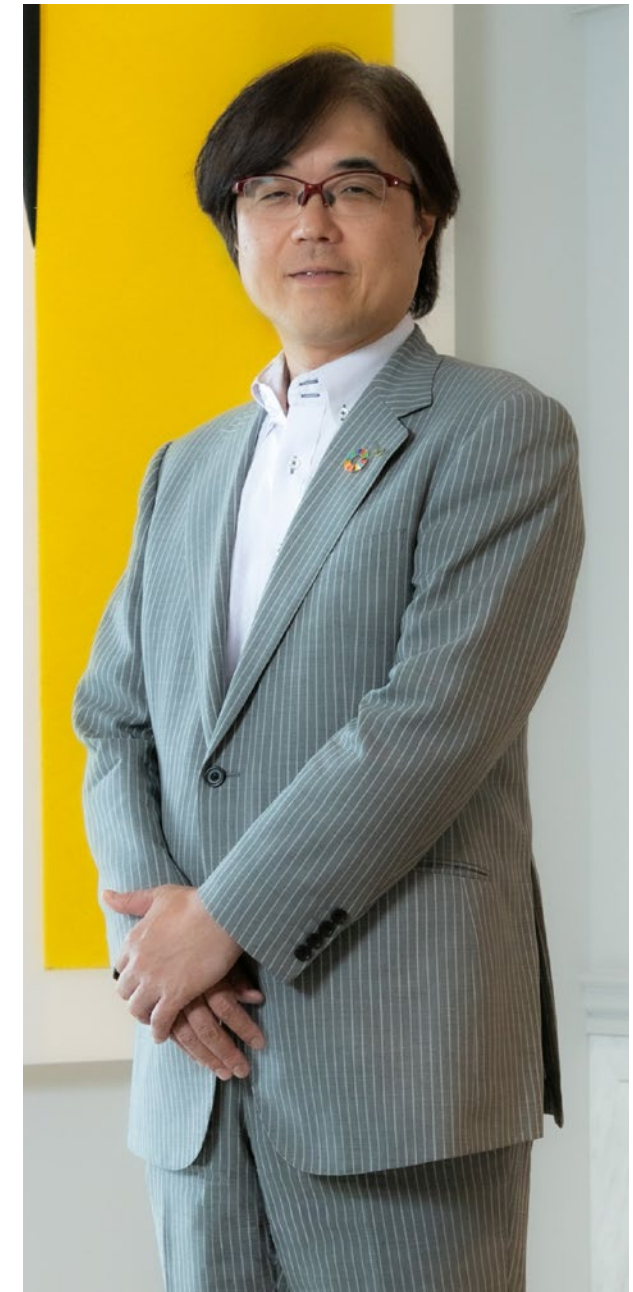
for execution. Since becoming president, I have been able to make decisions and carry out operations myself, allowing Chairman Erikawa to concentrate on running the Board of Directors and overseeing execution. The Board of Directors has shifted toward a structure centered on oversight.

Under the new structure, we now receive more candid and multifaceted input from outside directors, and I have become much more conscious of stakeholder perspectives, particularly those of shareholders and investors. For example, we must explain the basis for our sales forecasts, the reasons behind changes to development schedules, and how we identify risks and apply those learnings. These were things that could be understood implicitly within an operating company, but now the execution side must explain them clearly and objectively to the Board of Directors focused on oversight.

I believe that the separation of oversight and execution is now functioning well both structurally and in practice, marking a major step forward for our company. We will continue strengthening governance effectiveness and management transparency, building a structure that supports sustainable growth.

From Succession to Evolution

Our company has grown under the strong leadership of its founder, but I am what you might call a "salaryman president." I believe the company's future lies in a management structure where officers and employees think for themselves, voice their ideas, take responsibility for execution, and aim higher.



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This past year was also a time of finding the entry point for transformation. After joining KOEI (now KOEI TECMO GAMES) as a new graduate and spending many years in the field, I'm convinced that the front lines are where many issues and ideas for improvement emerge through daily work. As president of the holdings company, I've made a point of engaging more deeply with executives, department heads, and managers across the Group in order to gather their insightful ideas and proposals for company growth.

For true transformation, it's not enough for just me to change; officers and employees must also build experience in thinking independently and expressing their views. Based on the issues that have surfaced through these efforts, we will gradually review our organizational structure and role distribution, creating a management system where the entire organization can take responsibility and execute effectively.

Honing Our Strengths to Compete in Growth Markets

The global entertainment market can broadly be divided into mature markets like North America, Europe, and Japan,



and emerging markets like India and Southeast Asia with significant room for growth.

Among them, games are a growth industry with enormous potential. Like other forms of entertainment, games become part of everyday life as economies develop and people seek more time for leisure and enjoyment. Advances in new devices and communication environments are also key factors for the gaming market. Just as smartphones dramatically expanded the gaming market, further development of devices like smart glasses and technologies such as VR, AR, and MR may one day become everyday tools, triggering the next wave of growth.

