Annual Report 2012

PROFILE

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

Chairman & Representative Director
Yasuharu Kakihara

President & CEO
Yoichi Erikawa

The game industry has recently undergone great changes by the release of new video game platforms and the increased competition in social gaming such as the rapid spread of smartphones.

Under these conditions, we have implemented a variety of measures in order to attain our company goals of "Achieving Growth and Profitability". In terms of game software division, we have continued to focus on the future development of series titles, as well as developing titles for new platforms and collaborative titles with other popular franchises. The online and mobile game divisions have expanded their global reach and adapted titles for multi-devices including smartphones. Thanks to a concerted drive to lower costs, we have been able to achieve the most successful results since the merger, with significant increases in both revenue and profit: net sales of 35.5 billion yen, operating income of 5.7 billion yen, income before tax of 7.4 billion yen, and net income of 4.6 billion yen.

In the coming year, we aim to increase both sales and profits in all divisions, expand into new business areas and collaborative ventures, and establish a new high watermark for the company in terms of revenue and profit.

To realize continual growth and profitability in the long term, we have also established the following new management principles.

Management Principles

1.Create the Best Content Available
2.Realize Continual Growth and Profitability
3.Improve Employee Welfare
4.Challenge New Business Areas

Vision

To Become the World's No.1 Entertainment Content Provider

Long-Term-Strategy

1.Content Creation
2.Content Expansion
3.Global Logistics

Product Concept

Quality & Satisfaction

Under these new management principles, and with the driving ethos of "Creativity and Contribution", we will press forward diligently to achieve the KOEI TECMO Group goal of becoming "the World's No.1 Entertainment Content Provider".

We thank you for your support and ask for your continued cooperation in our present and future endeavors.

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 5)	**¥6,742**	¥10,685	**$82,033**
Notes and accounts receivable	**11,750**	7,688	**142,971**
Marketable securities (Notes 3, 5, and 7)	**3,930**	2,578	**47,826**
Merchandise and Finished goods	**213**	485	**2,592**
Work in process	**316**	300	**3,850**
Raw materials	**98**	49	**1,203**
Deferred tax assets (Note 10)	**528**	691	**6,434**
Other current assets	**2,451**	2,927	**29,831**
Allowance for bad debts (Note 5)	**(196)**	(114)	**(2,391)**
Total current assets	**25,836**	25,293	**314,352**
Property and equipment: (Note 4)			
Buildings and structures, net (Note 6)	**8,174**	6,790	**99,460**
Land (Notes 6 and 11)	**5,621**	5,621	**68,394**
Other	**591**	681	**7,193**
Total property and equipment	**14,387**	13,092	**175,048**
Intangible assets:			
Goodwill	**3,738**	2,918	**45,490**
Other	**573**	780	**6,979**
Total Intangible assets	**4,312**	3,698	**52,470**
Investments and other assets:			
Investment securities (Notes 5 and 7)	**33,752**	32,550	**410,663**
Claim in bankruptcy	**23**	27	**281**
Deferred tax assets (Notes 10 and 11)	**1,435**	1,746	**17,471**
Lease and guarantee deposits	**797**	897	**9,706**
Other	**223**	207	**2,725**
Allowance for bad debts	**(23)**	(27)	**(281)**
Total investments and other assets	**36,210**	35,402	**440,565**
Total assets	**¥80,746**	¥77,487	**$982,436**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
LIABILITIES			
Current liabilities:			
Notes and accounts payable – trade	**¥2,421**	¥1,763	**$29,463**
Accounts payable – other	**1,458**	1,226	**17,748**
Income taxes payable	**1,203**	669	**14,647**
Accrued bonuses to employees	**683**	668	**8,310**
Accrued bonuses to directors	**91**	29	**1,116**
Allowance for sales returns	**58**	63	**714**
Allowance for sales discount	**425**	267	**5,178**
Allowance for customer-discount points	**12**	10	**153**
Deferred tax liabilities (Note 10)	**251**	-	**3,060**
Other current liabilities	**2,612**	1,836	**31,788**
Total current liabilities	**9,220**	6,536	**112,181**
Long-term liabilities:			
Reserve for retirement benefits (Note 9)	**560**	572	**6,817**
Deferred tax liabilities (Note 10)	**19**	9	**238**
Other long-term liabilities	**532**	606	**6,475**
Total long-term liabilities	**1,112**	1,188	**13,531**
Total liabilities	**10,332**	7,725	**125,713**
NET ASSETS (Note 12)			
Shareholders' equity:			
Common stock Authorized:350,000,000 shares in 2012 and 2011 Issued:89,769,479 shares in 2012 and 2011	**15,000**	15,000	**182,503**
Capital surplus	**24,640**	24,640	**299,801**
Retained earnings	**40,662**	38,129	**494,735**
Treasury stock: 3,053,781 shares at March 31, 2012 and 3,052,034 shares at March 31, 2011	**(2,368)**	(2,367)	**(28,821)**
Total shareholders' equity	**77,934**	75,402	**948,219**
Accumulated other comprehensive income:			
Unrealized gains or losses on securities (Note 7)	**(3,877)**	(1,873)	**(47,174)**
Unrealized losses on revaluation of the land (Note 11)	**(3,100)**	(3,101)	**(37,726)**
Foreign currency translation adjustments	**(580)**	(760)	**(7,068)**
Total accumulated other comprehensive income	**(7,558)**	(5,736)	**(91,969)**
Share subscription rights (Note 14):	**38**	95	**474**
Minority interests	**-**	-	**-**
Total net assets	**70,414**	69,761	**856,723**
Total liabilities and net assets	**¥80,746**	¥77,487	**$982,436**

The accompanying notes are an integral part of these statements.

