

Ursa Minor

Ursa Major



Annual Report 2010

Draco

Canes Venatici

Bootes

Corona Borealis

Virgo

Mercurius

Serpens

Libra

Ophiuchus

Centaurus

Scorpius



# PROFILE

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**TECMO KOEI HOLDINGS CO., LTD.** is an entity that was born as a result of a merger between two companies, Tecmo and Koei. Both companies have roots in different fields of entertainment, with Tecmo starting out in business related to amusement facilities and Koei in PC software development. Even though both companies have been around for half a century in the same industry, they have cultivated different cultures and different expertise.

By unifying these differences, Tecmo Koei will vigorously continue its work in the spirit of “**Creativity and Contribution**” to deliver even newer and higher quality entertainment content that is able to enrich the hearts of users world-wide.

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# TOP MESSAGE

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**Chairman**  
**Yasuharu Kakiyama**

**President**  
**Kenji Matsubara**

While the world economy is currently still suffering from the effects of the economic downturn, we are seeing that economic stimulus policies have helped the economy slowly improve as a whole.

In Japan, the employment situation continues to be severe. On the other hand, general corporate health has been in a steady recovery which can be seen by an increase in corporate profits and personal consumption.

In the video game industry, the market managed to maintain the same level of performance as the previous year, supported by the sales of major titles in both Japan and North America.

Under these conditions, our group received praise for products released this term, but some titles were delayed in order to improve their quality to meet our exacting standards and to help maximize their sales potential. Also due to goodwill amortization from the merger between Koei and Tecmo, the financial results of the TECMO KOEI Group reached net sales of 34.5 billion yen, income before taxes of 3 billion yen, and a consolidated net income of 2.6 billion yen.

## *Reorganizing the TECMO KOEI Group to maximize corporate value*

On April 1st of 2010, we changed our group's organizational structure into several business units grouped by their core businesses and supporting functions in order to speed up our decision-making processes and to promote more effective group resource management.

As a result of these efforts, we formed three companies that each focus on their respective core businesses: "Tecmo Koei Games" handles the group's game software and online/mobile business, "Tecmo Koei Wave" administers the expansion of the group's IP business through special events, licensing activities, pachinko and slot machines and arcade facilities, while "Tecmo Koei Net" acts as a distributor of game software and merchandise for the Japanese domestic market.

We believe this organizational change will power the drive to combine the spirit and business structures of both Koei and Tecmo, and help us to cope with not only the rapidly changing current business climate, but to help expand and create new business fields as well.

Additionally, by combining the group's resources and know-how to improve operational efficiency, we aim to establish a highly profitable constitution and maximize the value of the TECMO KOEI Group.

With the spirit of "Creativity and Contribution", the TECMO KOEI Group hopes to meet the high expectations of our customers by developing products that achieve a harmony between creativity and corporate growth and will serve as a foundation upon which our companies will launch themselves toward a successful future.

We at the TECMO KOEI Group appreciate and ask for your continued support in our present and future endeavors.

**CONSOLIDATED BALANCE SHEET**

AS OF MARCH 31

	Millions of yen <b>2010</b>	Thousands of U.S. dollars <b>2010</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and time deposits (Notes 3 and 5)	¥6,551	\$70,414
Notes and accounts receivable	8,469	91,027
Allowance for bad debts (Note 5)	(321)	(3,450)
Marketable securities (Notes 3, 5, and 7)	7,580	81,469
Inventories (Note 4)	1,187	12,751
Deferred income taxes (Note 10)	1,071	11,515
Other current assets	1,686	18,117
Total current assets	26,223	281,843
<b>Property and equipment:</b>		
Buildings and structures, net (Note 6)	6,507	69,937
Land (Notes 6 and 11)	5,612	60,326
Other	1,353	14,542
Total property and equipment	13,472	144,805
<b>Intangible assets</b>		
Goodwill	3,936	42,310
Other	826	8,875
Total Intangible assets	4,762	51,185
<b>Investments and other assets:</b>		
Investment securities (Notes 5 and 7)	30,218	324,786
Claim in bankruptcy	160	1,720
Deferred income taxes (Notes 10 and 11)	2,595	27,893
Lease and guarantee deposits	1,199	12,883
Other	233	2,503
Allowance for bad debts	(160)	(1,720)
Total investments and other assets	34,245	368,065
<b>Total assets</b>	<b>¥78,702</b>	<b>\$845,898</b>

The accompanying notes are an integral part of this statement.



	Millions of yen	Thousands of U.S. dollars
	2010	2010
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable – trade	¥1,453	\$15,618
Accounts payable – other	2,129	22,879
Income taxes payable	2,015	21,653
Accrued bonuses to employees	536	5,766
Accrued bonuses to directors	30	322
Allowance for sales returns	203	2,181
Allowance for sales discount	185	1,987
Other	1,498	16,107
Total current liabilities	8,049	86,513
<b>Long-term liabilities:</b>		
Deferred income taxes (Note 10)	37	399
Accrued severance indemnities for directors	473	5,084
Reserve for retirement benefits (Note 9)	586	6,297
Other long-term liabilities	246	2,646
Total long-term liabilities	1,342	14,426
<b>Total liabilities</b>	<b>9,391</b>	<b>100,939</b>
<b>NET ASSETS (Note 12)</b>		
<b>Shareholders' equity:</b>		
Common stock		
Authorized:350,000,000 shares at March 31, 2010	15,000	161,221
Issued:89,769,479 shares at March 31, 2010		
Capital surplus	24,641	264,840
Retained earnings	36,515	392,471
Treasury stock	(2,366)	(25,435)
Total shareholders' equity	73,790	793,097
<b>Valuation and translation adjustments:</b>		
Unrealized gains or losses on securities (Note 7)	(945)	(10,153)
Unrealized losses on revaluation of the land (Note 11)	(3,102)	(33,339)
Foreign currency translation adjustments	(539)	(5,797)
Total valuation and translation adjustments	(4,586)	(49,289)
<b>Share subscription rights (Note 14):</b>	<b>94</b>	<b>1,011</b>
<b>Minority interests</b>	<b>13</b>	<b>140</b>
<b>Total net assets</b>	<b>69,311</b>	<b>744,959</b>
<b>Total liabilities and net assets</b>	<b>¥78,702</b>	<b>\$845,898</b>

The accompanying notes are an integral part of this statement.