While the gaming market is attracting attention as a growth sector, competition is intensifying. Recently, not only game companies but also publishers, film studios, and anime companies have entered the gaming business. In a market that is expanding and becoming more competitive, we must clearly understand our strengths and aggressively pursue business expansion. We also need to invest in areas with growth potential and reassess those with limited market prospects at the right time.

Through many years in the entertainment industry, we have continually refined our strengths. Our greatest strength is our unwavering commitment to creating amazing games that players genuinely enjoy. This foundation is built on our development capabilities, expertise, IPs, and dedication to quality. We have systems that do not rely solely on individual creators' ideas but review products from multiple angles to improve both quality and commercial viability. We will continue strengthening these capabilities, and by expanding our lineup and delivering high-quality titles, we aim to compete successfully in the global market and achieve even more growth.

Leveraging AI to Enhance Creativity and Efficiency

Some view advances in AI as a threat to the content industry, but I believe AI complements human creativity and expands the possibilities of creation. What matters is how we use AI to create more engaging content.

We cannot simply have AI automatically create an entire game for us. Creators design game mechanics and systems

with the goal of shaping how they want players to play and enjoy the game. The essence of game development lies in crafting experiences that players naturally find enjoyable. I believe people will continue to play this creative role and take responsibility for ensuring the final quality of our products.

On the other hand, tasks that don't require human involvement should be delegated to AI for efficiency. This allows creators to spend more time on the creative work they should be focusing on. AI may also allow us to pursue new forms of expression and levels of quality that would be difficult to achieve through human effort alone.

AI can also be used for internal knowledge sharing and training. Each of our brands develops with its own strengths and identity, but game development requires cross-organizational sharing of knowledge, including successes, failures, and production know-how. As we expand our workforce, especially with new graduates, the number of creators with limited development experience is increasing, making this knowledge-sharing more important than ever. In training, we are already building systems such as AI chatbots that allow quick access to necessary information and past examples. We will continue improving learning efficiency in development teams and use the organization's collective knowledge to enhance the quality of future titles.

For us, the purpose of using AI is not to reduce staff or cut costs but to increase both the volume and quality of our pipeline. By leveraging AI, we aim to significantly enhance creativity and efficiency and steadily expand our growth opportunities.

Preparing for the 5th Medium-Term Management Plan: Making a Leap Forward Globally

As president, I set a long-term vision of placing our company among the top ten entertainment companies worldwide in operating profit within the next ten years. The 4th Medium-Term Management Plan (FY2025–2027), which covers the first three years toward that goal, is positioned as a period for laying the foundation for further growth. We have set a target of more than 100 billion yen in cumulative operating profit over

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three years and will promote development investment focused on human capital to achieve it.

In the first year, FY2025, we launched sixteen titles across the console/PC and online/mobile sectors. Some titles delivered results beyond expectations, while others fell short and highlighted areas for improvement. It reminded me how difficult it is to create winning titles and release them on schedule.

For our upcoming 5th Medium-Term Management Plan (FY2028-2030), we will build a structure that allows us to consistently deliver titles in the console/PC sector with the scale and quality needed to compete globally. That is why we are expanding our development pipeline. In the online and mobile sector, competition is intense, but we aim to steadily grow revenue in this large market.

To reach the global top ten, we will assess profitability and market potential, establish our winning strategies, and then work to strengthen them further.

Building a Stronger Global Presence to Boost KOEI TECMO Brand Value

One key theme for accelerating global growth is strengthening our own publishing and overseas promotion.

Until now, we often relied on external partners for sales and promotional activities of major titles overseas. As a result, consumers overseas did not sufficiently associate our name with our titles, which was particularly frustrating for us as the company that created the content.

Enhancing our global presence is not just about creating products that sell overseas; it is about becoming a name that game fans around the world immediately recognize when they hear "KOEI TECMO." We will focus on strengthening our sales and promotional capabilities so we can release titles under the KOEI TECMO brand not only in Japan but overseas as well.

Achieving this will require upfront investment. In addition to clarifying the roles of our overseas offices and hiring the talent we need, we will also invest in event participation and promotional activities. While these investments may lead to upfront costs in the short term, we will continue making sustained efforts to build awareness of the KOEI TECMO brand.

Strengthening our in-house promotional capabilities will

directly support the expansion of our IP into new areas.

In East Asia, we have built a structure that connects game promotion to merchandise and licensing, but our efforts in other regions have not been sufficient. Going forward, we will take the lead in bringing our titles to markets outside East Asia and leverage the awareness they generate to expand into merchandising and licensing.

Europe and North America, in particular, are large markets where we have yet to gain sufficient market share, giving us significant room for growth. By strengthening our publishing capabilities and taking calculated risks in overseas markets, we will build the value of the KOEI TECMO brand.