TECMO KOEI HOLDINGS CO.,LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net sales (Note 18)	**¥35,525**	¥32,081	**$432,237**
Cost of sales (Note 8)	**22,036**	20,522	**268,117**
Gross profit	**13,489**	11,558	**164,120**
Selling, general and administrative expenses (Note 8)	**7,730**	8,253	**94,061**
Operating income (Note 18)	**5,758**	3,305	**70,058**
Other income (expenses):			
Interest income	**1,870**	1,913	**22,753**
Dividend income	**528**	340	**6,425**
Gain on sales of investment securities (Note 7)	**305**	599	**3,720**
Gain on reversal of subscription rights to shares	**74**	-	**901**
Loss on valuation of securities	**(610)**	(141)	**(7,424)**
Loss on redemption of securities (Note 7)	**(538)**	(1,281)	**(6,548)**
Foreign exchange loss, net	**(125)**	(304)	**(1,530)**
Loss on liquidation of subsidiaries-foreign currency translation adjustment	**-**	(137)	**-**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**-**	(135)	**-**
Statutory interest for share repurchase demand	**(66)**	-	**(812)**
Other, net	**284**	358	**3,460**
Income before income taxes and minority interests	**7,479**	4,515	**91,005**
Income taxes (Note 10):			
Current	**1,901**	679	**23,140**
Deferred	**937**	1,093	**11,401**
	2,839	1,773	**34,542**
Income before minority interests	**4,640**	2,742	**56,463**
Minority interests in net income	**-**	(0)	**-**
Net income	**4,640**	2,741	**56,463**

	Yen		U.S. dollars
Per share:			
Net income – Basic	**¥53.52**	¥31.62	**$0.65**
– Diluted	**53.49**	-	**0.65**
Cash dividends	**27.00**	20.00	**0.32**

The accompanying notes are an integral part of these statements.

TECMO KOEI HOLDINGS CO.,LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Income before minority interests:	**¥4,640**	¥2,742	**$56,463**
Other comprehensive income(Note 17)			
Unrealized gains or losses on securities	**(2,003)**	(929)	**(24,374)**
Revaluation reserve for the land	**1**	-	**13**
Foreign currency translation adjustments	**179**	(221)	**2,184**
Total other comprehensive income	**(1,822)**	(1,150)	**(22,176)**
Comprehensive Income:	**2,818**	1,591	**34,287**
Comprehensive Income attribute to:			
Shareholders of TECMO KOEI HOLDINGS CO.,LTD.	**2,818**	1,591	**34,287**
Minority interests	**-**	0	**-**

The accompanying notes are an integral part of these statements.

TECMO KOEI HOLDINGS CO.,LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS 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
Balance at April 1, 2010	**¥15,000**	**¥24,640**	**¥36,515**	**(¥2,366)**	**(¥944)**	**(¥3,101)**	**(¥539)**	**¥94**	**¥12**	**¥69,311**
Cash dividends paid			**(1,127)**							**(1,127)**
Net income			**2,741**							**2,741**
Purchase of treasury stock				**(1)**						**(1)**
Disposal of treasury stock		**(0)**		**0**						**0**
Transfer to capital surplus from retained earnings		**0**	**(0)**							**-**
Change of scope of consolidation			**(0)**							**(0)**
Net changes during the year					**(929)**	**-**	**(221)**	**1**	**(12)**	**(1,162)**
Balance at March 31, 2011	**¥15,000**	**¥24,640**	**¥38,129**	**(¥2,367)**	**(¥1,873)**	**(¥3,101)**	**(¥760)**	**¥95**	**-**	**¥69,761**
Cash dividends paid			**(1,734)**							**(1,734)**
Net income			**4,640**							**4,640**
Purchase of treasury stock				**(1)**						**(1)**
Disposal of treasury stock		**(0)**		**0**						**0**
Adjustment for disposal of treasury stock due to suspense payment		**(494)**								**(494)**
Transfer to capital surplus from retained earnings		**373**	**(373)**							**-**
Write-down of deferred tax liability due to tax rate change		**120**								**120**
Net changes during the year					**(2,003)**	**1**	**179**	**(56)**	**-**	**(1,879)**
Balance at March 31, 2012	**¥15,000**	**¥24,640**	**¥40,662**	**(¥2,368)**	**(¥3,877)**	**(¥3,100)**	**(¥580)**	**¥38**	**-**	**¥70,414**

	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
Balance at March 31, 2011	**$182,503**	**$299,801**	**$463,917**	**($28,807)**	**($22,800)**	**($37,739)**	**($9,253)**	**$1,161**	**-**	**$848,783**
Cash dividends paid			**(21,101)**							**(21,101)**
Net income			**56,463**							**56,463**
Purchase of treasury stock				**(15)**						**(15)**
Disposal of treasury stock		**(0)**		**1**						**0**
Adjustment for disposal of treasury stock due to suspense payment		**(6,011)**								**(6,011)**
Transfer to capital surplus from retained earnings		**4,543**	**(4,543)**							**-**
Write-down of deferred tax liability due to tax rate change		**1,468**								**1,468**
Net changes during the year					**(24,374)**	**13**	**2,184**	**(687)**	**-**	**(22,672)**
Balance at March 31, 2012	**$182,503**	**$299,801**	**$494,735**	**($28,821)**	**($47,174)**	**($37,726)**	**($7,068)**	**$474**	**-**	**$856,723**

The accompanying notes are an integral part of these statements.

