Annual Report 2011

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

As a whole, the world economy is heading towards recovery, yet a downturn risk remains.

Locally, in Japan, visible signs of economic recovery can be seen, yet with the lingering effects of the Great East Japan Earthquake, recovery will remain slow for the near future.

In the video game industry, the social gaming sector has seen a large increase in both the number of users and the number of attractive titles as major social networking service companies open their own game portals to outside companies. With this, the market for virtual goods and micro-transactions has shown significant growth. On the other hand, an increasing number of newcomers into the market has sparked intense competition, making the release of more value-added titles in a timely manner more important than ever.

Under these conditions, our group's financial performance for this fiscal year has suffered a decrease compared to that of last year, primarily due to the delays in releasing certain titles caused by the Great East Japan Earthquake.

Still, we have pushed forward our plans for increased growth, with continuous efforts at improving earning potential and a strengthened push into the social games market, and been able to achieve an increase, with a net sales of 32.0 billion yen, operating income of 3.3 billion yen, income before taxes of 4.8 billion yen, and a consolidated net income of 2.7 billion yen.

Achieving Growth and Profitability

The video game industry is now entering its next stage of development. New hardware has been announced. Social games have joined the more traditional home video and online games, and all are rapidly expanding. Expectations for even greater activity are high, not only in each individual sector, but also through the creation of entertainment that crosses those boundaries to link and combine into something new.

For this current term, we focused on "Improving earning potential" and achieved large increases in operating income, income before taxes and profit ratio. For the next term, we have set the "Achieving Growth and Profitability" as our driving policy and aim to see an increase in both profit and income.

For growth, we have identified the following as key problems for us to address.

- In accord with our global social game strategy, double our growth in the social gaming sector by enhancing smartphone products and entering the overseas market.
- Cultivate new business opportunities in the home video game sector by supporting new platforms and promoting collaborative titles.
- Create new value through the synergistic interaction of home video, online and social games.

For profitability, we plan to improve our profit structure by ensuring the following.

- Enabling projects with a high profitability, such as series titles.
- Creating group synergies in our products, while streamlining our organization and increasing efficiency.
- Continuing cost reduction.

As our first step towards dealing with these issues, in April we restructured the organization and have started a more efficient and effective business operation system.

Under the banner of our ethos of "Creativity & Contribution", we will press forward diligently to achieve the KOEI TECMO Group goal "To become 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
	2011	2010	**2011**
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 5)	**¥10,685**	¥6,551	**$128,508**
Notes and accounts receivable	**7,688**	8,469	**92,470**
Allowance for bad debts (Note 5)	**(114)**	(320)	**(1,376)**
Marketable securities (Notes 3, 5, and 7)	**2,578**	7,579	**31,008**
Inventories (Note 4)	**835**	1,186	**10,051**
Deferred income taxes (Note 10)	**691**	1,071	**8,317**
Other current assets	**2,927**	1,685	**35,212**
Total current assets	**25,293**	26,222	**304,193**
Property and equipment:			
Buildings and structures, net (Note 6)	**6,790**	6,506	**81,660**
Land (Notes 6 and 11)	**5,621**	5,612	**67,605**
Other	**681**	1,352	**8,192**
Total property and equipment	**13,092**	13,472	**157,458**
Intangible assets			
Goodwill	**2,918**	3,936	**35,094**
Other	**780**	825	**9,383**
Total Intangible assets	**3,698**	4,762	**44,477**
Investments and other assets:			
Investment securities (Notes 5 and 7)	**32,550**	30,218	**391,468**
Claim in bankruptcy	**27**	160	**335**
Deferred income taxes (Notes 10 and 11)	**1,746**	2,595	**21,006**
Lease and guarantee deposits	**897**	1,198	**10,799**
Other	**207**	232	**2,493**
Allowance for bad debts	**(27)**	(160)	**(335)**
Total investments and other assets	**35,402**	34,244	**425,767**
Total assets	**¥77,487**	¥78,702	**$931,896**

