



Annual Report 2019



PROFILE

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

By unifying these differences, Koei Tecmo 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
Keiko Erikawa

President & CEO
Yoichi Erikawa

In FY2018, our major titles, as well as royalty income from collaborative titles and IP licenses, have achieved favorable results. Accordingly, we achieved the highest sales and profit since the merger of Koei and Tecmo, and net income has increased for the ninth consecutive year.

For our 3-year medium-term management plan that started in FY2018, we are aiming for ¥51 billion in sales, ¥17 billion in operating income, and ¥21 billion in income before income taxes in FY2020. For the global market, we will work to achieve sales that exceed 5 million copies for a console title and ¥1 billion per month for a smartphone game.

For FY2019, the second year of the medium term management plan, we will continuously adhere to the policies of “creating and expanding global IPs” and “advancement of global business”.

Also, in an ever-expanding game market, we will achieve both growth potential and profitability by focusing on our IPs.

In addition, to achieve the medium-term plan, we will proactively invest in our major titles. Based in our new office and live-house-type hall that will be completed in January 2020, we will create new global IPs and develop entertainment in a wide range of fields such as eSports and live events.

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
	2019	2018	2019
ASSETS			
Current assets:			
Cash and deposits (Notes 4 and 6)	¥7,056	¥6,626	\$63,578
Notes and accounts receivable (Note 6)	8,359	8,978	75,321
Securities (Notes 6 and 9)	126	-	1,137
Merchandise and Finished goods	78	115	707
Work in process(Note 14)	59	30	538
Raw materials and supplies	46	45	417
Other current assets	4,051	2,885	36,502
Allowance for doubtful accounts (Note 6)	(5)	(11)	(50)
Total current assets	19,773	18,671	178,151
Property, plant and equipment:			
Buildings and structures, net (Notes 7 and 13)	10,156	10,746	91,511
Land (Notes 7 and 13)	14,615	14,615	131,682
Construction in progress	3,524	3,531	31,758
Other, net	467	520	4,208
Total property, plant and equipment(Note 5)	28,764	29,413	259,161
Intangible assets:			
Other	144	190	1,306
Total intangible assets	144	190	1,306
Investments and other assets:			
Investment securities (Notes 6 and 9)	76,355	78,938	687,946
Deferred tax assets (Notes 3 and 12)	2,220	473	20,008
Deferred tax assets for land revaluation	948	-	8,546
Retirement benefit asset (Notes 11)	16	-	149
Other	969	906	8,734
Total investments and other assets	80,510	80,317	725,384
Total assets	¥129,192	¥ 128,594	\$ 1,164,003

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
LIABILITIES			
Current liabilities:			
Notes and accounts payable – trade	¥565	¥843	\$5,095
Accounts payable – other	1,269	1,185	11,433
Income taxes payable	2,240	3,426	20,183
Provision for bonuses	1,089	1,043	9,813
Provision for bonuses for directors	176	168	1,587
Provision for sales returns	0	0	1
Provision for sales discount	269	475	2,430
Provision for point card certificates	11	19	107
Provision for loss on order received(Note 14)	118	595	1,071
Other current liabilities	3,216	3,268	28,981
Total current liabilities	8,957	11,027	80,705
Long-term liabilities:			
Retirement benefit liability (Note 11)	-	57	-
Deferred tax liabilities (Note 3 and 12)	157	429	1,420
Other long-term liabilities	792	836	7,144
Total long-term liabilities	950	1,324	8,564
Total liabilities	9,908	12,351	89,270
NET ASSETS (Note 15)			
Shareholders' equity:			
Capital stock			
Authorized: 350,000,000 shares in 2019 and 2018			
Issued : 129,268,048 shares in 2019 and 2018	15,000	15,000	135,147
Capital surplus	26,389	26,175	237,762
Retained earnings	80,404	73,269	724,428
Treasury shares: 2,864,167 shares at March 31, 2019 and 2,317,094 shares at March 31, 2018	(2,588)	(1,266)	(23,324)
Total shareholders' equity	119,204	113,178	1,074,013
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	1,355	4,885	12,215
Revaluation reserve for land (Note 13)	(2,166)	(3,115)	(19,519)
Foreign currency translation adjustment	703	997	6,341
Remeasurements of defined benefit plans (Note 11)	(226)	(48)	(2,040)
Total accumulated other comprehensive income	(333)	2,719	(3,003)
Share subscription rights: (Note 16)	413	345	3,722
Total net assets	119,284	116,242	1,074,733
Total liabilities and net assets	¥129,192	¥128,594	\$1,164,003