TECMO KOEI HOLDINGS CO.,LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥7,479**	¥4,515	**$91,005**
Adjustments for:			
Depreciation and amortization	**974**	989	**11,855**
Amortization of goodwill	**1,115**	1,020	**13,569**
Increase (decrease) in allowance for bad debts	**82**	(316)	**1,004**
Increase in accrued bonuses to employees	**68**	133	**828**
Interest and dividend income	**(2,398)**	(2,253)	**(29,178)**
Loss on valuation of investment securities	**610**	141	**7,424**
Gain on sales of investment securities	**(305)**	(599)	**(3,720)**
Loss on redemption of securities	**538**	1,281	**6,548**
Loss (gain) on valuation of derivatives	**(11)**	79	**(145)**
Loss on liquidation of subsidiaries-foreign currency translation adjustment	**-**	137	**-**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**-**	135	**-**
Foreign exchange loss, net	**238**	305	**2,900**
Decrease (increase) in notes and accounts receivable	**(4,085)**	696	**(49,702)**
Decrease in inventories	**229**	346	**2,797**
Increase in notes and accounts payable	**650**	331	**7,915**
Other	**1,049**	(539)	**12,769**
Sub total	**6,235**	6,404	**75,870**
Interest and dividends income received	**1,831**	1,944	**22,285**
Interest paid	**(2)**	(0)	**(27)**
Income taxes refund	**1,432**	31	**17,433**
Income taxes paid	**(2,382)**	(3,303)	**(28,992)**
Net cash provided by operating activities	**7,115**	5,077	**86,570**
Cash flows from investing activities:			
Payments into time deposits	**(260)**	(21)	**(3,174)**
Proceeds from withdrawal of time deposits	**256**	420	**3,120**
Purchase of short-term and long term securities	**(14,277)**	(8,526)	**(173,708)**
Proceeds from sales and redemption of short-term and long term securities	**9,098**	7,026	**110,700**
Purchase of property and equipment	**(1,954)**	(617)	**(23,777)**
Payments for purchase of intangible fixed assets	**(16)**	(431)	**(201)**
Purchase of stocks of subsidiaries and affiliates	**(1,822)**	(15)	**(22,174)**
Proceeds from collection of guarantee deposits	**147**	321	**1,790**
Other	**(140)**	(231)	**(1,714)**
Net cash used in investing activities	**(8,970)**	(2,074)	**(109,140)**
Cash flows from financing activities:			
Repayment of short-term loans payable	**(100)**	-	**(1,216)**
Purchase of treasury stock	**(562)**	(1)	**(6,838)**
Cash dividends paid	**(1,730)**	(1,083)	**(21,051)**
Net cash used in financing activities	**(2,392)**	(1,085)	**(29,106)**
Effect of exchange rate changes on cash and cash equivalents	**(3)**	(300)	**(48)**
Net increase (decrease) in cash and cash equivalents	**(4,251)**	1,616	**(51,725)**
Cash and cash equivalents at beginning of year	**10,779**	9,145	**131,154**
Increase in cash and cash equivalents resulting from change of scope of consolidation	**-**	17	**-**
Cash and cash equivalents at end of year (Note 3)	**¥6,528**	¥10,779	**$79,429**

The accompanying notes are an integral part of these statements.

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 years ended March 31, 2012 and 2011 are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five 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.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts. Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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, 2012, which was ¥82.19 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

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

The consolidated financial statements include the accounts of the Company and its subsidiaries, including TECMO KOEI GAMES CO., LTD., TECMO KOEI NET CO., LTD., TECMO KOEI WAVE CO., LTD., CWS Brains, LTD.,TECMO KOEI CAPITAL CO., LTD., SUPER BRAIN, LTD., TECMO KOEI AMERICA Corporation, TECMO KOEI EUROPE LIMITED, TECMO KOEI TAIWAN CO., LTD., TECMO KOEI CANADA Inc., TECMO KOEI TIANJIN SOFTWARE CO., LTD., TECMO KOEI BEIJING SOFTWARE CO., LTD., TECMO KOEI ENTERTAINMENT SINGAPORE Pte. Ltd. and GUST CO., LTD. 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.

On December 13, 2011, the Company acquired all issued shares in GUST CO., LTD., and included it in the scope of consolidation from the fiscal year 2012.

KOEI CO., LTD. and TECMO, LTD., which were consolidated subsidiaries in the previous fiscal year, are merged into TECMO KOEI GAMES CO., LTD., and were therefore removed from 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 the purpose of the consolidated statements 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.

Held-to-maturity securities are stated at amortized cost method (straight line method).

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

(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 to employees -

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

(10) Accrued bonuses to directors -

Accrued bonuses are stated at an estimated amount of the bonuses to be paid to directors, based on their services for the current fiscal period.

The accounting standard requires that directors' bonuses be accounted for as an expense of the accounting period in which such bonuses were accrued.

(11) Deferred assets -

Stock issuance cost is expensed as incurred.

(12) 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.

(13) 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.

(14) Allowance for sales discount -

An allowance for sales discount is provided for the losses incurred on sales discount of the Company’s products.

(15) 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.

(16) Finance leases -

For finance lease 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.

(17) 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.

(18) Reserve for retirement benefits -

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets, the unrecognized actuarial differences are amortized on a straight-line basis over a certain period of time from 9 to 12 years from the following year in which they arise, and the unrecognized past service cost is amortized on a straight-line basis over a certain period of time from 9 to 12 years from the year in which they arise.

(19) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements -

The Company has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, February 19, 2010), and necessary modifications have been made for consolidation.

(20) 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, 2012 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. dollars	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2012	Net income		Weighted average number of shares	EPS	
Basic EPS					
Income before minority interest	**¥4,640**	**$56,463**			
Other	**-**				
Net income for common stock shareholders	**¥4,640**	**$56,463**	**86,716**	**¥53.52**	**$0.65**
Effect of Diluted stock shareholders					
Warrants	**-**		**34**		
Diluted EPS					
Net income for computation	**-**		**86,751**	**¥53.49**	**$0.65**

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2011	Net income	Weighted average number of shares	EPS
Basic EPS			
Income before minority interest	**¥2,742**		
Other	**(0)**		
Net income for common stock shareholders	**¥2,741**	**86,718**	**¥31.62**
Effect of Diluted stock shareholders			
Warrants	**-**	**-**	**-**
Diluted EPS			
Net income for computation	**-**	**-**	**-**

2. Change in Accounting Policies:

(1)Accounting Standard for Earnings Per Share

Effective April 1, 2011, the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan ("ASBJ") Statement No.2 revised on June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, revised on June 30, 2010).