The accompanying notes are an integral part of this statement.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
LIABILITIES			
Current liabilities:			
Notes and accounts payable – trade	**¥1,763**	¥1,453	**$21,214**
Accounts payable – other	**1,226**	2,128	**14,746**
Income taxes payable	**669**	2,014	**8,056**
Accrued bonuses to employees	**668**	536	**8,045**
Accrued bonuses to directors	**29**	29	**357**
Allowance for sales returns	**63**	202	**765**
Allowance for sales discount	**267**	184	**3,211**
Allowance for customer-discount points	**10**	10	**125**
Other current liabilities	**1,836**	1,488	**22,092**
Total current liabilities	**6,536**	8,049	**78,615**
Long-term liabilities:			
Deferred income taxes (Note 10)	**9**	37	**115**
Accrued severance indemnities for directors	**-**	473	**-**
Reserve for retirement benefits (Note 9)	**572**	585	**6,887**
Other long-term liabilities	**606**	246	**7,294**
Total long-term liabilities	**1,188**	1,342	**14,297**
Total liabilities	**7,725**	9,391	**92,912**
NET ASSETS (Note 12)			
Shareholders' equity:			
Common stock Authorized:350,000,000 shares in 2011 and 2010 Issued:89,769,479 shares in 2011 and 2010	**15,000**	15,000	**180,396**
Capital surplus	**24,640**	24,640	**296,340**
Retained earnings	**38,129**	36,515	**458,561**
Treasury stock: 3,049,987 shares at March 31, 2011 and 3,501,630 shares at March 31, 2010	**(2,367)**	(2,366)	**(28,474)**
Total shareholders' equity	**75,402**	73,789	**906,823**
Accumulated other comprehensive income:			
Unrealized gains or losses on securities (Note 7)	**(1,873)**	(944)	**(22,537)**
Unrealized losses on revaluation of the land (Note 11)	**(3,101)**	(3,101)	**(37,304)**
Foreign currency translation adjustments	**(760)**	(539)	**(9,146)**
Total accumulated other comprehensive income	**(5,736)**	(4,585)	**(68,987)**
Share subscription rights (Note 14):	**95**	94	**1,147**
Minority interests	**-**	12	**-**
Total net assets	**69,761**	69,311	**838,983**
Total liabilities and net assets	**¥77,487**	¥78,702	**$931,896**

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
	2011	2010	**2011**
Net sales (Note 17)	**¥32,081**	¥34,502	**$385,827**
Cost of sales (Note 8)	**20,522**	23,723	**246,815**
Gross profit	**11,558**	10,779	**139,012**
Selling, general and administrative expenses (Note 8)	**8,253**	10,138	**99,264**
Operating income (Note 17)	**3,305**	641	**39,747**
Other income (expenses):			
Interest income	**1,913**	1,916	**23,009**
Gain on sale of investment securities (Note 7)	**599**	1,194	**7,207**
Gain on valuation of derivatives	**-**	60	**-**
Loss on valuation of securities	**(141)**	(122)	**(1,701)**
Loss on redemption of securities (Note 7)	**(1,281)**	(514)	**(15,415)**
Foreign exchange loss, net	**(304)**	(193)	**(3,667)**
Loss on liquidation of subsidiaries-foreign currency translation adjustment	**(137)**	-	**(1,657)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(135)**	-	**(1,625)**
Other, net	**698**	41	**8,405**
Income before income taxes and minority interests	**4,515**	3,023	**54,303**
Income taxes (Note 10):			
Current	**679**	1,975	**8,171**
Deferred	**1,093**	(1,559)	**13,155**
	1,773	415	**21,326**
Income before minority interests	**2,742**	2,607	**32,976**
Minority interests in net income	**(0)**	(3)	**(2)**
Net income	**2,741**	2,604	**32,973**
	Yen		U.S. dollars
Per share:			
Net income – Basic	**¥31.62**	¥30.14	**$0.38**
– Diluted	**31.61**	-	**0.38**
Cash dividends	**20.00**	13.00	**0.24**

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
	2011	2010	**2011**
Income before minority interests:	**¥2,742**	¥2,607	**$32,976**
Other comprehensive income			
Unrealized gains or losses on securities	**(929)**	3,055	**(11,176)**
Foreign currency translation adjustments	**(221)**	286	**(2,660)**
Total other comprehensive income	**(1,150)**	3,341	**(13,837)**
Comprehensive Income(Note 2) :	**1,591**	5,949	**19,139**
Comprehensive Income attribute to:			
Shareholders of TECMO KOEI HOLDINGS CO.,LTD.	**1,591**	5,946	**19,136**
Minority interests	**0**	3	**2**

The accompanying notes are an integral part of these statements.