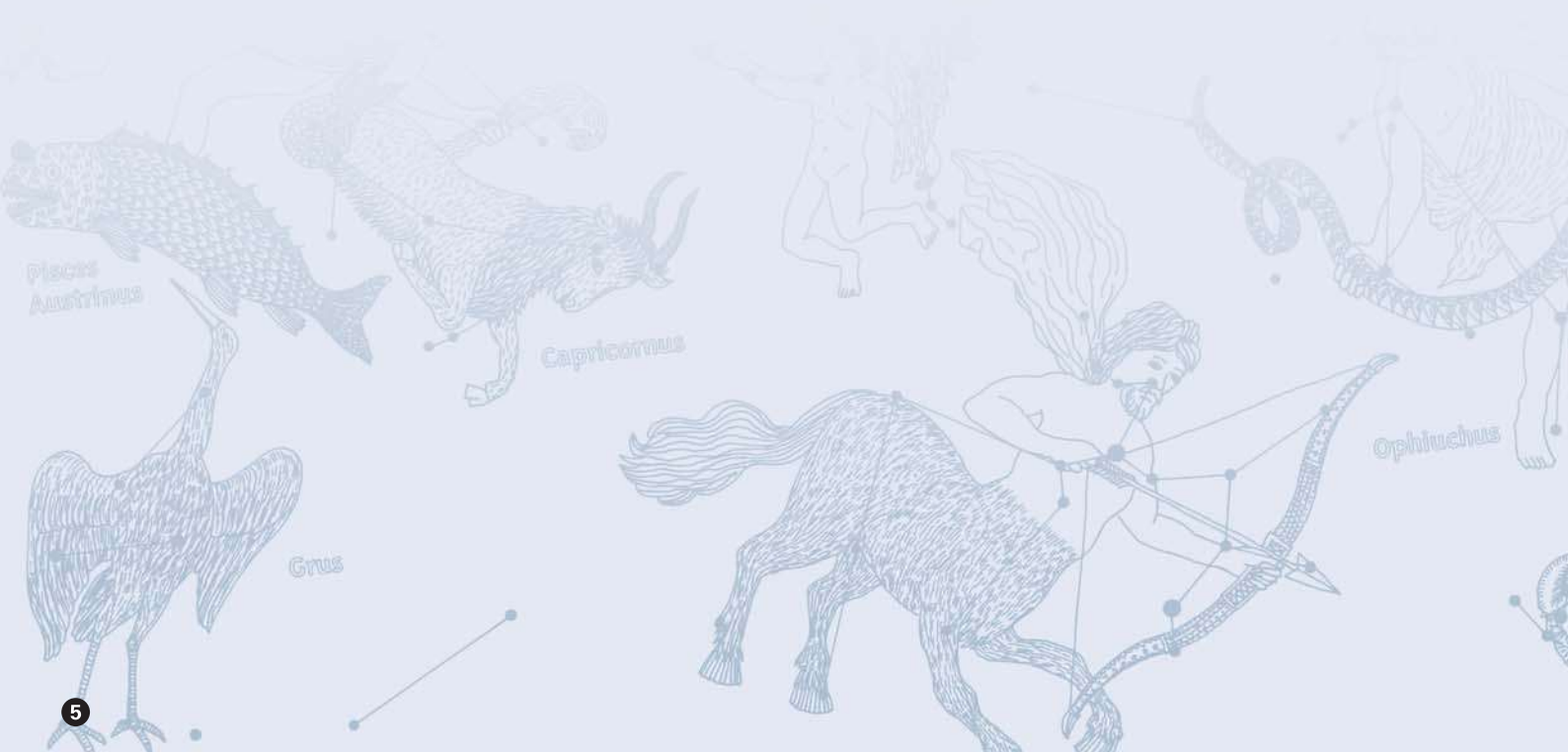


**CONSOLIDATED STATEMENT OF INCOME**

FOR THE YEAR ENDED MARCH 31

	Millions of yen	Thousands of U.S. dollars
	2010	2010
<b>Net sales (Note 16)</b>	<b>¥34,503</b>	<b>\$370,839</b>
Cost of sales (Note 8)	23,724	254,984
<b>Gross profit</b>	<b>10,779</b>	<b>115,855</b>
Selling, general and administrative expenses (Note 8)	10,138	108,964
<b>Operating income (Note 16)</b>	<b>641</b>	<b>6,891</b>
<b>Non-operating income (expenses)</b>		
Interest income	1,917	20,600
Gain on sale of investment securities (Note 7)	1,194	12,835
Gain on valuation of derivatives	60	645
Loss on valuation of securities	(123)	(1,320)
Loss on redemption of securities (Note 7)	(514)	(5,526)
Foreign exchange loss, net	(193)	(2,079)
Other, net	41	446
<b>Income before income taxes</b>	<b>3,023</b>	<b>32,492</b>
<b>Income taxes (Note 10):</b>		
Current	1,975	21,229
Deferred	(1,559)	(16,763)
	416	4,466
Income before minority interest	2,607	28,026
Minority interests in net income	(3)	(33)
<b>Net income</b>	<b>2,604</b>	<b>27,993</b>
	Yen	U.S. dollars
<b>Per share:</b>		
Net income – Basic	¥30.14	\$0.32
– Diluted	-	-
Cash dividends	13.00	0.14

The accompanying notes are an integral part of this statement.



**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

FOR THE YEAR ENDED MARCH 31

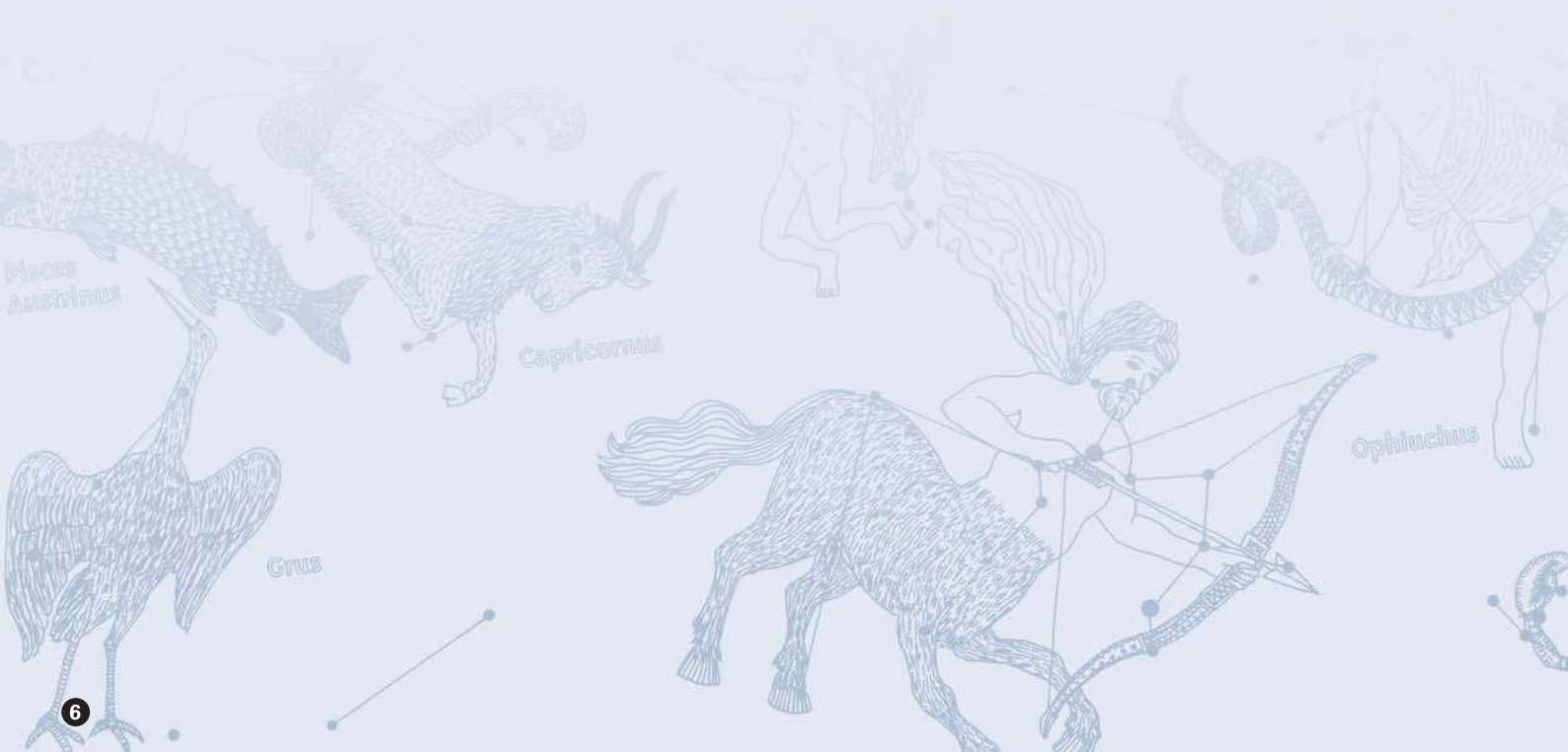
Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains or losses on securities	Unrealized losses on revaluation of the land	Foreign currency transaction adjustments	Share subscription rights	Minority interests	Net assets
<b>Balance at March 31, 2009</b>	<b>¥9,091</b>	<b>¥14,185</b>	<b>¥36,387</b>	<b>(¥0)</b>	<b>¥4,000</b>	<b>(¥3,102)</b>	<b>(¥825)</b>	<b>¥85</b>	<b>¥2</b>	<b>¥51,823</b>
Increase by share transfers	5,909	10,456	(91)							16,274
Cash dividends paid			(1,714)							(1,714)
Net income			2,604							2,604
Purchase of treasury stock				(2,722)						(2,722)
Disposal of treasury stock		(671)		356						(315)
Transfer to capital surplus from retained earnings		671	(671)							-
Net changes during the year					3,055		286	9	11	3,361
<b>Balance at March 31, 2010</b>	<b>¥15,000</b>	<b>¥24,641</b>	<b>¥36,515</b>	<b>(¥2,366)</b>	<b>(¥945)</b>	<b>(¥3,102)</b>	<b>(¥539)</b>	<b>¥94</b>	<b>¥13</b>	<b>¥69,311</b>