As a result of the adoption of these new accounting standards, calculation of basic net income per share and diluted net income per share have been adjusted retrospectively for all periods presented.

In calculating diluted earnings per share for stock options for which the right to exercise options is vested after a specified service period, the fair value of service expected to be provided to the Tecmo Koei group in the future is added to the proceeds assumed to be received when options are exercised.

The diluted earnings per share for the fiscal year ended March 31, 2011 was not stated as there was no effect of the diluted stock shareholders after the adoption of these new accounting standards.

Diluted earnings per share for the fiscal year ended March 31, 2011, in which this accounting standard had not yet been adopted, was ¥31.61.

(2)Application of Accounting Changes and Error Corrections

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

3. Cash flow information:

(a) Reconciliation of cash and cash equivalents

Cash and time deposits at March 31, 2012 and 2011 reconciled to cash and cash equivalents were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and time deposits	**¥6,742**	¥10,685	**$82,033**
Time deposits with maturity over three months	**(248)**	(244)	**(3,025)**
Marketable securities	**34**	338	**420**
Total cash and cash equivalents	**¥6,528**	¥10,779	**$79,429**

(b) Purchases of newly consolidated subsidiary

During the year ended March 31, 2012, GUST CO., LTD. was acquired. Assets and liabilities of the time of consolidation, cash paid for the capital and cash received in conjunction with the purchases of consolidated subsidiary were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Current assets:	**¥451**	**$5,492**
Non-current assets:	**5**	**64**
Goodwill	**1,936**	**23,556**
Current liabilities:	**(176)**	**(2,146)**
Non-current liabilities:	**(5)**	**(62)**
Cash paid for the capital	**2,211**	**26,903**
Cash and cash equivalents of consolidated subsidiary	**388**	**4,728**
Net cash paid in conjunction with the purchases of consolidated subsidiary	**¥1,822**	**$22,174**

4. Accumulated depreciation of property and equipment:

Accumulated depreciation of property and equipment as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Accumulated depreciation of property and equipment	**¥9,831**	¥9,340	**$119,623**

5. Financial Instruments:

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 expose 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, 2012 and 2011 were summarized as follows:
The financial instruments whose 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, 2012		
	Acquisition Amount	**Estimated fair value**	**Difference**
Cash and deposits	**¥6,742**	**¥6,742**	**-**
Notes and accounts receivable	**11,750**		
Allowance for bad debts*	**(184)**		
	¥11,566	**¥11,566**	**-**
Marketable and investment securities			
Held-to-maturity securities	**2,505**	**2,549**	**¥43**
Other securities	**34,058**	**34,058**	**-**
Assets Total	**¥54,873**	**¥54,917**	**¥43**

	Millions of yen		
	March 31, 2011		
	Acquisition Amount	**Estimated fair value**	**Difference**
Cash and deposits	¥10,685	¥10,685	-
Notes and accounts receivable	7,688		
Allowance for bad debts*	(114)		
	¥7,574	¥7,574	-
Marketable and investment securities			
Other securities	34,624	34,624	-
Assets Total	¥52,884	¥52,884	-

	Thousands of U.S.dollars		
	March 31, 2012		
	Acquisition Amount	**Estimated fair value**	**Difference**
Cash and deposits	**$82,033**	**$82,033**	**-**
Notes and accounts receivable	**142,971**		
Allowance for bad debts*	**(2,242)**		
	$140,728	**$140,728**	**-**
Marketable and investment securities			
Held-to-maturity securities	**30,487**	**31,020**	**$532**
Other securities	**414,390**	**414,390**	**-**
Assets Total	**$667,640**	**$668,172**	**$532**

* 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

<u>Assets</u>

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 values were difficult to measure

The financial instruments for which the fair values were not available as of March 31, 2012 and 2011 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Stocks of subsidiaries and affiliates	**¥103**	¥129	**$1,256**
Non-listed equity securities	**206**	119	**2,516**
Other	**808**	256	**9,838**

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 B (a).

(c) Maturities of financial instruments

The maturities of the financial instruments at March 31, 2012 and 2011 were as follows:

	Millions of yen			
	At March 31, 2012			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	**¥283**	**-**	**-**	**-**
Notes and accounts receivable	**11,750**	**-**	**-**	**-**
Marketable and investment securities				
Held-to-maturity securities				
Bonds	**2,505**	**-**	**-**	**-**
Other securities				
(1)Government bonds and local government bonds	**1,072**	**¥4,582**	**¥3,858**	**¥7,497**
(2)Bonds	**300**	**2,008**	**3,082**	**1,427**
(3)Other	**-**	**-**	**753**	**-**
Total	**¥15,912**	**¥6,591**	**¥7,694**	**¥8,925**

	Millions of yen			
	At March 31, 2011			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥900	-	-	-
Notes and accounts receivable	7,574	-	-	-
Marketable and investment securities				
Other securities				
(1)Government bonds and local government bonds	1,569	¥5,271	¥4,414	¥8,100
(2)Bonds	626	2,027	1,379	1,566
(3)Other	-	-	908	-
Total	¥10,671	¥7,298	¥6,702	¥9,667

	Thousands of U.S. dollars			
	At March 31, 2012			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	**$3,445**	**-**	**-**	**-**
Notes and accounts receivable	**142,971**	**-**	**-**	**-**
Marketable and investment securities				
Held-to-maturity securities				
Bonds	**30,487**			
Other securities				
(1)Government bonds and local government bonds	**13,049**	**$55,760**	**$46,950**	**$91,224**
(2)Bonds	**3,652**	**24,442**	**37,500**	**17,372**
(3)Other	**-**	**-**	**9,172**	**-**
Total	**$193,606**	**$80,203**	**$93,623**	**$108,596**

6. Rental Property:

The Company and its consolidated subsidiaries own office buildings (including land) for leasing in Kanagawa prefecture, other domestic areas, and foreign countries. The rental income included in net sales was ¥73 million ($894 thousand) and ¥3 million for the years ended March 31, 2012 and March 31, 2011, respectively.