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 asets
Balance at March 31, 2009	**¥9,090**	**¥14,185**	**¥36,387**	**(¥0)**	**(¥4,000)**	**(¥3,101)**	**(¥825)**	**¥84**	**¥1**	**¥51,822**
Increase by share transfers	**5,909**	**10,455**	**(90)**							**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)**		**355**						**(315)**
Transfer to capital surplus from retained earnings		**671**	**(671)**							**-**
Net changes during the year					**3,055**	**-**	**286**	**9**	**11**	**3,362**
Balance at March 31, 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**

	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, 2010	**$180,396**	**$296,340**	**$439,152**	**($28,459)**	**($11,360)**	**($37,304)**	**($6,486)**	**$1,131**	**$156**	**$833,566**
Cash dividends paid			**(13,558)**							**(13,558)**
Net income			**32,973**							**32,973**
Purchase of treasury stock				**(19)**						**(19)**
Disposal of treasury stock		**(0)**		**4**						**3**
Transfer to capital surplus from retained earnings		**0**	**(0)**							**-**
Change of scope of consolidation			**(5)**							**(5)**
Net changes during the year					**(11,176)**	**-**	**(2,660)**	**16**	**(156)**	**(13,976)**
Balance at March 31, 2011	**$180,396**	**$296,340**	**$458,561**	**($28,474)**	**($22,537)**	**($37,304)**	**($9,146)**	**$1,147**	**-**	**$838,983**

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
	2011	2010	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	**4,515**	¥3,023	**$54,303**
Adjustments for:			
Depreciation and amortization	**989**	1,031	**11,901**
Amortization of goodwill	**1,020**	992	**12,273**
Decrease in allowance for bad debts	**(316)**	(26)	**(3,809)**
Increase (decrease) in accrued bonuses to employees	**133**	(141)	**1,601**
Interest and dividend income	**(2,253)**	(2,112)	**(27,102)**
Gain on sales of investment securities	**(599)**	(1,194)	**(7,207)**
Loss on redemption of securities	**1,281**	514	**15,415**
Loss (gain) on valuation of derivatives	**79**	(60)	**953**
Loss on liquidation of subsidiaries-foreign currency translation adjustment	**137**	-	**1,657**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**135**	-	**1,625**
Foreign exchange loss, net	**305**	181	**3,668**
Decrease (increase) in notes and accounts receivable	**696**	(1,553)	**8,375**
Decrease in inventories	**346**	451	**4,166**
Increase in notes and accounts payable	**331**	218	**3,990**
Other	**(397)**	797	**(4,785)**
Sub total	**6,404**	2,123	**77,028**
Interest and dividend income received	**1,944**	1,818	**23,391**
Interest paid	**(0)**	(2)	**(0)**
Income taxes refund	**31**	1,824	**376**
Income taxes paid	**(3,303)**	(775)	**(39,735)**
Other	**-**	(52)	**-**
Net cash provided by operating activities	**5,077**	4,935	**61,060**
Cash flows from investing activities:			
Payments into time deposits	**(21)**	(785)	**(258)**
Proceeds from withdrawal of time deposits	**420**	655	**5,058**
Purchase of short-term and long term securities	**(8,526)**	(6,941)	**(102,539)**
Proceeds from sales and redemption of short-term and long term securities	**7,026**	5,087	**84,508**
Purchase of property and equipment	**(617)**	(994)	**(7,428)**
Payments for purchase of intangible fixed assets	**(431)**	(476)	**(5,189)**
Purchase of stocks of subsidiaries and affiliates	**(15)**	(518)	**(184)**
Proceeds from collection of guarantee deposits	**321**	151	**3,862**
Other	**(231)**	(76)	**(2,779)**
Net cash used in investing activities	**(2,074)**	(3,896)	**(24,951)**
Cash flows from financing activities:			
Repayment of short-term loans payable	**-**	(10)	**-**
Repayment of long-term loans payable	**-**	(160)	**-**
Purchase of treasury stock	**(1)**	(2,416)	**(15)**
Cash dividents paid	**(1,083)**	(1,768)	**(13,033)**
Net cash used in financing activities	**(1,085)**	(4,354)	**(13,049)**
Effect of exchange rate changes on cash and cash equivalents	**(300)**	(56)	**(3,613)**
Net increase (decrease) in cash and cash equivalents	**1,616**	(3,372)	**19,446**
Cash and cash equivalents at beginning of year	**9,145**	12,517	**109,983**
Increase in cash and cash equivalents resulting from change of scope of consolidation	**17**	-	**210**
Cash and cash equivalents at end of year (Note 3)	**¥10,779**	¥9,145	**$129,640**

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, 2011 and 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.

