

## Outside Directors Roundtable Discussion

# Building a Governance Structure That Empowers Taking on Challenges and Delivers Corporate Value

### Roundtable Participants



**Masao Tejima**  
Director (Independent  
Outside Director)



**Hiroshi Kobayashi**  
Director (Independent  
Outside Director)



**Tatsuo Sato**  
Director (Independent  
Outside Director)



**Michiaki Ogasawara**  
Director (Independent  
Outside Director)



**Shino Uenuma**  
Director (Independent  
Outside Director)

### Succession, HR, and Compensation Reform Under the New Leadership

#### — Changes in governance one year after the transition

**Kobayashi** It has been one year since the new leadership team led by President Koinuma took charge. For us outside directors, our role on the Board of Directors itself has not changed significantly through this transition. On the executive side, however, I have seen a clear shift. Since Chairman Erikawa moved to a supervisory role, President Koinuma and other leaders responsible for execution and development have shown a stronger sense of ownership, with a clearer awareness that they are now at the forefront of the company. Now that they're taking tough questions directly from us, I feel a noticeable increase in their sense of responsibility.

**Sato** This was not an abrupt leadership change, but the result of a succession plan that had been carefully developed over a long period of time. With Koinuma-san becoming CEO, I see this as a fresh start for succession planning itself. Although this may be getting a little ahead of things, I look forward to overseeing the executive side in my role as an outside director now that a new era has begun under the management team.

#### — Reforming HR and compensation with global standards in mind

**Tejima** To compete on the world stage, we must attract and retain highly skilled engineers and producers. To achieve that, I believe we also need to discuss HR and compensation systems with global standards in mind. When we considered introducing Restricted Stock (RS) compensation as a new incentive, I noticed we were only benchmarking against domestic peers. But if we are serious about breaking into the global top ten,

we need to constantly benchmark ourselves against overseas competitors and design our compensation system with a global perspective.

**Sato** Over the past year, the role of our overseas offices has also started to change significantly. They are moving beyond serving as simple sales or development outposts to become hubs that create new content and drive their own promotion and sales initiatives. As the entire company globalizes, separating oversight and execution at the Board of Directors level is part of aligning with global standards. I believe we also need to extend that same effort to our HR and compensation systems.

**Ogasawara** On incentives such as equity compensation, I want to continue the discussion beyond top management to include executive officers, which is critical for talent retention.

### Effective Oversight That Develops the Next Generation of Leaders

#### — Evolving how the Board of Directors operates

**Kobayashi** Every year, we had flagged the lack of legal expertise on the Board of Directors as an issue. Given that, it was a real positive for the Board of Directors when Director Uenuma, who is both a legal expert and an avid gamer, joined last year.

**Uenuma** The skills matrix was revised this time to reflect the expertise expected of Board members. This clarifies what the company currently prioritizes and communicates it to the market. As the business environment grows more complex, we select expertise aligned with our core purpose of overseeing key business strategies. Personally, I see rapidly evolving technology and human capital as particularly critical. We are entering an era where AI can handle foundational tasks that people once had to learn and build from the ground up. Against this backdrop, the challenge is shifting to developing people who can do more than AI, which makes talent development increasingly important.

# Outside Directors Roundtable Discussion

**Kobayashi** The operations of the Board of Directors have been steadily improving. Board materials are now shared earlier, allowing us to prepare for key issues in advance and come to meetings ready for discussion.

**Ogasawara** Our Board of Directors used to meet weekly, but now meets once or twice a month. Going forward, we should further separate oversight from execution and delegate more authority to the executive team, enabling them to make decisions and act more quickly. It is important to strengthen a structure where the Board of Directors focuses on oversight, including appointing and removing executive officers, while the executive team takes full responsibility for delivering on the mandate entrusted to it.

**Tejima** The discussions have also become more substantive. Under the previous structure, Koinuma-san, as head of the development teams, was the one explaining products and development investments. Now, the executive in charge of each product explains that product directly, and the heads of corporate planning and finance explain their own areas, with President Koinuma adding supplementary comments. I hope that by experiencing the tension of the Board of Directors firsthand, these leaders will develop a stronger management perspective and a deeper sense of responsibility.

## — The benefits of evaluating every success and failure

**Uenuma** We get detailed figures for each title, but numbers alone do not tell the whole story, which is why Director Tejima has consistently asked for an explanation of what those numbers actually mean.

**Tejima** We approve the start of development and its budget. However, once we've given that approval, if a title does not sell as expected and shareholders ask why we approved it, we would be failing in our duty if we could not answer. We need to have thorough enough discussions to be able to answer those questions properly. That is part of our accountability to shareholders for the decisions we approve at the Board of Directors. What did we forecast and report in the business plan, and what were the actual results? If they go beyond simply reporting numbers and explain why the gap occurred, it helps us learn and sharpens our judgment for future decisions.

**Kobayashi** This is a tough ask for developers and marketers. Sometimes highly acclaimed titles don't sell, and sometimes the reverse is true. Having worked in entertainment myself, I tended to assume I could tell which titles wouldn't sell despite strong reviews, and I'd often stop asking questions at that point. But when someone less familiar with games asks why it did not sell, you have to think it through seriously until you can provide an explanation that satisfies them. This does place an extra burden on developers, who are not used to attending Board meetings, but I think it has pushed them to think more critically than before.