Thousands of U.S. dollars

	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains or losses on securities	Unrealized losses on revaluation of the land	Foreign currency transaction adjustments	Share subscription rights	Minority interests	Net assets
<b>Balance at March 31, 2009</b>	<b>\$97,709</b>	<b>\$152,462</b>	<b>\$391,094</b>	<b>(\$0)</b>	<b>(\$42,995)</b>	<b>(\$33,339)</b>	<b>(\$8,871)</b>	<b>\$910</b>	<b>\$17</b>	<b>\$556,987</b>
Increase by share transfers	63,512	112,378	(975)							174,915
Cash dividends paid			(18,425)							(18,425)
Net income			27,993							27,993
Purchase of treasury stock				(29,257)						(29,257)
Disposal of treasury stock		(7,216)		3,822						(3,394)
Transfer to capital surplus from retained earnings		7,216	(7,216)							-
Net changes during the year					32,842		3,074	101	123	36,140
<b>Balance at March 31, 2010</b>	<b>\$161,221</b>	<b>\$264,840</b>	<b>\$392,471</b>	<b>(\$25,435)</b>	<b>(\$10,153)</b>	<b>(\$33,339)</b>	<b>(\$5,797)</b>	<b>\$1,011</b>	<b>\$140</b>	<b>\$744,959</b>

The accompanying notes are an integral part of this statement.



TECMO KOEI HOLDINGS CO.,LTD. AND CONSOLIDATED SUBSIDIARIES  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED MARCH 31

	Millions of yen	Thousands of U.S. dollars
	2010	2010
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥3,023	\$32,492
Adjustments for:		
Depreciation and amortization	1,032	11,088
Amortization of goodwill	992	10,667
Increase (decrease) allowance for bad debt	(26)	(281)
Increase (decrease) in provision for bonuses	(141)	(1,519)
Interest and dividend income	(2,113)	(22,707)
Loss (Gain) on sales of investment securities	(1,194)	(12,835)
Loss (gain) on redemption of securities	514	5,526
Loss (gain) on valuation of derivatives	(60)	(645)
Exchange loss (gain), net	182	1,955
Decrease (increase) in notes and accounts receivable	(1,554)	(16,698)
Decrease (increase) in inventories	452	4,856
Increase (decrease) in notes and accounts payable	219	2,354
Other	798	8,573
Sub total	2,124	22,826
Interest and dividend income received	1,818	19,544
Interest paid	(2)	(28)
Income taxes refund	1,825	19,611
Income taxes paid	(776)	(8,337)
Other	(53)	(567)
Net cash provided by operating activities	4,936	53,049
<b>Cash flows from investing activities:</b>		
Payments into time deposits	(785)	(8,441)
Proceeds from withdrawal of time deposits	655	7,042
Purchase of short-term and long term securities	(6,941)	(74,603)
Proceeds from sales and redemption of short-term and long term securities	5,088	54,682
Purchase of property and equipment	(994)	(10,687)
Payments for purchase of intangible fixed assets	(476)	(5,118)
Purchase of stocks of subsidiaries and affiliates	(518)	(5,571)
Proceeds from collection of guarantee deposits	152	1,632
Other	(78)	(819)
Net cash used in investing activities	(3,897)	(41,883)
<b>Cash flows from financing activities:</b>		
Repayment in short-term loans debt	(10)	(107)
Repayment of long-term loans payable	(160)	(1,720)
Purchase of treasury stock	(2,417)	(25,978)
Cash dividends paid	(1,769)	(19,011)
Other	1	8
Net cash used in financing activities	(4,355)	(46,808)
Effect of exchange rate changes on cash and cash equivalents	(56)	(604)
Net increase (decrease) in cash and cash equivalents	(3,372)	(36,246)
Cash and cash equivalents at beginning of year	12,517	134,538
Cash and cash equivalents at end of year (Note 3)	¥9,145	\$98,292

The accompanying notes are an integral part of this statement.



## 1. Summary of significant accounting policies:

### (1) Basis of presentation of consolidated financial statements -

The accompanying consolidated financial statements of TECMO KOEI HOLDINGS CO., LTD. (“the Company”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries for the year ended March 31, 2010 are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not considered necessary for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### (2) Basis of consolidation and investments in affiliated companies -

The consolidated financial statements include the accounts of the Company and its subsidiaries, including KOEI CO., LTD., TECMO LTD., KOEI NET Co., LTD., TECMO WAVE CO., LTD., CWS Brains, LTD., KOEI CAPITAL Co., LTD., SUPER BRAIN, LTD., TECMO, INC., TECMO KOEI AMERICA Corporation, TECMO KOEI EUROPE LIMITED, TECMO KOEI KOREA Corporation, TECMO KOEI TAIWAN Co., Ltd., KOEI CANADA Inc., Tianjin KOEI Software Co., Ltd., Beijing KOEI Software Co., Ltd., and KOEI ENTERTAINMENT SINGAPORE Pte. Ltd. TECMO, INC. and ERGOSOFT Corporation ended liquidation in this consolidated fiscal year. Some subsidiaries whose net income would have no material effect on the financial statements have not been consolidated. All significant intercompany transactions and accounts have been eliminated in consolidation.

### (3) Translation of foreign currency -

All the assets and liabilities of foreign subsidiaries are translated into Japanese yen at the appropriate year-end rate and all income and expense accounts are translated at the average rate of exchange for the year. The translation of net assets is made using historical rates. The resulting translation differences are presented as “Foreign Currency Translation Adjustments” in the accompanying consolidated balance sheet.

Foreign currency receivables and payables are translated at year-end rates and the resulting translation gains and losses are included in income currently.

### (4) Cash equivalents -

For purpose of the consolidated statement of cash flows, the Company and its consolidated subsidiaries have classified time deposits and other highly liquid investments as cash equivalents if the original maturities of such investments are three months or less.

### (5) Financial Instruments -

#### (a) Derivatives

All derivatives are stated at fair value, with changes in fair value being included in the net profit or loss for the period in which they arise.

#### (b) Marketable securities and investment securities

Marketable securities and investment securities held by the Company and its domestic subsidiaries are classified into three categories:

Trading securities, held for the purpose of generating profits on short-term differences in prices, are stated at fair value, with changes in fair value being included in the net profit or loss for the period in which they arise.

Investments in equity securities issued by unconsolidated subsidiaries are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of net assets, net of applicable taxes.

Other securities for which market quotations are not available are stated at cost or at amortized cost, except as stated in the following paragraph:

In cases where the fair value of equity securities issued by unconsolidated subsidiaries, or other securities has declined significantly and such impairment in value is not deemed temporary, those securities are reduced to fair value and the resulting losses are included in the net profit or loss for the period.

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**(6) Inventories -**

Inventories of the Company and its consolidated subsidiaries are stated at the lower of market or cost determined using the moving-average method for merchandise, finished goods and raw materials and the specific identification method for work-in-process (unless market value of inventories declines significantly and is not expected to recover to cost, in such cases costs are reduced to net realizable values).

**(7) Property and equipment -**

The property and equipment of the Company and its domestic subsidiaries is being depreciated using the declining balance method, except for buildings acquired after the year ended March 31, 1998, which are being depreciated by the straight-line method. The property and equipment held by foreign consolidated subsidiaries is being depreciated by the straight-line method, based on the estimated useful lives of the assets.