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, 2011, which was ¥83.15 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 TECMO KOEI GAMES CO., LTD., KOEI CO., LTD., TECMO 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., Tianjin TECMO KOEI Software Co., Ltd., Beijing TECMO KOEI Software Co., Ltd., and TECMO KOEI SINGAPORE Pte. 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.

TECMO, INC., and ERGOSOFT Corp. which were consolidated subsidiaries in the previous fiscal year, are currently undergoing liquidation and are no longer material to the TECMO KOEI Group, and were therefore removed from consolidation.

TECMO KOEI KOREA Corporation was liquidated and eliminated from the scope of consolidation as of the end of the fiscal year 2011. However, the statements of income and the statement of cash flows were consolidated until the end of this fiscal year.

(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.

(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 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

(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 as of March 31, 2011 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 following year 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 were subject to approval at a meeting of shareholders. “Accrued severance indemnities for directors” as of March 31, 2010 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 and its domestic subsidiaries.

However, at the Corporation's annual meeting of shareholders held on June 23, 2010, the Company and its domestic subsidiaries approved the termination of the plan for retirement benefits to directors and corporate auditors. Estimated amount for retirement benefit as of June 23, 2010 will be paid when they retire. The liabilities including the balance of “Accrued severance indemnities for directors” stated in the balance sheet as of March 31, 2010 were transferred to "Other long-term liabilities’" as of March 31, 2011.

(19) 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, 2011 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
For the year ended March 31, 2011	Net income		Weighted average number of shares	EPS	
Basic EPS					
Income before minority interest	**¥2,742**	**$32,976**			
Other	**(0)**	**(2)**			
Net income for common stock shareholders	**¥2,741**	**$32,973**	**86,718**	**¥31.62**	**$0.38**
Effect of Diluted stock shareholders					
Warrants	**-**	**-**	**9**		
Diluted EPS					
Net income for computation	**-**	**-**	**86,728**	**¥31.61**	**$0.38**

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2010	Net income	Weighted average number of shares	EPS
Basic EPS			
Income before minority interest	**¥2,607**		
Other	**(3)**		
Net income for common stock shareholders	**¥2,604**	**86,412**	**¥30.14**
Effect of Diluted stock shareholders			
Warrants	**-**	**-**	
Diluted EPS			
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) Application of Accounting Standard of Asset Retirement Obligations

Effective from the year ended March 31, 2011, the Company and its domestic subsidiaries have adopted "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 of this adoption, income before income taxes and minority interests decreased by ¥134 million ($1,612 thousand) for the year ended March 31, 2011.

(4) Application of Accounting Standard for Presentation of Comprehensive Income

Effective from the year ended March 31, 2011, the Company has applied the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ No. 25, issued June 30, 2010). The consolidated amounts for “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” for the previous fiscal year have been presented in “Valuation and translation adjustments” and “Total valuation and translation adjustments of the consolidated balance sheet as of March 31, 2010.”

According to the accounting standard, the consolidated balance sheet and the consolidated statement of changes in net assets as of and for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011. In addition, the Company has presented the consolidated statement of comprehensive income for the fiscal year ended March 31, 2010 as well as that for the fiscal year ended March 31, 2011.

3. Cash flow information:

Cash and time deposits at March 31, 2011 and 2010 reconciled to cash and cash equivalents were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and time deposits	**¥10,685**	¥6,551	**$128,508**
Time deposits with maturity over three months	**(244)**	(704)	**(2,937)**
Marketable securities	**338**	3,298	**4,069**
Total cash and cash equivalents	**¥10,779**	¥9,145	**$129,640**

4. Inventories:

Inventories at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Merchandise	**¥120**	¥198	**$1,451**
Finished goods	**364**	330	**4,389**
Work in process	**300**	516	**3,611**
Raw materials	**49**	140	**599**
	¥835	¥1,186	**$10,051**

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, 2011 and 2010 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, 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**	**-**