Information about fair value of investment and rental property included in the consolidated financial statement at March 31, 2012 and 2011 were as follows:.

	At March 31, 2012			
	Book value (net of depreciation)			Fair value
	March 31, 2011	**Increase**	**March 31, 2012**	**March 31, 2012**
Millions of yen	**¥2,908**	**¥2,004**	**¥4,913**	**¥4,657**
Thousands of U.S dollars	**$35,392**	**$24,386**	**$59,779**	**$56,671**

	At March 31, 2011			
	Book value (net of depreciation)			Fair value
	March 31, 2010	**Increase**	**March 31, 2011**	**March 31, 2011**
Millions of yen	¥2,881	¥27	¥2,908	¥2,670

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

Note: The fair value for domestic rental properties was calculated by the Company and its consolidated subsidiaries based on the Real Estate Appraisal Standard. Locally appraised value was used for the fair value of overseas rental properties.

7. Marketable securities and investment securities:

A comparison of the aggregate cost and fair value of “Held-to-maturity securities for which market quotations are available” and “Other securities for which market quotations are available” at March 31, 2012 and 2011 were as follows:

	Millions of yen			
	At March 31, 2012			
	Acquisition cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Held-to-maturity securities for which market quotations are available -				
(1) Bonds	**¥2,505**	**¥43**	**-**	**¥2,549**
Other securities for which market quotations are available -				
(1)Equity securities	**7,817**	**834**	**¥392**	**8,259**
(2)Debt securities	**24,442**	**478**	**4,609**	**20,310**
(3)Other	**5,749**	**197**	**459**	**5,488**
Total	**¥40,515**	**¥1,553**	**¥5,460**	**¥36,608**

	Millions of yen			
	At March 31, 2011			
	Acquisition cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Held-to-maturity securities for which market quotations are available -				
(1) Bonds	-	-	-	-
Other securities for which market quotations are available -				
(1)Equity securities	¥7,177	¥1,891	¥490	¥8,578
(2)Debt securities	24,372	940	4,230	21,082
(3)Other	4,947	79	63	4,963
Total	¥36,497	¥2,911	¥4,784	¥34,624

	Thousands of U.S. dollars			
	At March 31, 2012			
	Acquisition cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Held-to-maturity securities for which market quotations are available -				
(1) Bonds	**$30,487**	**$532**	**-**	**$31,020**
Other securities for which market quotations are available -				
(1)Equity securities	**95,118**	**10,148**	**$4,769**	**100,496**
(2)Debt securities	**297,385**	**5,819**	**56,084**	**247,120**
(3)Other	**69,955**	**2,406**	**5,588**	**66,773**
Total	**$492,947**	**$18,905**	**$66,442**	**$445,410**

Impairment loss of ¥606 million ($7,375 thousand) and ¥132 million are included in the above for the years ended March 31, 2012 and 2011, respectively.

"Debt securities" contain exchange linked bonds of ¥300 million ($3,652 thousand) as a contract amount for the year ended March 31, 2012.

The unrealized gains of ¥11 million ($145 thousand) on the exchange linked bonds are stated in the statement of income for the year ended March 31, 2012.

The redemption loss of ¥79 million on the bonds is stated in the statement of income for the year ended March 31, 2011.

Available-for-sale securities sold for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Sales amount	**¥2,273**	¥2,819	**$27,656**
Gross realized gains	**338**	814	**4,121**
Gross realized losses	**14**	81	**173**

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, 2012 and 2011 were ¥877 million ($10,680 thousand) and ¥1,020 million, respectively.

9. Retirement Benefit Plan:

The Company and its consolidated domestic subsidiaries have a defined benefit corporate pension plan and a lump-sum payment plan. One of the foreign consolidated subsidiaries has adopted a defined contribution plan.

The Company and some of its consolidated domestic subsidiaries terminated their tax-qualified pension plan and introduced a defined benefit corporate pension plan on May 1, 2011.

Accounting relating to this shift will be applied in accordance with the Guidance on “Accounting for Transfers between Retirement Benefit Plans” (ASBJ Guidance No.1, January 31, 2002).

The reserve for retirement benefits as of March 31, 2012 and 2011 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligations	**(¥2,536)**	(¥2,719)	**($30,865)**
Plan assets	**2,057**	1,857	**25,034**
	(479)	(861)	**(5,831)**
Unrecognized past service costs	**(324)**	-	**(3,951)**
Unrecognized actuarial differences	**243**	289	**2,965**
Reserve for retirement benefits	**(¥560)**	(¥572)	**($6,817)**

Note: Certain consolidated domestic subsidiaries adopt a simplified method to estimate retirement benefit obligation.

The net pension expenses relating to retirement benefits for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**¥247**	¥308	**$3,011**
Interest cost	**43**	43	**534**
Expected return on plan assets	**(59)**	(53)	**(720)**
Amortization of prior service costs	**(27)**	-	**(332)**
Amortization of actuarial differences	**57**	18	**701**
Contributions for defined contribution plans	**1**	-	**21**
Net pension expense	**¥264**	¥316	**$3,215**

Note: Retirement benefit cost for subsidiaries adopting a simplified method are reported in “Service costs”.