The range of useful lives for "Buildings" is principally from 3 to 50 years.

**(8) Intangible assets -**

The cost of software for sale, other than that related to R&D activities, is capitalized and amortized in the proportion of revenue for the period to total estimated ultimate revenue. The costs related to R&D activities are expensed as incurred.

Software costs for internal use are capitalized and amortized over their estimated useful lives on a straight-line basis.

Goodwill is amortized over its estimated useful lives on a straight-line basis. When the amounts are immaterial, the goodwill is amortized as incurred.

**(9) Accrued bonuses -**

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

**(10) Deferred assets -**

Stock issuance cost is expensed as incurred.

**(11) Allowance for bad debts -**

An allowance for bad debts is established at an amount considered to be appropriate based primarily on the past credit loss experience of the Company and its consolidated subsidiaries, plus an additional amount deemed necessary to cover possible losses estimated on an individual account basis.

**(12) Allowance for sales returns -**

An allowance for sales returns is provided for losses due to the return of products at an amount calculated based on historical experience.

**(13) Allowance for customer-discount points -**

An allowance for customer-discount points is provided for the accumulation of points granted to online shopping users. The amount of allowance is determined based on the past usage of points.

**(14) Finance leases -**

For financing and leasing transactions other than which transfer ownership to the lessee the straight-line method is adopted with a residual value of zero, with the lease period deemed equal to the service life of the asset. For such transactions originating before the first year of application of Accounting Standard No.13 (Corporate Accounting Standards for Lease Transactions), accounting methods suitable to ordinary lease transactions are applied.

**(15) Income taxes -**

Provision is currently made for the income taxes applicable to all revenue and expense items reported in income tax returns on the basis of when such items are taxable or deductible. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities.

### (16) Reserve for retirement benefits -

The reserve for retirement benefits as of March 31, 2010 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that unrecognized actuarial differences are being amortized on a straight-line basis over a certain period of time from 9 to 14 years from the year following that in which they arise.

Effective from the fiscal year ended March 31, 2010, the Company and consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No.19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period.

Retirement benefits to directors and statutory auditors are subject to approval at a meeting of shareholders. "Accrued severance indemnities for directors" represents the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet date, based on the retirement rules of the Company.

### (17) Net income per share -

Basic net income per share of common stock ("Basic EPS") is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share of common stock ("Diluted EPS") further assumes the dilutive effect of warrants.

The basic information for net income per share computations for the year ended March 31, 2010 is as follows:

Cash dividends per share represent the actual amount declared as applicable to the respective years.

	Millions of yen	Thousands of U.S. dollarse	Thousands of shares	Yen	U.S. dollars
	Net income		Weighted average number of shares	EPS	
<b>Basic EPS</b>					
Income before minority interest	¥2,607	\$28,026			
Other	(3)	(33)			
Net income for common stock shareholders	¥2,604	\$27,993	86,412	¥30.14	\$0.32
Effect of Diluted stock shareholders					
Warrants	-	-	-		
<b>Diluted EPS</b>					
Net income for computation	-	-	-	-	-

## 2. Change in Accounting Policies:

### (1) Accounting Standard for Construction Contracts

The Company and consolidated domestic subsidiaries (the "domestic companies") adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("ASBJ") Statement No.15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, issued on December 27, 2007). Accordingly, when the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method to work commencing during the year ended March 31, 2010, otherwise the completed-contract method is applied.

### (2) Business Combinations

The Company applied Accounting Standard for Business Combinations (ASBJ Statement No.21, revised on December 26, 2008), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, revised on December 26, 2008), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, issued on December 26, 2008), Accounting Standard for Business Divestitures (ASBJ Statement No.7, revised on December 26, 2008), Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, revised on December 26, 2008), because it is allowed to apply for fiscal years that start on or after April 1, 2009.

### (3) Research and development

The Company applied Partial amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No.23, issued on December 26, 2008), because it is allowed to apply for fiscal years that start on or after April 1, 2009.

## 3. Cash flow information:

Cash and time deposits at March 31, 2010 reconciled to cash and cash equivalents as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Cash and time deposits	¥6,551	\$70,414
Time deposits with maturity over three months	(704)	(7,572)
Marketable securities	3,298	35,450
Total cash and cash equivalents	¥9,145	\$98,292



## 4. Inventories:

Inventories at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Merchandise	¥199	\$2,137
Finished goods	331	3,555
Work in process	516	5,547
Raw materials	141	1,512
	¥1,187	\$12,751

## 5. Financial Instruments:

Effective from the fiscal year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008). Information on financial instruments for the fiscal year ended March 31, 2010 required pursuant to the revised accounting standards is as follows.

### A. Qualitative information on financial instruments

#### (a) Policies for using financial instruments

The Company and its consolidated subsidiaries procure funds that are required for the planning of capital investment, and short-term operating funds through bank loans. The surplus funds are invested in the compound financial products that build in the stocks, the debenture, and derivatives aiming to operate it by a high yield.

Derivatives that the company uses are only the compound financial products that build in derivatives.

#### (b) Details of financial instruments used and the exposures to risk and how they arise

Notes and accounts receivable are exposed to the credit risks in relation to customers. Some of them are denominated in foreign currencies, which consequently exposes the Company and its subsidiaries to the risks of exchange rate fluctuations.

Securities and investment securities, which are principally equity securities and debt securities, are exposed to the risk of market price fluctuations.

The investments in the compound financial instruments that build in derivatives have the risk of the bond market price and the exchange rate fluctuations.

These investments are executed with credit worthy financial institutions. Given their creditworthiness, management does not expect any counterparty to fail to meet its obligations.

#### (c) Policies and processes for managing the risk

##### (1) Credit risk management (counterparty risk)

The Company and its consolidated subsidiaries have established internal procedures for receivables under which the related divisions are primarily responsible for periodically monitoring counterparty status. The department manages amounts and settlement dates by counterparty and works to quickly identify and mitigate payment risk that may result from situations including deterioration of the financial condition of counterparties. Consolidated subsidiaries are subject to the same risk management rules.

##### (2) Market risk management (risk of exchange rate and interest rate fluctuations)

Any investments to compound financial instruments that include stocks, bonds, and derivatives as their components are managed with the established policies and within the specified limit on the amounts of investments allowed. In addition, the Company clearly separates its transaction division and management division in their functions with the view to securely managing its assets. The Company's management division confirms transactions, manages its current position, and ensures that all derivative transactions are executed with the established policies so that its internal control functions properly. The Company periodically provides administrative reports on the status of its position, including market value, to the financial director and treasurer.

Regarding marketable securities and investment securities, the Company periodically examines the financial condition of the issuing entities. The company also regularly reviews the status of its holdings of bonds, not including those held to maturity, taking into consideration its relationships with corporate business holders.

(3) Management of liquidity risk associated with funds procurement (payment default risk)

The Company and its consolidated subsidiaries manage liquidity risk by creating and updating a capital deployment plan based on reports from each division.

(d) Fair value of financial instruments

Fair values of financial instruments include the values based on market prices, and the values deemed as market prices obtained by the reasonable estimate when the financial instruments do not have market prices. Since certain assumptions and others are adopted for calculating such values, they may differ when adopting different assumptions and others.

B. Fair values of financial information

Fair values of financial instruments as of March 31, 2010 were summarized as follows:

The financial instruments as the fair values were not available were not included in the below and were summarized in B (b).

(a) Fair values of financial instruments

	(Millions of yen)		
	March 31, 2010		
	Acquisition Amount	Estimated fair value	Difference
Cash and deposits	¥6,551	¥6,551	-
Notes and accounts receivable	8,469		
Allowance for bad debts*	(242)		
	¥8,227	¥8,227	-
<b>Marketable and investment securities</b>			
Other securities	37,351	37,351	-
Assets Total	¥52,129	¥52,129	-

	(Thousands of U.S.dollars)		
	March 31, 2010		
	Acquisition Amount	Estimated fair value	Difference
Cash and deposits	\$70,414	\$70,414	-
Notes and accounts receivable	91,027		
Allowance for bad debts*	(2,606)		
	\$88,421	\$88,421	-
<b>Marketable and investment securities</b>			
Other securities	401,450	401,450	-
Assets Total	\$560,285	\$560,285	-

\* The amounts for probable losses calculated by applying a percentage based on collection experience to the remaining accounts are included.

