

Continuing to Create Exciting Entertainment for Game Fans around the World, Aiming to Become “The World’s No. 1 Digital Entertainment Company”

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Pursuing new entertainment through “Creativity & Contribution” and exciting game fans inspires future creations

What I value most in our corporate philosophy is KOEI TECMO’s spirit of “Creativity & Contribution.” This embodies the essence of our business and is what we expect most from our employees. By embracing this spirit together, we aim to create new entertainment for game fans, which in turn contributes to society. I believe that promoting this approach is essential to our identity as a company and the direction we should take. Realizing “Creativity & Contribution” is crucial for our employees, as it enhances their sense of purpose and fulfillment in their work, ultimately enriching their lives.

In this way, “Creativity & Contribution” represents not only my vision but also the vision of the Company as a whole.

Bold challenges taken in FY2023: Paving the future with “Rise of the Ronin”

Released in March 2024, “Rise of the Ronin” was a title that challenged us to achieve two key objectives: creating a title with sales of five million units as part of our Medium-Term Management Plan and focusing on open-world gaming as a priority for FY2023. This game

received an impressive User Score of 8.9 on Metacritic*¹, a site that compiles game evaluations from around the world. We are thrilled that the quality we aimed for with this action game has been so highly appreciated by gamers globally.

On the other hand, we received a harsher evaluation than expected for the Metascore*², which has made our areas for improvement clearer. Regarding CG quality, Western fans anticipated a photorealistic style rather than the real-anime style we aimed for with “Rise of the Ronin.” While the excitement of the battles and action gameplay was highly praised, there are still challenges in creating new entertainment within the open-world format.

Taking these factors into account, as we move toward developing our next title that achieves sales of five million units, we want to focus on three key areas. The first is a renewed challenge in open-world design. We will work to boldly incorporate new forms of entertainment into open-world gameplay as a standard feature for our upcoming AAA titles*³.

The second focus is to elevate the quality of our CG to meet the expectations of Western gamers. Our proprietary game engine, “Katana Engine™,” supports a wide range of CG production, from photorealism to anime-style non-photorealism. We are committed to actively enhancing the quality to exceed the expectations of Western fans.

Finally, we will concentrate on action games using swords. The combination of sword-based action and open-world design is a perfect match and is a distinctive strength for us. We aim to further refine this aspect to achieve overwhelming superiority compared to other games.





We will create an open-world experience that features stages depicted with realistic CG, complemented by stunning sword action, while incorporating the Japanese and Asian worldviews and cultures that KOEI TECMO excels in. This will enable us to establish a development framework that consistently produces titles that achieve sales of five million units.

*1. Metacritic is a review aggregation site for games, movies, and other media, providing two ratings: the User Score based on user reviews, and the Metascore, which quantifies reviews from game critics' websites.

*2. As of September 1, 2024.

*3. AAA titles refer to games that are massive hits and have been developed with substantial budgets and intricate detail.

KOEI TECMO continues to grow despite the gaming industry's plateau

According to data from various research and survey institutions, the global gaming industry is expected to achieve stable annual growth of 2% to 5%, with little likelihood of returning to past rapid growth. Consequently, as the industry stabilizes, we anticipate movements such as M&A and restructuring through a scrap-and-build approach.

Despite these trends, KOEI TECMO retains significant growth potential. As we continue to grow, we plan to actively pursue hiring, aiming to expand our development professionals from over 2,000 to 5,000. Our goal is to enhance our development scale to create games that earn high user ratings on Metacritic, aiming to create titles with sales of five million and 10 million units. This involves creating a development roadmap focused on talent cultivation and project organization.

A key aspect of our management strategy for this fiscal year is the evolution of our initiative to create and develop global IPs. We aim to consistently produce new titles that reach the sales milestone of five million units each year. Our strategy for developing global IPs encompasses five avenues: platform^{*4} expansion,

genre expansion, collaborative expansion, licensing expansion, and tie-in expansion. We intend to pursue collaboration and tie-in projects, utilizing our diverse IPs for adaptations such as animation, film, and TV dramas.

Looking five to ten years ahead, current platforms will undergo generational shifts. As new technologies emerge and integrate into the digital entertainment landscape, new entertainment will arise. We envision a future where CG assets seamlessly blend with real humans. Amidst these technological innovations, our role as a company aiming to become "The World's No. 1 Digital Entertainment Company" is to continually provide new entertainment.

*4. "Platform" refers to the environment or device used to play games.

The role of president to date, and passing the torch to the next generation

In my thirties, I believed that the role of the president was to create great games. However, through my experiences in management, I realized that what employees sought from the president was to share a vision of what the company aims to achieve and why we create games. As a result, I focused on creating management policies and roadmaps for management plans, as well as providing educational opportunities to foster good game development, sharing values with many employees.

As I continued to manage the Company, I came to identify three crucial aspects for KOEI TECMO's leadership.

First, it is essential to create hit games; developing new entertainment that delights many customers is the most critical role of a president. Without the ability to do this, a leader in a company centered around gaming will have difficulty gaining the support of their team.

Second, a leader should take joy in creating new entertainment while standing shoulder to shoulder with our employees as we walk this journey together. It is crucial to share in both their successes and frustrations, fostering a sense of empathy and connection within the team.

Lastly, to foster an enjoyable work environment, it is important to establish organizational rules that define job authorities and responsibilities, effectively systematizing the know-how required for creating successful games.

I have complete confidence in our next-generation leadership, as they have already developed games that bring joy to many, and I believe they will continue to produce such titles. They are my colleagues with whom I have collaborated to create hit games, and I place immense trust in them. If they step into leadership roles within the Company, I know that all employees will trust and follow them, inspiring our entire team to embrace the game-making process, which will ultimately contribute to the Company's enhanced growth.

Moving forward, I will continue to manage the Company alongside the next generation of leaders while also focusing on establishing a support system for the future. I recognize that creating an environment where growth can thrive, regardless of the structure in place, is another important role I must fulfill.

Next steps for achieving our vision and promoting Asian culture worldwide

We envision ourselves as "The World's No. 1 Digital Entertainment Company." Our research shows that among publicly listed digital entertainment companies, we have improved our operating profit rankings from 25th four years ago to 23rd three years ago, 20th two

years ago, 17th last year, and now 14th in FY2023. We use operating profit as a benchmark because we believe it reflects the high expectations of game fans. As we strive to become "The World's No. 1," our primary goal is to reach the top 10 globally. A key challenge in this endeavor is the development of titles with sales of five million units. We are fully committed to creating titles with sales of both five million and eventually 10 million units. The KOEI TECMO Group has the capability to achieve these results and has already established a solid track record.

Furthermore, with our development bases in Japan and Asia, we aim to create games and titles that highlight the history and culture of Asia for a global audience. We believe this initiative will enhance the appeal of Japan and Asia as a whole.

Going forward, we will continue to contribute to social value creation through the development of engaging games. We invite you to join us on our journey toward the future growth of the KOEI TECMO Group.



KOU SHIBUSAWA

