

Message from the Chairman of the Board of Directors

Enhancing the Effectiveness of the Board of Directors to Support Our Journey Toward Becoming No. 1 in the World

YOICHI ERIKAWA

Chairman (Representative Director) & Chairman of the Board of Directors

A Year of Rethinking My Role as Founder

It has now been one year since we transitioned to a new management structure, with oversight separated from execution and Hisashi Koinuma serving as president and CEO. In FY2025, we posted record-high net sales, ordinary income, and net income, while operating income also exceeded our initial forecast. Looking back on this first year, my honest assessment is that President Koinuma has delivered results beyond my expectations.

One of the most significant changes this past year is the emergence of a structure where the next generation of leaders, guided by President Koinuma, now works together to handle execution. Our executive officers in their 40s are also playing an increasingly active role, helping the Group move into a new phase of growth. To ensure this transition takes root, I have intentionally kept my involvement in day-to-day execution to a minimum. For example, the new management team now discusses and builds the management plan on its own, considering how to strengthen both growth and profitability. I have stepped back from business execution, receiving explanations of the plan from management at the Board of Directors meetings and focusing exclusively on oversight.

In my previous role as president, my priorities were developing great games and improving financial performance. Since relinquishing operational responsibility, however, I have become increasingly conscious of my identity as a shareholder. The Board of Directors is the body entrusted by shareholders to make decisions on the Company's most important matters. I intend to use my position as founder, major shareholder, and Chairman of the Board of Directors to contribute meaningfully to all stakeholders.

Deepening Discussion to Achieve a More Effective Board of Directors

In running the Board of Directors, we have consistently aimed for fewer agenda items and more substantial discussion. When the management integration occurred in 2009, we emphasized speed in decision-making. We held weekly Board of Directors meetings and addressed many execution-related matters. After several rounds of review, Board of Directors meetings are now held no more than twice a month, and execution-related matters are delegated to the business units whenever possible. At each meeting, we continually discuss which matters should be resolved by the Board of Directors and which should simply be reported.

We have also taken steps to encourage discussion, including setting aside time after deliberating all agenda items for directors to exchange views freely. This has led to some tangible suggestions, including ideas for improving the report format. Since I took on a dedicated supervisory role, outside directors have become far more vocal, and I can already see a tangible boost in the Board of Directors' overall effectiveness.

We were able to dive deep into the key issues for this fiscal year as well. In securing sufficient liquidity to maintain our Prime Market listing, for example, we carefully considered the impact on minority shareholders when making decisions involving a substantial transfer of shares. As we work toward becoming "The World's No. 1 Digital Entertainment Company," it has been essential to secure liquidity appropriate for a Prime Market-listed company and to respond to the trust placed in us by the capital markets. The diverse perspectives offered by our outside directors were extremely valuable when making these important decisions.



Message from the Chairman of the Board of Directors

Discussions on our new executive compensation system, which includes restricted stock compensation, also went deeper than ever, covering everything from the necessity of the system, to examples at other companies, to the specific amounts and design for each role. If I were still involved on the execution side and making proposals on executive compensation and appointments, there would always be a risk of the system being designed to benefit management. This is why it is essential to keep oversight and execution clearly separated and have the Nomination & Remuneration Committee discuss these matters with objectivity and transparency.

To further strengthen effectiveness, we improved our skills matrix by adding clearer definitions for each skill and explaining why each one was selected. Taking shareholder input and external evaluations into account, we will continue to strive to make the Board even more effective.

Taking Our First Step Toward the World's Top 10

One of the Board of Directors' key responsibilities is to approve the management plan and oversee its execution. Through this, we confirm whether we are genuinely moving closer to our vision of becoming "The World's No. 1 Digital Entertainment Company". As a first step, we have set a goal of becoming one of the world's top 10 companies within 10 years. As Chair, my role is to keep asking how we can turn this vision into reality.

The Board of Directors monitors progress under the Medium-Term Management Plan through monthly financial reports and quarterly rolling updates. Among these, the indicator we place the greatest emphasis on is operating income. To become "The World's No. 1 Digital Entertainment Company"—meaning No. 1 in operating income worldwide—staying on our present course alone will not suffice. To be among the world's top 10 in 10 years, I believe that operating income needs to be two to three times its current level. We may achieve strong results in ordinary income when financial markets and foreign exchange rates are favorable, but what I want investors to focus on is the growth of operating income, which reflects the performance of our core business. I believe the corporate value we seek to create ultimately means increasing our market capitalization, the overall value calculated by multiplying our share price by the number of shares outstanding. We also need to aim for market capitalization of approximately ¥1.5 trillion, about three times our current level.

Oversight by the Board of Directors involves more than just monitoring progress against the plan. It also requires understanding shifts in the game market, recognizing what global gamers expect in terms of entertainment, and judging the direction management should take. For major projects involving substantial development investments, for example, we monitor development status and continuously follow up on project progress each month. To further strengthen the Board of Directors' effectiveness, we are also working to provide outside directors with feedback on the results of major projects, deviations from plans, their causes, and lessons learned, so that we can better incorporate their insights.

Investing in Growth Through Global Business Expansion

Overseas markets are the key to our future growth. Although the global game market is worth approximately ¥31 trillion, Japan currently accounts for only about 8% of that market. We cannot achieve meaningful growth without succeeding in overseas markets. During my time as president, we struggled to achieve success in overseas markets. That is why I have high expectations that President Koinuma will pursue overseas opportunities aggressively, including through M&A.

From my own experience, I can say that trying to imitate games that succeed overseas does not lead to success. When we developed games for the North American and European markets, we tried to make titles similar to those that were popular overseas. Looking back, that was a major mistake. In fact, titles like *Nioh*, which put Japanese culture and history front and center and delivered new forms of entertainment that overseas studios cannot replicate, have resonated deeply with global audiences.

Going forward, in addition to nurturing our own IPs, it will be important to work with leading overseas companies and create new IP and game systems for the global market. We have grown by creating new forms of entertainment and expanding them across our lineup, from the territory-conquering gameplay of NOBUNAGA'S AMBITION and ROMANCE OF THE THREE KINGDOMS to the exhilarating 1 vs. 1,000 action of DYNASTY WARRIORS. I believe our ability to create such innovative gaming mechanics will continue to be fundamental to our business.

People are what drive business growth. To become one of the world's leading game companies, we will continue to actively invest in human capital by continually developing

and implementing highly competitive compensation, benefits, and personnel systems.

Supporting Management in Meeting New Challenges

I am very optimistic about the future of the game market. Even at 75 years old, I still enjoy playing a wide variety of games, both our own and those made by other companies. Considering that the generation that grew up with the NES will continue playing games into their 60s and 70s, we are likely entering an era when people of all ages enjoy games. As the age range of players expands, games with stronger artistic, narrative, and literary depth will become increasingly important. By creating compelling stories and characters rooted in the history and cultures we know well, I believe we have significant potential for further growth.

I am very pleased that our first year under the new management structure delivered such strong results. When things are going smoothly, I believe management should be able to handle things on its own; it is when achieving our goals becomes difficult that the Board of Directors' role is truly put to the test. In those moments, as Chair, I want to support the new management team by drawing on the diverse expertise of our outside directors, as well as my own 45 years of experience as a game developer and business leader.

Going forward, we will continue to enhance the Board of Directors' effectiveness and contribute to increasing corporate value, to ensure that we fully live up to the expectations of all our stakeholders.