(Note 1):Fair values of financial instruments, and matters pertaining to securities and derivative transactions

Assets

Cash and deposits and Notes and accounts receivable

The book values approximate the fair values because of short-term maturities of these instruments.

Marketable and investment securities

The fair value is based on the market prices or the prices obtained from financial institutions.

See the Notes on "7. Marketable securities and investment securities"

(b) Financial instruments, whose fair value were difficult to measure

The financial instruments as the fair values were not available as of March 31, 2010, were summarized as follows:

	March 31, 2010	
	(Millions of yen)	(Thousands of U.S. dollars)
Non-listed equity securities	<b>¥166</b>	<b>\$1,784</b>
Other	<b>281</b>	<b>3,021</b>

It is difficult to measure the fair value of these financial instruments because there is no market price available and it is not efficient to calculate future cash flow. Therefore, these financial instruments were not included in the marketable and investment securities described in (a).

(c) Maturities of financial instruments

The maturities of the financial instruments at March 31, 2010 were as follows:

	(Millions of yen)			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	<b>¥704</b>	-	-	-
Notes and accounts receivable	<b>8,227</b>	-	-	-
Marketable and investment securities				
Other securities				
Government bonds and local government bonds	<b>2,047</b>	<b>¥5,540</b>	<b>¥6,100</b>	<b>¥6,824</b>
Bonds	<b>2,259</b>	<b>2,219</b>	<b>524</b>	<b>558</b>
<b>Total</b>	<b>¥13,237</b>	<b>¥7,759</b>	<b>¥6,624</b>	<b>¥7,382</b>

	(Thousands of U.S. dollars)			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	<b>\$7,572</b>	-	-	-
Notes and accounts receivable	<b>88,421</b>	-	-	-
Marketable and investment securities				
Other securities				
Government bonds and local government bonds	<b>22,004</b>	<b>\$59,543</b>	<b>\$65,562</b>	<b>\$73,345</b>
Bonds	<b>24,282</b>	<b>23,846</b>	<b>5,633</b>	<b>6,000</b>
<b>Total</b>	<b>\$142,279</b>	<b>\$83,389</b>	<b>\$71,195</b>	<b>\$79,345</b>



## 6. Rental Property:

Effective from the fiscal year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No.20 issued on November 28, 2008). "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23 issued on November 28, 2008) for the years ending on or after March 31, 2010. Pursuant to the new requirements, information about fair value of investment and rental property included in the consolidated financial statements at March 31, 2010 is as follows:

	Book value (net of depreciation)			Fair value
	March 31, 2009	Increase	March 31, 2010	March 31, 2010
Millions of yen	¥2,668	¥212	¥2,881	¥2,845
Thousand of U.S dollars	\$28,676	\$2,279	\$30,965	\$30,578

Book values recorded in the consolidated balance sheet present acquisition cost, net of accumulated depreciation and impairment loss.

- (a)The reason of the increase was mainly due to the acquisition of the assets.  
 (b)The fair value was calculated by the Company and its consolidated subsidiaries based on the Real Estate Appraisal Standard.  
 (c)The Company and its consolidated subsidiaries own office buildings (including land) for leasing at Kanagawa prefecture.  
 The rental income in net sales were ¥33 million (\$354 thousand) for the year ended March 31, 2010.

## 7. Marketable securities and investment securities:

A comparison of the aggregate cost and fair value of "Other securities for which market quotations is available" at March 31, 2010 was as follows:

	Millions of yen			Fair value
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
At March 31, 2010				
Other securities for which market quotations are available -				
Equity securities	¥6,845	¥2,428	¥217	¥9,056
Debt securities	28,198	986	4,225	24,959
Other	3,328	8	-	3,336
	¥38,371	¥3,422	¥4,442	¥37,351

	Thousands of U.S. dollars			Fair value
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
At March 31, 2010				
Other securities for which market quotations are available -				
Equity securities	\$73,572	\$26,098	\$2,339	\$97,331
Debt securities	303,080	10,593	45,412	268,261
Other	35,766	92	-	35,858
	\$412,418	\$36,783	\$47,751	\$401,450

Impairment loss of ¥108 million (\$1,163 thousand) is included in the above for the year ended March 31, 2010.

"Debt securities" contain exchange linked bonds of \$5,000 thousand and ¥300 million (\$3,224 thousand) as a contract amount for the year ended March 31, 2010.

The unrealized gains of ¥60 million (\$645 thousand) on the bonds is stated in the statement of income for the year ended March 31, 2010.

Available-for-sale securities sold for the year ended March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Sales amount	¥3,078	\$33,080
Gross realized gains	1,194	12,836
Gross realized losses	¥0	\$1

The aggregate carrying value of unlisted securities included in "Other securities for which market quotations are unavailable" was ¥300 million (\$3,224 thousand) at March 31, 2010.

## 8. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2010 was ¥590 million (\$6,350 thousand).

## 9. Retirement Benefit Plan

Under the terms of the Company's retirement plan, substantially all employees are entitled to pension or lump sum payments at the time of retirement. The amounts of retirement benefits are, in general, determined on the basis of length of service, current basic rate of pay and the conditions under which termination occurs. The minimum payment is an amount based on voluntary retirement. In addition to the minimum payment based on voluntary retirement, employees receive additional benefits for retirement at the normal retirement age, death or other defined reasons.

The Company has a non-contributory defined benefit funded pension plan with trust banks and insurance companies, adopted in April, 1990, to cover 100 percent of the amounts payable under the existing retirement plan to employees entitled to the above pension benefits. The benefits are payable, at the option of retiring employees who have twenty years or more of service as annuities or in a lump-sum payment and, to retiring employees with less than twenty years of service, in a lump-sum payment. The consolidated domestic subsidiaries have adopted lump-sum payment plans, and the foreign consolidated subsidiary has adopted a contributory defined benefit pension plan.

The reserve for retirement benefits as of March 31, 2010 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Projected benefit obligations	(¥2,615)	(\$28,101)
Plan assets	1,840	19,773
	(775)	(8,328)
Unrecognized actuarial differences	189	2,031
Reserve for retirement benefits	(¥586)	(\$6,297)

The net pension expenses relating to retirement benefits for the year ended March 31, 2010 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Service cost	¥276	\$2,961
Interest cost	44	471
Expected return on plan assets	(46)	(489)
Amortization of actuarial differences	41	441
Net pension expense	¥315	\$3,384

The assumptions used in calculation of the above information were as follows:

	2010
Discount rate	1.3~2.0%
Expected rate of return on plan assets	0.75~3.5%
Method of attributing the projected benefits to periods of service	<b>Straight- line basis</b> 9 years to 14 years
Amortization of unrecognized actuarial differences	<b>from the year following that in which they arise</b>

## 10. Income taxes:

The income taxes applicable to the Company and its consolidated subsidiaries in Japan include corporation tax, enterprise tax and inhabitant tax which, in aggregate, resulted in an effective tax rate of approximately 40.6% for the year ended March 31, 2010. The Company's effective tax rates for financial reporting purposes differ from the statutory tax rate due to a number of items, including various tax credits, certain expenses not allowable for income tax purposes, the non-deductibility of the losses of subsidiaries, different tax rates applicable to foreign subsidiaries and dividend income which is not taxable.