Identifying Growth Potential in Emerging Markets to Capture Further Growth Opportunities

Early engagement with emerging markets is essential for global success. This requires building user touchpoints from the earliest stages of market formation.

We experienced firsthand how quickly the mobile market can take off in China. Based on this experience, we are already researching and preparing for markets that could change dramatically due to large populations or improvements in communication infrastructure. In emerging markets, smartphones serve as both essential daily tools and primary gaming devices. With future growth markets in mind, we view early entry as an important strategy for competing globally.

Continuing the Challenge of Creating Globally Competitive IPs

Many global content companies grow by building around powerful IPs. A strong IP can expand beyond games into films, anime, merchandise, licensing, and many other businesses. To succeed in the content industry, it is essential to broaden the value of strong IPs across multiple avenues.

We have IPs that have been popular for many years, but to become a global top-10 company, we need to create new IPs that are recognized and loved by audiences around the world.

Our development structure that is capable of continuously

producing new titles supports us as we take on this challenge.

To use a baseball analogy, you cannot get a hit unless you step up to the plate. By increasing our at-bats and improving our batting average through learning from successes and failures, we will continue striving to create new IPs with the potential to be global hits.

Expanding Growth: Strengthening Our IPs, Collaborating with External IPs, and Creating New IPs

Of course, to manage business risk, it is important to leverage the strengths we have built over the years while steadily broadening our foundation for growth. Our strengths lie in our ability to refine our own IPs and our development capabilities, which enable us to turn external IPs into compelling game experiences.



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We have grown by refining the game systems themselves and applying these strengths to co-developed titles. Examples include the strategic appeal of *NOBUNAGA'S AMBITION* and *ROMANCE OF THE THREE KINGDOMS*, as well as the exhilarating one-versus-thousands action of *DYNASTY WARRIORS*. Recently, *Pokémon Pokopia* became a major hit. The recognition of our development capabilities and ability to leverage IP has been key to making these collaborations with major IPs possible. Our ability to turn IPs from new partners and new areas into games that users enjoy is a competitive advantage unique to our company.

Strengthening revenue stability through these advantages is also crucial for continuing to take on new IP challenges. We will continue to create globally competitive titles by combining new IP creation, development of our own IP, and collaboration with external IPs.



Investing in Growth with a Focus on Human Capital

True value in the entertainment industry is created by people, which is why investment in human capital is at the heart of our growth strategy. Talented individuals expressing their creativity are key to strengthening our competitiveness. We currently hire around 200 people each year and are strengthening our structure with a medium- to long-term outlook toward a workforce of 5,000.

It is the company's role to provide training systems and comfortable office environments that help talented employees improve their abilities and perform at their best. To create enjoyable products, we believe that creators themselves must work in an enjoyable and creative environment. Game development can involve crunch time and other demanding periods, but we strive to provide a work environment where employees can stay motivated and engaged.

Compensation is also considered an important investment in human capital, and we are continuously reviewing starting salaries and average pay. We are establishing incentive programs that reflect contributions to hit titles and corporate value in compensation.

We believe these efforts are reflected in our low turnover rate of less than 5% and rising employee engagement. Investing in human capital raises motivation and enables employees to contribute over the long term, which enhances the quality of our work and increases corporate value.

Expanding Growth Opportunities Through M&A and Partnerships

Growth opportunities through external collaboration, such as M&A, capital alliances, and partnerships, are also options. We want to broadly explore possibilities not only with game companies but also with publishers, film companies, and others that hold attractive IPs. In addition to our traditional approach of pursuing integration based on cultural compatibility, we will explore diverse forms of collaboration and partnership. These may include maintaining separate companies to leverage their respective strengths, as well as forming joint ventures, thereby expanding growth opportunities that capitalize on our IP capabilities.

Delivering on Capital Market Expectations Through Strong Results

Since becoming president of the holdings company, I have had many opportunities to engage in dialogue with investors and have come to appreciate their strong expectations for our future growth. My mission is to steadily implement each initiative set out in the 4th Medium-Term Management Plan, build a track record of results, and drive the Company's further growth.

We aim to firmly establish KOEI TECMO as a globally recognized company known for creating hit titles and engaging games. To achieve this, we will strategically implement a range of initiatives. These include expanding our development pipeline, improving efficiency through AI, strengthening our overseas self-publishing and promotional capabilities, expanding our IPs, entering emerging markets, and investing in human capital. While some initiatives may not deliver immediate results, continued investment will build the foundation for future revenue growth.

Above all, solid results are essential to meeting capital market expectations. By building a track record of results, we will demonstrate our growth potential and corporate value to investors and work tirelessly to earn their confidence in our future growth.

By increasing the number of opportunities we have to develop games and improving our hit rate, we will create titles and IPs that can compete on the global stage. We will maximize the value of our IPs and actively expand them into new markets. Through these efforts, we will evolve KOEI TECMO into a company with a strong and lasting presence on the global stage.

Hisashi Koinuma