**Sato** The ability to explain logically why something succeeded or failed is essential for development leaders. Without it, you cannot lead an organization. Persistently asking these questions should contribute significantly to developing the next generation of producers and directors.

**Ogasawara** I am not a games expert, but I do try to check whether we have mechanisms in place to ensure that lessons from both successes and failures, especially failures, are carried forward to the next project. I see this as a key part of an outside director's oversight role, not just at this company but in general.

## A Growth Strategy to Become No. 1 in the World, Supported by Outside Directors Who Back Bold Challenges

### — Assessment of year one of the 4th Medium-Term Management Plan

**Sato** The dream Chairman Erikawa had in the 1980s, to become the world's No. 1 digital entertainment company, has now become our corporate vision. In the 4th Medium-Term Management Plan that started last fiscal year, this vision was for the first time translated into a specific goal: to rank among the global top 10 by operating profit within around 10 years. This is backed by both the expanding global games market and years of steady effort to strengthen our development and sales capabilities. With the 4th Medium-Term Management Plan, Board of Directors reforms, and succession advancing as one integrated effort, I feel we have reached the point where

we can lay out a concrete path to becoming number one in the world. In fact, last fiscal year we posted record highs for net sales, ordinary profit, and net income. These results reflect not only quantitative expansion, such as growing our development workforce, but also qualitative improvements, such as building AAA-level development capabilities and a global sales network. I see this as a strong start.

### — Supporting the next leap forward

**Sato** This company excels at long-term strategy, including resource allocation and building layered revenue structures—much like managing territories in our *NOBUNAGA's AMBITION* game. At the same time, to look beyond the global top 10, a bold leap is also required. We have now reached a stage where we should seriously consider the M&A of companies with attractive IPs and expansion into adjacent businesses. In my Q&A sessions with management, I feel the leadership team is thinking more deeply about these opportunities, and we are now able to have substantive discussions that include specific deals under consideration. I will continue to make recommendations that encourage the executive team to take risks.

**Tejima** Our role is not to build a company that avoids failure, but to build together a company that embraces bold challenges. That is the role we defined last year when the new structure was introduced, and we outside directors met alone to discuss how to support the new executive team. This company is exceptionally good at carefully solving problems once they are defined. The next step is to build the insight to identify challenges, the planning ability to shape them into concrete initiatives, and the ability to evaluate results. We will continue to make recommendations to foster a culture across the company where nothing is truly a failure, but rather an experience that leads to success, and to support an environment where the next generation can take on challenges with courage.

**Uenuma** I hope to contribute through my specialties: legal affairs and cybersecurity. With the growing importance of cybersecurity, I'd like to recommend setting up an annual review of measures in place and other risk management that supports taking on bold challenges. I believe such safeguards are essential to give shareholders and investors confidence in evaluating our company from a long-term perspective.

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## The Role of Outside Directors in Sustaining and Enhancing Corporate Value on the Stock Market

— Market valuation and the role of outside directors

**Kobayashi** While valuations across the games industry are not necessarily rising, we need to look seriously at why our valuation remains where it is despite strong performance. One factor is the change in our shareholder base after last fiscal year's disposal and secondary offering of treasury shares. We have more new retail shareholders, and many more investors trading in small lots. Alongside reviewing our disclosure practices, we need to shift from thinking about getting investors to hold for the long term to first getting them to choose us as an investment.

**Ogasawara** Feedback from discussions between the CFO and IR team and analysts and investors is regularly reported to the Board of Directors and reflected in management discussions. To earn a favorable market valuation, the first priority is to show with numbers that we are delivering on the targets in the medium-term plan, and then clearly lay out the growth story for reaching the global top 10. Strong development capabilities are one of our strengths, but going forward, a key question will be how effectively we can use AI to create a wide range of new entertainment. From there, our options range from emphasizing stable returns through progressive dividends to pursuing further growth through more aggressive investment. We will continue deepening discussions with management on how we should position ourselves in relation to the market.

**Sato** To be valued by the market, what we need to provide is not short-term gains, but confidence that this company will continue to grow over the long term. I believe it is important to keep demonstrating the foundations of our growth, including our AAA development capabilities, investment in talent, and global expansion.

**Tejima** What investors look for is actually quite clear: a company that creates compelling value and properly returns profits to shareholders. While we cannot directly move the



share price, there are still clear actions within our control. Our job, together with management, is to chart not only how we will achieve the targets in the medium-term plan, but what kind of future this company will pursue, and to communicate that vision to the market. As outside directors, we will continue to fulfill our duties to ensure that KOEI TECMO can continue taking on challenges and delivering the returns of those efforts to shareholders.

### Message from Newly Appointed Director Osanai



I believe entertainment, including games, has the power to bring people together across generations and encourage a positive outlook.

KOEI TECMO's spirit of Creativity and Contribution drives the company to refine the quality and artistry of its entertainment and to keep taking on new challenges in Japan and overseas. Drawing on my experience in Human Resources and General Affairs, I will offer guidance grounded in fairness and consideration for others, including developing evaluation systems employees can trust, improving compensation and working conditions, and strengthening employee benefits. To enhance the company's value, I am committed to strong governance to ensure that trust is maintained through sufficient communication with frontline teams and that governance is prioritized and responses are carried out with integrity.