	(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)		
	¥8,226	¥8,226	-
Marketable and investment securities			
Other securities	37,350	37,350	-
Assets Total	¥52,128	¥52,128	-

	(Thousands of U.S.dollars)		
	March 31, 2011		
	Acquisition Amount	**Estimated fair value**	**Difference**
Cash and deposits	**$128,508**	**$128,508**	**-**
Notes and accounts receivable	**92,470**		
Allowance for bad debts*	**(1,376)**		
	$91,094	**$91,094**	**-**
Marketable and investment securities			
Other securities	**416,408**	**416,408**	**-**
Assets Total	**$636,011**	**$636,011**	**-**

* 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 values were difficult to measure
The financial instruments as the fair values were not available as of March 31, 2011 and 2010 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Stocks of subsidiaries and affiliates	**¥129**	¥147	**$1,552**
Non-listed equity securities	**119**	19	**1,434**
Other	**256**	280	**3,081**

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, 2011 and 2010 were as follows:

	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				
Government bonds and local government bonds	**1,569**	**¥5,271**	**¥4,414**	**¥8,100**
Bonds	**626**	**2,027**	**1,379**	**1,566**
Other	**-**	**-**	**908**	**-**
Total	**¥10,671**	**¥7,298**	**¥6,702**	**¥9,667**

	Millions of yen			
	At March 31, 2010			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥704	-	-	-
Notes and accounts receivable	8,226	-	-	-
Marketable and investment securities				
Other securities				
Government bonds and local government bonds	2,047	¥5,539	¥6,099	¥6,823
Bonds	2,259	2,218	524	558
Total	¥13,237	¥7,758	¥6,624	¥7,382

	Thousands of U.S. dollars			
	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	**$10,827**	**-**	**-**	**-**
Notes and accounts receivable	**91,094**	**-**	**-**	**-**
Marketable and investment securities				
Other securities				
Government bonds and local government bonds	**18,878**	**$63,395**	**$53,086**	**$97,420**
Bonds	**7,536**	**24,378**	**16,594**	**18,842**
Other	**-**	**-**	**10,931**	**-**
Total	**$128,336**	**$87,774**	**$80,613**	**$116,263**

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 statement at March 31, 2011 and 2010 are as follows:.

	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**
Thousand of U.S dollars	**$34,653**	**$330**	**$34,983**	**$32,118**

	At March 31, 2010			
	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

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

(a)The fair value was calculated by the Company and its consolidated subsidiaries based on the Real Estate Appraisal Standard.
(b)The Company and its consolidated subsidiaries own office buildings (including land) for leasing at Kanagawa prefecture. The rental income in net sales were ¥3 million ($39 thousand) for the year ended March 31, 2011.

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, 2011 and 2010 were as follows:

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

	Millions of yen			
	At March 31, 2010			
	Acquisition cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Other securities for which market quotations are available -				
Equity securities	¥6,845	¥2,428	¥217	¥9,055
Debt securities	28,198	985	4,225	24,958
Other	3,328	8	-	3,336
	¥38,371	¥3,422	¥4,442	¥37,350

	Thousands of U.S. dollars			
	At March 31, 2011			
	Acquisition cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Other securities for which market quotations are available -				
Equity securities	**$86,320**	**$22,742**	**$5,896**	**$103,166**
Debt securities	**293,116**	**11,311**	**50,883**	**253,544**
Other	**59,502**	**956**	**760**	**59,698**
	$438,939	**$35,010**	**$57,541**	**$416,408**

Impairment loss of ¥132 million ($1,596 thousand) and ¥108 million are included in the above for the year ended March 31, 2011 and 2010, respectively.

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

The unrealized gains of ¥60 million on the bonds are stated in the statement of income for the year ended March 31, 2010.

The redemption loss of ¥79 million ($953 thousand) 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Sales amount	**¥2,819**	¥3,077	**$33,903**
Gross realized gains	**814**	1,194	**9,793**
Gross realized losses	**81**	0	**976**

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, 2011 and 2010 were ¥1,020 million ($12,274 thousand) and ¥590 million, respectively.