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

	2012	2011
Discount rate	**1.3～2.0%**	1.3～2.0%
Expected rate of return on plan assets	**0.75～3.5%**	0.75～3.5%
Method of attributing the projected benefits to periods of service	**Straight- line basis**	Straight- line basis
Amortization of prior service costs	**9 years to 12 years from the year in which they arise**	9 years to 14 years from the year in which they arise
Amortization of unrecognized actuarial differences	**9 years to 12 years from the year following that in which they arise**	9 years to 14 years from the year following that in which they arise

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 a statutory tax rate of approximately 40.6% for the years ended March 31, 2012 and 2011. 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 dividends 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, 2012 is as follows:

	2012	2011
Statutory tax rate	**40.6%**	-
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	**6.1**	-
Special tax credit for research and development expenses and other	**(4.0)**	-
Tax rate difference in certain subsidiaries	**(2.1)**	-
Valuation allowance	**(7.3)**	-
Other, net	**2.5**	-
Adjustment on deferred tax assets due to change in income tax rate	**2.2**	-
Effective tax rate	**38.0%**	-

For the year ended March 31, 2011, the reconciliation from the statutory income tax rate to the effective tax rate per the consolidated statements of income is not presented as the difference between them is less than five percent of statutory income tax rate.

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax current assets:			
Deficit amount	**¥151**	¥810	**$1,838**
Accrued bonuses	**259**	256	**3,162**
Unrealized loss on inventory valuation	**248**	249	**3,017**
Provision for enterprise tax	**71**	78	**869**
Allowance for sales discount	**175**	74	**2,134**
Other	**236**	284	**2,874**
Total deferred tax current assets	**1,142**	1,754	**13,897**
Valuation allowance	**(24)**	(101)	**(297)**
Total deferred tax current assets, net of valuation allowance	**1,117**	1,652	**13,600**
Deferred tax current liabilities:			
Treasury	**588**	961	**7,166**
Total deferred tax current liabilities	**588**	961	**7,166**
Net deferred tax current assets	**¥528**	¥691	**$6,434**

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax current liabilities:			
Treasury	**¥251**	-	**$3,060**
Net deferred tax current liabilities	**¥251**	-	**$3,060**

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax non-current assets:			
Loss on investment securities	**¥526**	¥530	**$6,399**
Deficit amount	**262**	727	**3,190**
Prior-period amortization of development expenses	**397**	671	**4,840**
Amortization of development expenses	**223**	177	**2,715**
Impairment loss on fixed assets	**135**	155	**1,644**
Unrealized loss on investment securities	**1,567**	1,009	**19,068**
Reserve for retirement benefit	**184**	199	**2,240**
Other	**276**	296	**3,368**
Total deferred tax non-current assets	**3,572**	3,768	**43,467**
Valuation allowance	**(2,134)**	(2,021)	**(25,965)**
Total deferred tax non-current assets, net of valuation allowance	**1,438**	1,746	**17,502**
Deferred tax non-current liabilities:			
Other	**2**	-	**31**
Total deferred tax non-current liabilities	**2**	-	**31**
Net deferred tax non-current assets	**¥1,435**	¥1,746	**$17,471**

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax non-current liabilities:			
Other	**¥19**	¥9	**$238**
Net deferred tax non-current liabilities	**¥19**	¥9	**$238**

Change in statutory tax rate

On December 2, 2011 new tax reform laws were enacted in Japan, which will reduce the corporation tax rate and will impose special corporation tax for reconstruction of the Great East Japan Earthquake for fiscal years beginning on or after April 1, 2012. Consequently, the statutory tax rate used to measure deferred tax assets and liabilities changed from 40.6% to 38.0% for expected reversal of temporary differences during fiscal years beginning on or after April 1, 2012 until March 31, 2015. The rate will be changed to 35.6% for expected reversal of temporary differences during fiscal years beginning on or after April 1, 2015.

The change had no material impact on either deferred tax assets or deferred tax liabilities.

11. Assets Pledged and Revaluation of the land:

(1) Assets Pledged

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Buildings and structures	**¥282**	¥287	**$3,432**
Land	**306**	306	**3,723**
Total	**¥588**	¥593	**$7,155**

(2) Revaluation of the land

The Company revalued land for its business in accordance with the Land Revaluation Law. The Company recorded the entire difference between the carrying amount and revalued amount as unrealized losses on revaluation of the land as a separate component of net assets.

Revaluation of land was performed by making a reasonable adjustment to the land based on the market value estimated in accordance with relevant provisions of the Land Revaluation Law.

Date of revaluation: March 31, 2000.

Fair value of the revalued land as of March 31, 2012 is ¥552 million ($6,718 thousand) less than the book value as of March 31, 2012.

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 sheets.

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 26, 2012, the shareholders resolved cash dividends amounting to ¥2,423 million ($29,486 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2012. 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, 2012 are as follows:

	Share subscription rights #2	Share subscription rights #3	Share subscription rights #4	Share subscription rights #5
Date of the annual shareholders' meeting	January 26, 2009	January 26, 2009	January 26, 2009	June 23, 2010
Position and number of grantee	2 directors of the Company and 2 executive officer or employees of the subsidiaries	7 employees of the Company and 157 executive officer or employeesof the subsidiaries	8 employees of the Company and 227 executive officer or employees of the subsidiaries	4 directors and 19 employees of the Company and 283 executive officer or employees of the subsidiaries
Date of grant	April 1, 2009	April 1, 2009	April 1, 2009	October 25, 2010
Class and number of stock	Common Stock 15,800	Common Stock 293,200	Common Stock 209,880	Common Stock 485,400
Exercised period	From April 1, 2009 to June 30, 2011	From April 1, 2009 to June 30, 2011	From April 1, 2011 to March 31, 2014	From October 26, 2012 to October 23, 2015

The following table summarizes scale and movement of share subscription rights as of March 31, 2012.

	Share subscription rights #2	Share subscription rights #3	Share subscription rights #4	Share subscription rights #5
Non-exercisable (number of shares)				
Outstanding at April 1, 2011	-	-	174,420	456,800
Granted	-	-	-	-
Forfeited	-	-	-	22,400
Vested	-	-	174,420	-
Outstanding at March 31, 2012	-	-	-	434,400
Exercisable (number of shares)				
Outstanding at April 1, 2011	15,800	250,500	-	-
Vested	-	-	174,420	-
Forfeited	15,800	250,500	14,040	-
Exercised	-	-	-	-
Outstanding at March 31, 2012	-	-	160,380	-
Exercise price	¥2,191 $26.65	¥2,191 $26.65	¥1,223 $14.88	¥578 $7.03
Average stock price at exercise	- -	- -	- -	- -
Fair value price at grant date	¥274 $3.33	¥274 $3.33	¥82 $0.99	¥83 $1.00

15. Business Combination:

On December 13, 2011, the Company acquired all issued shares in GUST CO., LTD.