The reconciliation of differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2010 was as follows:

	2010
Statutory tax rate	40.6%
Increase (decrease) in taxes resulting from:	
Non-deductible expenses	6.2
Non-taxable dividend income	(1.3)
Amortization of goodwill	13.3
Income tax refund	(6.5)
Special tax credit for research and development expenses and other	(2.1)
Accumulated earnings tax	3.0
Per capita inhabitant tax	1.1
Tax rate difference in certain subsidiaries	3.0
Valuation allowance	(48.4)
Other	4.8
Effective tax rate	13.7%

The significant components of deferred tax assets and liabilities included in the balance sheet were as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Deferred tax current assets:		
Deficit amount	¥1,109	\$11,919
Accrued bonuses	201	2,160
Unrealized gain on sales of inventories	181	1,943
Provision for enterprise tax	170	1,827
Allowance for sales returns	160	1,725
Other	106	1,138
Total deferred tax current assets	1,927	20,712
Valuation allowance	(30)	(316)
Total deferred tax current assets, net of valuation allowance	1,897	20,396
Deferred tax current liabilities:		
Treasury stock	826	8,881
Total deferred tax current liabilities	826	8,881
Net deferred tax current assets	¥1,071	\$11,515

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Deferred tax non-current assets:		
Loss on investment securities	¥873	\$9,378
Deficit amount	660	7,094
Prior-period amortization of development expenses	456	4,896
Amortization of development expenses	398	4,275
Depreciation expense	249	2,676
Impairment loss on fixed assets	337	3,617
Special reserve for tax purposes	184	1,978
Unrealized loss on investment securities	150	1,615
Reserve for retirement benefit	99	1,069
Other	126	1,369
Total deferred tax non-current assets	3,532	37,967
Valuation allowance	(870)	(9,354)
Total deferred tax non-current assets, net of valuation allowance	2,662	28,613
Deferred tax non-current liabilities:		
Unrealized gain on investment securities	47	509
Other	20	211
Total deferred tax non-current liabilities	67	720
Net deferred tax non-current assets	¥2,595	\$27,893



	Millions of yen	Thousands of U.S. dollars
	<b>2010</b>	<b>2010</b>
Deferred tax non-current liabilities:		
Unrealized gain on investment securities	28	303
Other	9	96
Net deferred tax non-current liabilities	<b>¥37</b>	<b>\$399</b>

## 11. Qualified revaluation of land:

Pursuant to the Law Concerning Land Revaluation that became effective on March 31, 2000, the Company comprehensively revalued the land it used for business purposes, and the resultant unrealized loss on revaluation of ¥3,102 million (\$33,339 thousand) at March 31, 2010 was recorded as a separate component of net assets on the balance sheet. The land prices used for the revaluation were based on the prices shown in an official notice published by the Commissioner of the National Tax Agency in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, after reasonable adjustments.

The book value before revaluation and the value assessed at the time of revaluation as at March 31, 2000 were as follows:

	Millions of yen
Book value before revaluation	¥6,349
Carrying amount after revaluation	3,247

As of March 31, 2010, the fair value of the revalued land, estimated using the method described above, had further declined to ¥2,788 million (\$29,968 thousand).

## 12. Net Assets:

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law (the "Law"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheet.

Under the Law, legal earning reserve and additional paid in capital could be used to eliminate or reduce a deficit or could be capitalized by resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on June 23, 2010, the shareholders resolved cash dividends amounting to ¥1,166 million (\$12,542 thousand).

Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2010. Such appropriations will be recognized in the period when they are resolved.

### 13. Derivative Instruments:

Information regarding the derivative instruments, please refer to "Marketable securities and investment securities" in Note 7.

### 14. Share Subscription Rights:

The summarized contents of share subscription rights as of March 31, 2010 are as follows:

	Share subscription rights #1	Share subscription rights #2	Share subscription rights #3	Share subscription rights #4
Date of the annual shareholders' meeting	June 23, 2010	January 26, 2009	January 26, 2009	January 26, 2009
Position and number of grantee	2 directors and 3 employees of the Company and 97 executive officer or employees of the subsidiaries	2 directors and 3 executive officer or employees of the subsidiaries	1 directors and 5 employees of the Company and 185 executive officer or employees of the subsidiaries	9 employees of the Company and 273 executive officer or employees of the subsidiaries
Date of grant	April 1, 2009	April 1, 2009	April 1, 2009	April 1, 2009
Class and number of stock	Common Stock 221,260	Common Stock 15,800	Common Stock 293,200	Common Stock 209,880
Exercised period	From April 1, 2009 to June 30, 2009	From April 1, 2009 to June 30, 2011	From April 1, 2009 to June 30, 2011	From April 1, 2011 to March 31, 2014

The following tables summarize scale and movement of share subscription rights as of March 31, 2010.

	Share subscription rights #1	Share subscription rights #2	Share subscription rights #3	Share subscription rights #4
<b>Non-exercisable (number of shares)</b>				
Outstanding at April 1, 2009	-	-	-	209,880
Granted	-	-	-	-
Forfeited	-	-	-	11,520
Exercised	-	-	-	198,360
Outstanding at March 31, 2010	-	-	-	-
<b>Exercisable (number of shares)</b>				
Outstanding at April 1, 2009	221,260	15,800	293,200	-
Granted	-	-	-	-
Forfeited	221,260	-	-	-
Exercised	-	-	10,200	-
Outstanding at March 31, 2010	-	15,800	283,000	-
Exercise price	¥1,895 \$20.37	¥2,191 \$23.55	¥2,191 \$23.55	¥1,223 \$13.14
Average stock price at exercise	-	-	-	-
Fair value price at grant date	-	¥274 \$2.94	¥274 \$2.94	¥82 \$0.88

## 15. Business Combination:

### (1) Outline of business combination

Company name:	TECMO, LTD.
Business activities:	① Design, R&D and sale of game software for personal computers (PCs) and home video game systems. ② Design, R&D and management of software for online game and mobile phone. ③ Design, development, and management of liquid crystal display software for pinball game and slot game. ④ Design, and management of game software product licenses.
The purpose of business combinations :	By fully utilizing the strengths and resources of the two companies, the Company and its subsidiaries attempt to strengthen the brand strength. In addition, the Company and its subsidiaries also attempt to establish a more complete business infrastructure and expand its growth opportunities on a more global basis.
Date of the business combination:	April 1, 2009
Legal form of the business combination:	Equity Transfer
New company name after the business combination:	TECMO KOEI HOLDINGS CO., LTD.
Obtained Ratio of voting	100%
Basis for decision of acquisition company	The shareholders of KOEI CO., Ltd. have obtained the majority of the voting rights of the new company. Therefore, KOEI CO., Ltd. becomes the acquisition company and TECMO, LTD. becomes the acquired company.

### (2) Performance period of acquired company on consolidated financial statement

From April 1, 2009 to March 31, 2010

### (3) Acquisition cost

		Millions of yen	Thousands of U.S. dollars
		2010	2010
Acquisition Price	The Company's common stock	¥16,458	\$176,892
Direct Expenses	Advisory fees and other expenses	97	1,042
Acquisition cost	Acquisition cost	16,555	177,934

### (4) Type of shares to be issued, share exchange ratio, share exchange ratio calculation, number of shares to be issued and valuation cost

1 share of the Company's common stock were allocated to 1 share of KOEI CO., LTD., and 0.9 shares of the Company's common Stock were allocated to 1 share of TECMO, LTD., respectively.

#### Share exchange ratio calculation

KOEI CO., LTD. and TECMO, LTD. requested a third-party institution to calculate the share exchange ratio, respectively. The both companies finally agreed and decided on the share exchange ratio upon negotiation and careful examination of the valuation results.

#### Number of shares to be issued and valuation cost

Number of shares to be issued: 89,769,479 stocks

Valuation cost: ¥71,864million (\$772,399 thousand)

### (5) Goodwill, Source and Amortization of Method and Period

Goodwill: ¥3,795 million (\$40,789 thousand)

Source: The acquisition cost of non-acquisition company was larger than the fair value of its net asset.

Amortization Method and Period: The Goodwill is amortized over 5 years on a straight-line basis.

### (6) The estimated impact on the consolidated income statement for the year ended March 31, 2010, if the business combination had been completed on April 1, 2009

Since the business combination was completed on April 1, 2009, there is no impact on the consolidated income statement.