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, 2011 and 2010 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligations	**(¥2,719)**	(¥2,614)	**($32,701)**
Plan assets	**1,857**	1,839	**22,337**
	(861)	(774)	**(10,364)**
Unrecognized actuarial differences	**289**	188	**3,476**
Reserve for retirement benefits	**(¥572)**	(¥585)	**($6,887)**

The net pension expenses relating to retirement benefits for the year ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥308**	¥275	**$3,711**
Interest cost	**43**	43	**519**
Expected return on plan assets	**(53)**	(45)	**(646)**
Amortization of actuarial differences	**18**	40	**223**
Net pension expense	**¥316**	¥314	**$3,807**

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

	2011	2010
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 unrecognized actuarial differences	**9 years to 14 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, 2011 and 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 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, 2010 was as follows:

	2011	2010
Statutory tax rate	-	40.6%
Increase (decrease) in taxes resulting from:		
Non-deductible expenses	-	6.2
Non-taxable dividends 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%

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
	2011	2010	**2011**
Deferred tax current assets:			
Deficit amount	**¥810**	¥1,108	**$9,743**
Accrued bonuses	**256**	200	**3,081**
Unrealized gain on sales of inventories	**249**	180	**3,004**
Provision for enterprise tax	**78**	169	**947**
Allowance for sales returns	**-**	160	**-**
Allowance for discount	**74**	-	**900**
Other	**284**	105	**3,423**
Total deferred tax current assets	**1,754**	1,927	**21,101**
Valuation allowance	**(101)**	(29)	**(1,223)**
Total deferred tax current assets, net of valuation allowance	**1,652**	1,897	**19,877**
Deferred tax current liabilities:			
Treasury stock	**961**	826	**11,560**
Total deferred tax current liabilities	**961**	826	**11,560**
Net deferred tax current assets	**¥691**	¥1,071	**$8,317**

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax non-current assets:			
Loss on investment securities	**¥530**	¥872	**$6,385**
Deficit amount	**727**	660	**8,750**
Prior-period amortization of development expenses	**671**	455	**8,079**
Amortization of development expenses	**177**	397	**2,135**
Depreciation expense	**-**	249	**-**
Impairment loss on fixed assets	**155**	336	**1,864**
Special reserve for tax purposes	**-**	184	**-**
Unrealized loss on investment securities	**1,009**	150	**12,136**
Reserve for retirement benefit	**199**	99	**2,403**
Other	**296**	126	**3,564**
Total deferred tax non-current assets	**3,768**	3,532	**45,319**
Valuation allowance	**(2,021)**	(870)	**(24,312)**
Total deferred tax non-current assets, net of valuation allowance	**1,746**	2,662	**21,006**
Deferred tax non-current liabilities:			
Unrealized gain on investment securities	**-**	47	**-**
Other	**-**	19	**-**
Total deferred tax non-current liabilities	**-**	66	**-**
Net deferred tax non-current assets	**-**	¥2,595	**-**

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax non-current liabilities:			
Unrealized gain on investment securities	**-**	¥28	**-**
Other	**9**	9	**115**
Net deferred tax non-current liabilities	**¥9**	¥37	**$115**

11. Assets Pledged and Revaluation of the land:

(1) Assets Pledged	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Buildings and structures	**¥287**	-	**¥3,462**
Land	**306**	306	**3,680**
Total	**¥593**	¥306	**$7,143**

(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 o the land based on the market value estimated in accordance with relevant provisions of the Land Revaluation Law.

Data of revaluation: March 31, 2000.

Fair value of the revalued land as of March 31, 2011 was ¥528 million ($ 6,349 thousand) less than the book value as of March 31, 2011.

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 23, 2011, the shareholders resolved cash dividends amounting to ￥1,795 million ($21,590 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. 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:

Preceding fiscal year (from April 1, 2009 to March 31, 2010)
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 2 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 table summarizes 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
Non-exercisable (number of shares)				
Outstanding at April 1, 2009	-	-	-	209,880
Granted	-	-	-	-
Forfeited	-	-	-	11,520
Exercised	-	-	-	198,360
Outstanding at March 31, 2010	-	-	-	-
Exercisable (number of shares)				
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	¥2,191	¥2,191	¥1,223
Average stock price at exercise	-	-	-	-
Fair value price at grant date	-	¥274	¥274	¥82

Current fiscal year (from April 1, 2010 to March 31, 2011)

The summarized contents of share subscription rights as of March 31, 2011 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 and 2 executive officer or employees of the subsidiaries	7 employees of the Company and 157 executive officer or employees of 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, 2011.