(1) Outline of business combination

Company name:	GUST CO., LTD.
Business activities:	① Design, R&D and sale of game software for home video game systems. ② Design, and management of literary work.
The purpose of business combinations :	Expand business opportunities by employing well-known “Intellectual property”, such as the “Atelier” series, not just in games, but in other areas of the Tecmo Koei group.
Date of the business combination:	December 13, 2011 (Share acquisition date) December 31, 2011 (Day regarded as the acquisition date)
Legal form of the business combination:	The issued shares were acquired by cash.
Name after acquisition:	GUST CO., LTD.
Acquired voting right ratio:	100%

(2) Period for which the acquired company’s financial results are included in the consolidated financial statements

Operating results from January 1, 2012 to March 31, 2012 for this company have been included in the current consolidated statement of income as December 31, 2011 is regarded as the acquisition date for accounting purposes.

(3) Acquisition cost

		Millions of yen	Thousands of U.S. dollars
Acquisition Price	Cash paid to acquire the shares	¥2,200	$26,767
Direct Expenses	Advisory fees and other expenses	11	136
Acquisition cost	Acquisition cost	¥2,211	$26,903

(4) Goodwill, Source and Amortization of Method and Period

Goodwill: ¥1,936 million ($23,556 thousand)

Source: The goodwill resulted from reasonable estimates of the future excess earning, including expected synergies, of the acquired company as a result of anticipated business development.

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

(5) Summary of assets acquired and liabilities assumed on the day of the business combination were as follow

	Millions of yen	Thousands of U.S. dollars
Current assets:	¥451	$5,492
Non-current assets:	5	64
Total assets:	¥456	$5,556

	Millions of yen	Thousands of U.S. dollars
Current liabilities:	¥176	$2,146
Non-current liabilities:	5	62
Total liabilities:	¥181	$2,209

16. Asset Retirement Obligations:

a) Summary of applicable asset retirement obligations include the duty of restoration arising from contractual requirements set forth in real estate leases for amusement facility arcades.
b) Assumptions used in calculating applicable asset retirement obligations on amusement facility arcades, are based on an estimated useful life of between 10 and 15 years, the average operating period for arcades that have been closed, and a discount rate between 1.146% and 1.380%.
c) Changes to aggregate asset retirement obligations applicable to the fiscal years ended March 31, 2012 and 2011.

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		**2011**	
Beginning balance (See note)	**¥4**	**[¥131]**	¥15	[¥125]	**$56**	**[$1,595]**
Accretion Expense	**0**	**[-]**	0	[-]	**0**	**[-]**
Decrease due to fulfillment of asset retirement obligations	**(4)**	**[(40)]**	(10)	[(9)]	**(57)**	**[(495)]**
Other	**-**	**[7]**	(0)	[15]	**-**	**[88]**
Ending balance	**-**	**[¥97]**	¥4	[¥131]	**-**	**[$1,189]**

Note 1: From the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations"(ASBJ Guidance No. 21, issued on March 31, 2008). As a result, the Company recognized asset retirement obligations at beginning of the fiscal year ended March 31, 2011.
Note 2: The Company reasonably estimates the amount of lease deposits from real estate lease agreements that it cannot expect to finally recover, and records the portion of this amount allocated to the fiscal year ended March 31, 2012 as expenses, instead of recording them as asset retirement obligations under liabilities. The uncollectible amount of lease deposits the Company estimates is shown in [ ].

17. Comprehensive Income:

The components of other comprehensive income including reclassification adjustments and income tax effect are as follows.

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Unrealized gains (losses) on securities:		
Increase (decrease) during the year	**(¥ 2,915)**	**($35,473)**
Reclassification adjustments to profit or loss	**839**	**10,210**
Amount before income tax effect	**(2,076)**	**(25,262)**
Income tax effect	**73**	**888**
Total unrealized gains (losses) on securities	**(2,003)**	**(24,374)**
Revaluation reserve for the land		
Income tax effect	**1**	**13**
Foreign currency translation adjustments		
Increase (decrease) during the year	**179**	**2,184**
Total other comprehensive income	**(¥1,822)**	**($22,176)**

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

18. Segment Information:

(1)Outline of business segment reported

The business segments the Company reports are the business unit for which the Company is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine the distribution of management resource and evaluate their business performance.

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.

(2)Method of calculating sales and income (loss), and other items by business segment reported

Income of the reporting segments is operating income. Transfers among segments are based on market prices.

(3)Information on sales and income (loss) and other items by business segment reported

	Millions of yen							
	For the year ended March 31, 2012							
	Business segment reported							
	Game Software	Online& Mobile	Media& Rights	SP	Amusement Facilities	Sub Total	Other	Total
I. Net sales and operating income:								
Net sales								
(1) Net sales to outside customers	**¥24,509**	**¥5,446**	**¥1,836**	**¥1,678**	**¥1,887**	**¥35,358**	**¥166**	**¥35,525**
(2) Inter-segment net sales	**373**	**188**	**1**	**23**	**-**	**587**	**49**	**637**
Total	**24,883**	**5,635**	**1,838**	**1,701**	**1,887**	**35,945**	**216**	**36,162**
Segment income (loss)	**¥4,797**	**¥1,034**	**¥157**	**¥551**	**¥128**	**¥6,669**	**¥13**	**¥6,683**
II. Other items:								
Depreciation and amortization	**¥401**	**¥197**	**¥8**	**¥12**	**¥155**	**¥775**	**¥198**	**¥974**