## 16. Segment Information:

### (1) Industry Segments Information-

After TECMO KOEI Group was reorganized in April 2009, the Company established a system to conduct more functional and efficient operations in each business. Under the new system the Company continues working toward the establishment of high profitability.

The Company operates principally in the following business segments:

- (a) Game Software: Design, development, manufacture and sale of game software for personal computers (PCs) and home video game systems.
- (b) Online & Mobile: Design, development, and management of software for online game and mobile phone.
- (c) Media & Rights: Design, development, manufacture and sale of game software related products such as books, music CDs and picture DVDs and management of game software product licenses.
- (d) SP: Entrusted development of commercial amusement.
- (e) Amusement Facilities Operation: management of amusement arcade.
- (f) Other: Real estate management, venture capital.

The following tables present net sales and operating income and operating expenses, identifiable assets and depreciation and capital expenditure information by industry segment for the year ended March 31, 2010.

	Millions of yen								
	For the year ended March 31, 2010								
	Game Software	Online & Mobile	Media & Rights	SP	Amusement Facilities	Other	Total	Elimination or Corporate Assets	Consolidated Total
<b>I. Net sales and operating income:</b>									
Net sales									
(1) Net sales to outside customers	¥22,951	¥4,011	¥2,651	¥1,443	¥3,342	¥105	¥34,503	-	¥34,503
(2) Inter-segment net sales	165	1	29	0	0	-	195	(195)	-
Total	23,116	4,012	2,680	1,443	3,342	105	34,698	(195)	34,503
Operating expenses	22,349	4,841	2,531	1,007	3,244	85	34,057	(195)	33,862
Operating income	¥767	(¥829)	¥149	¥436	¥98	¥20	¥641	-	¥641
<b>II. Identifiable assets, depreciation and capital expenditure:</b>									
Identifiable assets	¥17,004	¥4,162	¥1,304	¥1,214	¥2,612	¥4,404	¥30,700	¥48,002	¥78,702
Depreciation	480	193	27	16	241	75	1,032	-	1,032
Impairment loss on fixed assets	-	-	-	-	-	-	-	19	19
Capital expenditure	247	87	106	8	133	431	1,012	651	1,663

	Thousands of U.S. dollars								
	For the year ended March 31, 2010								
	Game Software	Online & Mobile	Media & Rights	SP	Amusement Facilities	Other	Total	Elimination or Corporate Assets	Consolidated Total
<b>I. Net sales and operating income:</b>									
Net sales									
(1) Net sales to outside customers	\$246,682	\$43,111	\$28,492	\$15,507	\$35,923	\$1,124	\$370,839	-	\$370,839
(2) Inter-segment net sales	1,772	9	315	1	1	-	2,098	(2,098)	-
Total	248,454	43,120	28,807	15,508	35,924	1,124	372,937	(2,098)	370,839
Operating expenses	240,208	52,029	27,200	10,824	34,872	913	366,046	(2,098)	363,948
Operating income	\$8,246	(\$8,909)	\$1,607	\$4,684	\$1,052	\$211	\$6,891	-	\$6,891
<b>II. Identifiable assets, depreciation and capital expenditure:</b>									
Identifiable assets	\$182,755	\$44,729	\$14,016	\$13,051	\$28,083	\$47,336	\$329,970	\$515,928	\$845,898
Depreciation	5,158	2,068	294	171	2,593	804	11,088	-	11,088
Impairment loss on fixed assets	-	-	-	-	-	-	-	206	206
Capital expenditure	2,658	931	1,133	82	1,438	4,632	10,874	6,999	17,873

The amount of corporate assets included in the "Elimination or Corporate Assets" column for the year ended March 31, 2010 was ¥48,029 million (\$516,218 thousand). Corporate assets mainly comprise surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.

## (2) Geographic Area Information -

The following tables present sales, operating expenses and operating income and assets information by geographic area for the year ended March 31, 2010.

	Millions of yen						Consolidated Total
	For the year ended March 31, 2010						
	Japan	North America	Europe	Asia	Total	Elimination or Corporate Assets	
<b>I. Net sales and operating income:</b>							
Net sales							
(1) Net sales to outside customers	¥29,715	¥2,887	¥1,189	¥712	¥34,503	-	¥34,503
(2) Inter-segment net sales	1,894	322	3	572	2,791	(2,791)	-
Total	31,609	3,209	1,192	1,284	37,294	(2,791)	34,503
Operating expenses	30,171	3,876	1,140	1,470	36,657	(2,795)	33,862
Operating income	¥1,438	(¥667)	¥52	(¥186)	¥637	¥4	¥641
<b>II. Identifiable assets:</b>	¥25,231	¥1,759	¥486	¥3,806	¥31,282	¥47,420	¥78,702

	Thousands of U.S. dollars						Consolidated Total
	For the year ended March 31, 2010						
	Japan	North America	Europe	Asia	Total	Elimination or Corporate Assets	
<b>I. Net sales and operating income:</b>							
Net sales							
(1) Net sales to outside customers	\$319,374	\$31,035	\$12,780	\$7,650	\$370,839	-	\$370,839
(2) Inter-segment net sales	20,359	3,459	27	6,149	29,994	(29,994)	-
Total	339,733	34,494	12,807	13,799	400,833	(29,994)	370,839
Operating expenses	324,277	41,662	12,253	15,793	393,985	(30,037)	363,948
Operating income	\$15,456	(\$7,168)	\$554	(\$1,994)	\$6,848	\$43	\$6,891
<b>II. Identifiable assets:</b>	\$271,186	\$18,902	\$5,227	\$40,908	\$336,223	\$509,675	\$845,898

The segmentation policies used for the net sales of overseas countries and significant countries in each area are as follows:

- The segmentation policy for the net sales of overseas countries was based on geographic location.
- The significant countries in each area are: North America: U.S.A. and Canada Europe: The U.K.  
Asia: The Republic of Korea, Taiwan, China and Singapore

The amount and major items of corporate assets included in the "Elimination or Corporate assets" column are the same as those in (1) Industry segments information.

## (3) Overseas sales information -

The following table presents overseas sales information for the year ended March 31, 2010.

	Millions of Yen			
	For the year ended March 31, 2010			
	North America	Europe	Asia	Total
<b>I. Net sales</b>	¥3,047	¥1,515	¥873	¥5,435
<b>II. Consolidated net sales</b>	-	-	-	¥34,503
<b>III. Ratio between I. And II</b>	8.9%	4.4%	2.5%	15.8%

	Thousands of U.S. dollars			
	For the year ended March 31, 2010			
	North America	Europe	Asia	Total
<b>I. Net sales</b>	\$32,745	\$16,287	\$9,380	\$58,412
<b>II. Consolidated net sales</b>	-	-	-	\$370,839
<b>III. Ratio between I. And II</b>	8.9%	4.4%	2.5%	15.8%

The principal countries or areas included in each region are as follows:

North America: U.S.A.

Europe: The U.K., France and Germany

Asia: The Republic of Korea, Taiwan, China

## 17. Subsequent Events:

### Business Combination

KOEI CO., LTD. and TECMO, LTD. did merger on April 1, 2010, and the company name changed to TECMO KOEI GAMES CO., LTD.. TECMO KOEI HOLDINGS CO., LTD. inherited a part of the Company's management subsidiaries of KOEI CO., LTD. and TECMO, LTD. by the Corporate Divestiture on the same day. TECMO WAVE, LTD. inherited a part of the Company's management subsidiaries of KOEI CO., LTD. and TECMO, LTD. by the Corporate Divestiture on the same day, and the company name changed to TECMO KOEI WAVE CO., LTD..

### Outline of Combination Company name and Business activities

Company name:	KOEI CO., LTD.
Business activities:	Design, R&D and sale of game software for PCs and home video game systems. Design, R&D and sale of game software related products such as books, music CDs and picture DVDs.
Company name:	TECMO, LTD.
Business activities:	Design, R&D and sale of game software for home video game systems. Design, development, and management of amusement facilities.
Company name:	TECMO KOEI HOLDINGS CO., LTD.
Business activities:	Design, R&D and sale of game software for PCs and home video game systems. Design, R&D and sale of game software related products such as books, music CDs and picture DVDs. Design, development, and management of amusement facilities.
Company name:	TECMO WAVE, LTD.
Business activities:	Design, development, and management of amusement facilities.