	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, 2010	-	-	198,360	-
Granted	-	-	-	485,400
Forfeited	-	-	23,940	28,600
Vested	-	-	-	-
Outstanding at March 31, 2011	-	-	174,420	456,800
Exercisable (number of shares)				
Outstanding at April 1, 2010	15,800	283,000	-	-
Vested	-	-	-	-
Forfeited	-	32,500	-	-
Exercised	-	-	-	-
Outstanding at March 31, 2011	15,800	250,500	-	-
Exercise price	¥2,191	¥2,191	¥1,223	¥578
	$26.34	$26.34	$14.70	$6.95
Average stock price at exercise	-	-	-	-
	-	-	-	-
Fair value price at grant date	¥274	¥274	¥82	¥83
	$3.29	$3.29	$0.98	$0.99

15. Business Combination:

Preceding fiscal year (from April 1, 2009 to March 31, 2010)

(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 2010
Acquisition Price	The Company's common stock	¥16,458
Direct Expenses	Advisory fees and other expenses	97
Acquisition cost	Acquisition cost	16,555

(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: ¥71,864 million

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

Goodwill: ¥3,795 million

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.

Current fiscal year (from April 1, 2010 to March 31, 2011)

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

(1) 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.

(2) 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.

(3) 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)."

16. Asset Retirement Obligations:

Current fiscal year (from April 1, 2010 to March 31, 2011)

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 year ended March 31, 2011

	Millions of yen		Thousands of U.S. dollars	
	2011		2011	
Beginning balance (See note)	**¥15**	**[¥125]**	**$187**	**[$1,508]**
Accretion Expense	**0**	**-**	**0**	**-**
Decrease due to fulfillment of asset retirement obligations	**(10)**	**[(9)]**	**(120)**	**[(112)]**
Other	**(0)**	**[15]**	**(11)**	**[181]**
Ending balance	**¥4**	**[¥131]**	**$55**	**[$1,577]**

(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, 2011 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. Segment Information:

Current fiscal year (from April 1, 2010 to March 31, 2011)

(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 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, 2011

	Business segment reported: Game Software	Online & Mobile	Media & Rights	SP	Amusement Facilities	Sub Total	Other	Total	Adjustment	Consolidated
I. Net sales and operating income:										
Net sales										
(1) Net sales to outside customers	**¥20,894**	**¥4,606**	**¥1,454**	**¥1,874**	**¥2,972**	**¥31,803**	**¥278**	**¥32,081**	**-**	**¥32,081**
(2) Inter-segment net sales	**699**	**3**	**29**	**21**	**0**	**753**	**-**	**753**	**(753)**	**-**
Total	**21,594**	**4,610**	**1,483**	**1,896**	**2,972**	**32,556**	**278**	**32,835**	**(753)**	**32,081**
Segment income (loss)	**¥2,336**	**¥1,202**	**(¥109)**	**¥497**	**¥203**	**¥4,130**	**¥81**	**¥4,211**	**(¥906)**	**¥3,305**
II. Other items:										
Depreciation and amortization	**¥541**	**¥159**	**¥4**	**¥15**	**¥112**	**¥833**	**¥156**	**¥989**	**-**	**¥989**

Millions of yen — For the year ended March 31, 2010

	Business segment reported: Game Software	Online & Mobile	Media & Rights	SP	Amusement Facilities	Sub Total	Other	Total	Adjustment	Consolidated
I. Net sales and operating income:										
Net sales										
(1) Net sales to outside customers	¥22,951	¥4,011	¥2,650	¥1,442	¥3,342	¥34,398	¥104	¥34,502	-	¥34,502
(2) Inter-segment net sales	164	0	29	0	0	¥195	-	195	(195)	-
Total	23,116	4,011	2,680	1,442	3,342	34,593	104	34,698	(195)	34,502
Segment income (loss)	¥1,161	(¥639)	¥157	¥602	¥97	¥1,380	¥19	¥1,400	(¥759)	¥641
II. Other items:										
Depreciation and amortization	¥479	¥192	¥27	¥15	¥241	¥956	¥74	¥1,031	-	¥1,031