	Millions of yen							
	For the year ended March 31, 2011							
	Business segment reported							
	Game Software	Online& Mobile	Media& Rights	SP	Amusement Facilities	Sub Total	Other	Total
I. Net sales and operating income:								
Net sales								
(1) Net sales to outside customers	¥20,894	¥5,433	¥1,454	¥1,874	¥2,145	¥31,803	¥278	¥32,081
(2) Inter-segment net sales	699	3	29	21	-	753	-	753
Total	21,594	5,437	1,483	1,896	2,145	32,556	278	32,835
Segment income (loss)	¥2,336	¥1,277	(¥109)	¥497	¥128	¥4,130	¥81	¥4,211
II. Other items:								
Depreciation and amortization	¥541	¥171	¥4	¥15	¥100	¥833	¥156	¥989

	Thousands of U.S. dollars							
	For the year ended March 31, 2012							
	Business segment reported							
	Game Software	Online& Mobile	Media& Rights	SP	Amusement Facilities	Sub Total	Other	Total
I. Net sales and operating income:								
Net sales								
(1) Net sales to outside customers	**$298,208**	**$66,268**	**$22,346**	**$20,426**	**$22,960**	**$430,208**	**$2,029**	**$432,237**
(2) Inter-segment net sales	**4,544**	**2,299**	**18**	**281**	**-**	**7,143**	**607**	**7,750**
Total	**302,751**	**68,567**	**22,364**	**20,707**	**22,960**	**437,351**	**2,636**	**439,988**
Segment income (loss)	**$58,372**	**$12,589**	**$1,915**	**$6,708**	**$1,560**	**$81,147**	**$166**	**$81,313**
II. Other items:								
Depreciation and amortization	**$4,883**	**$2,400**	**$108**	**$148**	**$1,893**	**$9,435**	**$2,420**	**$11,855**

(4)The adjustment for segment information above and the reconciliations between net sales and segment income (loss) in the consolidated statements of income were as follow.

(a) Reconciliation of net sales

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Business segment reported Total	**¥35,945**	¥32,556	**$437,351**
Sales of Other segment	**216**	278	**2,636**
Elimination of intersegment transactions	**(637)**	(753)	**(7,750)**
Total	**¥35,525**	¥32,081	**$432,237**

(b) Reconciliation of segment income (loss)

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Business segment reported Total	**¥6,669**	¥4,130	**$81,147**
Profit of Other segment	**13**	81	**166**
Amortization of goodwill	**(1,115)**	(1,020)	**(13,569)**
Transferred to non-operating profit or loss	**190**	114	**2,314**
Total	**¥5,758**	¥3,305	**$70,058**

Note: For management reporting purposes, goodwill and assets are not allocated to the segments.

(Segment related information)

Information by country or region

The following tables present sales and assets information by geographic area for the years ended March 31, 2012 and 2011.

a) Sales

	Millions of yen				
	For the year ended March 31, 2012				
	Japan	North America	Europe	Others	Consolidated Total
Net sales to outside customers:	**¥29,918**	**¥2,784**	**¥1,356**	**¥1,466**	**¥35,525**

	Millions of yen				
	For the year ended March 31, 2011				
	Japan	North America	Europe	Others	Consolidated Total
Net sales to outside customers:	¥27,581	¥2,499	¥1,481	¥520	¥32,081

	Thousands of U.S. dollars				
	For the year ended March 31, 2012				
	Japan	North America	Europe	Others	Consolidated Total
Net sales to outside customers:	**$364,015**	**$33,876**	**$16,503**	**$17,842**	**$432,237**

Note: The sales amounts are classified by country or region where customers are located.

b) Tangible fixed assets

Millions of yen				
For the year ended March 31, 2012				
Japan	Asia	Europe	Other	Consolidated Total
¥11,379	**¥1,266**	**¥1,700**	**¥40**	**¥14,387**

Millions of yen			
For the year ended March 31, 2011			
Japan	Asia	Other	Consolidated Total
¥11,724	¥1,315	¥53	¥13,092

Thousands of U.S. dollars				
For the year ended March 31, 2012				
Japan	Asia	Europe	Other	Consolidated Total
$138,450	**$15,409**	**$20,692**	**$496**	**$175,048**

19. Subsequent Events:

At the general shareholders' meeting held on June 26, 2012, issuance of stock subscription warrants under the Japanese Company Low was approved.

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of TECMO KOEI HOLDINGS CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TECMO KOEI HOLDINGS CO., LTD. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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 LLC

September 10, 2012
Tokyo, Japan

BOARD OF DIRECTORS AND STATUTORY AUDITORS

Director & Chairman Emeritus
Keiko Erikawa

Chairman
Yasuharu Kakihara

President & CEO
Yoichi Erikawa

Director
Kazuyoshi Sakaguchi

Director
Shintaro Kobayashi

Director
Hisashi Koinuma

Corporate Auditors
Nobutaka Osada
Satoru Morishima
Chiomi Yamamoto
Takashi Ouchi

Senior Executive Officer & CFO
Kenjiro Asano

Executive Officers
Takeshi Hara
Masatoshi Hosaka

(As of June 26, 2012)

CORPORATE DATA

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

Date Established :
April 1,2009

Paid-in Capital :
¥15 Billion (As of March 31, 2012)

Number of Employees :
1,386 (As of March 31, 2012 : Consolidated Basis)

Account Settlement :
March 31

Transfer Agent of Common Stock :
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Independent Auditor :
KPMG AZSA LLC

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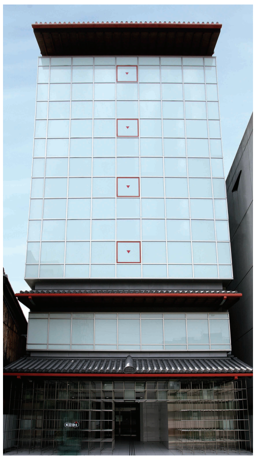

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