### Legal form of the business combination

- ① Absorption-type merger in which TECMO, LTD. was the extinct company and KOEI CO., LTD. was the surviving company.
- ② Absorption-type split in which KOEI CO., LTD. and TECMO, LTD. were the split companies and TECMO KOEI HOLDINGS CO., LTD. was the successor company.
- ③ Absorption-type split in which KOEI CO., LTD. and TECMO, LTD. were the split companies and TECMO WAVE, LTD. was the successor company.

### Outline of business combination

The Company's business philosophy is "Creation and Contribution". Based on this philosophy, the Company has been aiming to become world's number one entertainment and content business group that makes people's life richer and happier. As reported in the Company's "Restructuring of KOEI TECMO Group", on December 14, 2009, the Company has decided to consolidate its businesses in KOEI CO. LTD., TECMO, LTD., TECMO WAVE LTD. and KOEI NET Co. LTD., with the view to accelerating its horizontal decision making, and reorganizing its effective resource management. Through this reorganizing, the Company plans to increase its awareness of the rapidly changing environment as well as establishing corporate structure to expand its business area. By these efforts, the Company hopes to be successful in improving its business productivity and profitability so that the Company will be able to maximize its corporate value.

The Company hastens to add that the Company succeeded a part of the business previously promoted by KOEI CO. LTD. and TECMO, LTD. by corporate divestiture.

### Outline of accounting method

The transaction qualified as a business combination under common control under the "Accounting Standard for Business Combinations (Business Accounting Council, December 26, 2008)" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Boards of Japan, Guidance No. 10)."

### Share Subscription Rights

At the general shareholders' meeting held on June 23, 2010, issuance of stock subscription warrants under the Japanese Company Law was approved.



## Independent Auditors' Report

To the Board of Directors of  
TECMO KOEI HOLDINGS CO., LTD.:

We have audited the accompanying consolidated balance sheet of TECMO KOEI HOLDINGS CO., LTD. and consolidated subsidiaries as of March 31, 2010, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TECMO KOEI HOLDINGS CO., LTD. and subsidiaries as of March 31, 2010, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan  
June 23, 2010



## BOARD OF DIRECTORS AND STATUTORY AUDITORS

Chairman

**Yasuharu Kakahara**

President

**Kenji Matsubara**

Director & Chief Advisor

**Yoichi Erikawa**

Director & Chairman Emeritus

**Keiko Erikawa**

Director

**Kazuyoshi Sakaguchi**

Corporate Auditors

**Nobutaka Osada**

**Satoru Morishima**

**Chiomi Yamamoto**

**Takashi Ouchi**

Senior Executive Officer & CFO

**Kenjiro Asano**

Executive Officers

**Takeshi Hara**

**Masatoshi Hosaka**

(As of July 1, 2010)

## CORPORATE DATA

### **TECMO KOEI HOLDINGS CO., LTD.**

#### **Head Office**

**1-18-12 Minowa-cho, Kouhoku-ku,**

Yokohama, Kanagawa 223-8503 Japan

Tel : +81-45-562-8111

<http://www.koeitecmo.co.jp/>

#### **Date Established :**

April 1,2009

#### **Paid-in Capital :**

¥15 Billion ( As of March, 2010)

#### **Number of Employees :**

1,563 (As of March 31, 2010 : Consolidated Basis)

#### **Account Settlement :**

March 31

#### **Transfer Agent of Common Stock :**

The Chuo Mitsui Trust and Banking Co., Ltd.

3-33-1 Shiba, Minato-ku, Tokyo

105-8574 Japan

#### **Independent Auditor :**

KPMG AZSA LLC

### **MAJOR SUBSIDIARIES**

#### **TECMO KOEI GAMES CO., LTD.**

1-18-12 Minowa-cho, Kouhoku-ku,

Yokohama, Kanagawa 223-8503 Japan

Tel : +81-45-561-6888

#### **TECMO KOEI WAVE CO., LTD.**

4-1-34 kudankita, chiyoda-ku,

Tokyo 102-0073 Japan

Tel : +81-47-302-8818

#### **TECMO KOEI NET CO., LTD.**

1-23-3 Minowa-cho, Kouhoku-ku,

Yokohama, Kanagawa 223-8527 Japan

Tel : +81-45-565-3123

#### **CWS Brains, LTD.**

6F 3-4-3 Higashi-ikebukuro,

Toshima-ku, Toyko 170-0013 Japan

Tel : +81-3-5953-5006

<http://www.cwsbrains.co.jp/cws/>

#### **TECMO KOEI AMERICA Corporation**

1818 Gilbreth RD., Suite 235

Burlingame, CA 94010 U.S.A

Tel : +1-650-692-9080

<http://www.tecmokoeiamerica.com/>

#### **TECMO KOEI EUROPE LIMITED**

Unit 209a The Spirella Building Bridge

Road Letchworth Garden City

Hertfordshire, SG6 4ET, UK

Tel : +44-1462-476130

<http://www.tecmokoei-europe.com/>

#### **TECMO KOEI KOREA Corporation**

Hyundai Tower 603, Sincheon-dong,

Songpa-gu, Seoul, 138-735 KOREA

Tel : +82-2-3401-7154

<http://www.tecmokoeikorea.co.kr/>

#### **TECMO KOEI TAIWAN Co., Ltd.**

11F, No.323, Sec. 1, Fu-Hsing S. Road,

Daan Chiu, Taipei, 106, Taiwan

Tel : +886-2-2325-0031

<http://www.gamecity.com.tw/>

#### **TECMO KOEI CANADA Inc.**

257 Adelaide Street West Suite 500, Buzz

501, Toronto, Ontario M5H 1X9, Canada

Tel : +1-416-599-5634

<http://www.tecmokoeicanada.ca/>

#### **TECMO KOEI BEIJING SOFTWARE Co., Ltd.**

RM.701 Beijing Inn

No.6 South ZhuGan Hu Tong,

Chaoyang men Nei, Dongcheng District,

Beijing China.

Tel :+86-10-6588-3571

#### **TECMO KOEI TIANJIN SOFTWARE Co., Ltd.**

Global Permutably Center

No.309 Nanjin Road, Nankai District,

Tianjin China

Tel : +86-22-8328-0020

#### **UAB TECMO KOEI Baltic**

Svitrigailos str.11H, Vilnius. LT-03228

Lithuania

Tel : +370-5-210-54-28

<http://www.koei.lt/>

#### **TECMO KOEI SINGAPORE Pte. Ltd.**

18 Cross Street, #10-01/02 China Square

Central, Marsh McLennan Centre, 048423

Singapore

Tel : +65-6220-7581

<http://www.koei.com.sg/>

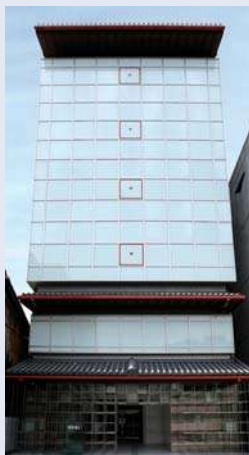
#### **TECMO KOEI SOFTWARE VIETNAM Co., Ltd.**

14th Floor, Ladeco Building, No.266, Doi

Can Street, Cong Vi Ward, Ba Dinh District,

Hanoi Vietnam

Tel : +84-4-3232-1284





Andromeda

Cepheus

Pisces

Pegasus

Cygnus

Lyra

Delphinus

Aquarius

Aquila

Pisces  
Austrinus

Capricornus

Grus

**TECMO KOEI HOLDINGS CO., LTD.**

1-18-12 MINOWA-CHO, KOUHOKU-KU, YOKOHAMA, KANAGAWA 223-8503, JAPAN

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