	Thousands of U.S. dollars									
	For the year ended March 31, 2011									
	Business segment reported									
	Game Software	Online & Mobile	Media & Rights	SP	Amusement Facilities	Sub Total	Other	Total	Adjustment	Consolidated
I. Net sales and operating income:										
Net sales										
(1) Net sales to outside customers	**$251,288**	**$55,398**	**$17,490**	**$22,549**	**$35,751**	**$382,478**	**$3,349**	**$385,827**	**-**	**$385,827**
(2) Inter-segment net sales	**8,415**	**43**	**352**	**252**	**0**	**9,065**	**-**	**9,065**	**(9,065)**	**-**
Total	**259,704**	**55,442**	**17,842**	**22,802**	**35,751**	**391,543**	**3,349**	**394,893**	**(9,065)**	**385,827**
Segment income (loss)	**$28,103**	**$14,459**	**($1,322)**	**$5,981**	**$2,452**	**$49,673**	**$978**	**$50,651**	**($10,904)**	**$39,747**
II. Other items:										
Depreciation and amortization	**$6,512**	**$1,914**	**$56**	**$185**	**$1,354**	**$10,023**	**$1,878**	**$11,901**	**-**	**$11,901**

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Business segment reported Total	**¥4,130**	¥1,380	**$49,673**
Profit of Other segment	**81**	19	**978**
Amortization of goodwill	**(1,020)**	(759)	**(12,273)**
Transferred to non-operating profit or loss	**114**	-	**1,369**
Total	**¥3,305**	¥641	**$39,747**

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 year ended March 31, 2011 and 2010.

a) Sales

	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**

	Millions of yen				
	For the year ended March 31, 2010				
	Japan	North America	Europe	Others	Consolidated Total
Net sales to outside customers:	¥29,714	¥2,887	¥1,189	¥711	¥34,502

	Thousands of U.S. dollars				
	For the year ended March 31, 2011				
	Japan	North America	Europe	Others	Consolidated Total
Net sales to outside customers:	**$331,690**	**$30,065**	**$17,812**	**$6,259**	**$385,827**

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, 2011			
Japan	Asia	Other	Consolidated Total
¥11,724	**¥1,315**	**¥53**	**¥13,092**

Millions of yen			
For the year ended March 31, 2010			
Japan	Asia	Other	Consolidated Total
¥10,754	¥1,505	¥82	¥12,342

Thousands of U.S. dollars			
For the year ended March 31, 2011			
Japan	Asia	Others	Consolidated Total
$141,002	**$15,815**	**$639**	**$157,458**

(Additional information)

Effective from the year ended March 31 2011, the Company has adopted the "Accounting standard for disclosures about segments of an enterprise and related information" (ASBJ statement No.17 of March 27, 2009) and "Guidance on accounting standard for disclosures about segments of an enterprise and related information" (ASBJ Guidance No.20 of March 21, 2008)

18. Subsequent Events:

Not applicable

KPMG

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of TECMO KOEI HOLDINGS CO., LTD. and its consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years 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 audits.

We conducted our audits 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 audits 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 its consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years 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, 2011 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

Tokyo, Japan
June 23, 2011

BOARD OF DIRECTORS AND STATUTORY AUDITORS

Director & Chairman Emeritus
Keiko Erikawa

Chairman & Representative Director
Yasuharu Kakihara

President & CEO
Yoichi Erikawa

Director
Kazuyoshi Sakaguchi

Director
Shintaro Kobayashi

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 23, 2011)

CORPORATE DATA

TECMO KOEI HOLDINGS CO., LTD.

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Tel : +81-45-562-8111
http://www.koeitecmo.co.jp/

Date Established :
April 1,2009

Paid-in Capital :
¥15 Billion (As of March 31, 2011)

Number of Employees :
1,434 (As of March 31, 2011 : Consolidated Basis)

Account Settlement :
March 31

Transfer Agent of Common Stock :
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3-33-1 Shiba, Minato-ku, Tokyo
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Independent Auditor :
KPMG AZSA LLC

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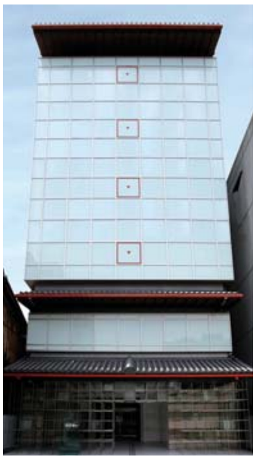

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