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net sales (Note 20)	¥38,968	¥ 38,926	\$ 351,097
Cost of sales (Note 14)	19,052	19,566	171,663
Gross profit	19,915	19,360	179,433
Selling, general and administrative expenses (Note 10)	7,823	7,649	70,486
Operating profit (Note 20)	12,092	11,711	108,947
Non-operating income (expenses):			
Interest income	1,748	2,081	15,753
Dividend income	2,243	1,374	20,216
Gain on sales of investment securities (Note 9)	3,936	4,299	35,470
Gain on redemption of securities	-	25	-
Loss on valuation of investment securities (Note 9)	(1,645)	(492)	(14,821)
Loss on sales of investment securities (Note 9)	(67)	(130)	(611)
Loss on redemption of securities	(432)	(728)	(3,897)
Foreign exchange gains (losses), net	145	(177)	1,310
Other, net	286	330	2,581
Profit before income taxes	18,307	18,293	164,949
Income taxes:			
Income taxes - current	5,006	5,345	45,108
Income taxes - deferred	(393)	(69)	(3,543)
Total income tax (Note 12)	4,613	5,275	41,565
Net profit	13,694	13,017	123,384
Profit attributable to owners of the parent:	13,694	13,017	123,384
Per share: (Note 1)	Yen		U.S. dollars
Net income – Basic	¥108.00	¥102.70	\$0.97
– Diluted	107.77	102.43	0.97
Cash dividends	55.00	62.00	0.49

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net profit:	¥13,694	¥ 13,017	\$ 123,384
Other comprehensive income			
Valuation difference on available-for-sale securities	(3,529)	1,754	(31,798)
Revaluation reserve for Land	948	-	8,546
Foreign currency translation adjustment	(293)	300	(2,644)
Remeasurements of defined benefit plans, net of tax (Note 11)	(178)	41	(1,604)
Total other comprehensive income (Note 19)	(3,052)	2,096	(27,501)
Comprehensive income :	10,642	15,114	95,882
Comprehensive income attributable to owners of the parent:	¥10,642	¥15,114	\$ 95,882

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 shares	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Share subscription rights	Net assets
Balance at April 1, 2017	¥15,000	¥25,937	¥66,159	(¥1,456)	¥3,130	(¥3,115)	¥697	(¥90)	¥254	¥106,516
Cash dividends paid			(5,907)							(5,907)
Net income attributable to owners of parent			13,017							13,017
Purchase of treasury shares				(7)						(7)
Disposal of treasury shares		238		197						436
Net changes of items other than shareholder's equity					1,754	-	300	41	90	2,187
Total changes of items during period	-	238	7,109	190	1,754	-	300	41	90	9,726
Balance at March 31, and April 1, 2018	¥15,000	¥26,175	¥73,269	(¥1,266)	¥4,885	(¥3,115)	¥997	(¥48)	¥345	¥116,242
Cash dividends paid			(6,559)							(6,559)
Net income attributable to owners of parent			13,694							13,694
Purchase of treasury shares				(1,555)						(1,555)
Disposal of treasury shares		213		233						446
Net changes of items other than shareholder's equity					(3,529)	948	(293)	(178)	68	(2,984)
Total changes of items during period	-	213	7,135	(1,322)	(3,529)	948	(293)	(178)	68	3,041
Balance at March 31, 2019	¥15,000	¥26,389	¥80,404	(¥2,588)	¥1,355	(¥2,166)	¥703	(¥226)	¥413	¥119,284

	Thousands of U.S. dollars									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Share subscription rights	Net assets
Balance at April 1, 2018	\$ 135,147	\$235,840	\$660,140	(\$11,409)	\$44,013	(\$28,065)	\$8,986	(\$435)	\$3,109	\$1,047,326
Cash dividends paid			(59,096)							(59,096)
Net income attributable to owners of parent			123,384							123,384
Purchase of treasury shares				(14,017)						(14,017)
Disposal of treasury shares		1,921		2,102						4,024
Net changes of items other than shareholder's equity					(31,798)	8,546	(2,644)	(1,604)	613	(26,887)
Total changes of items during period	-	1,921	64,287	(11,914)	(31,798)	8,546	(2,644)	(1,604)	613	27,406
Balance at March 31, 2019	\$135,147	\$237,762	\$724,428	(\$23,324)	\$12,215	(\$19,519)	\$6,341	(\$2,040)	\$3,722	\$1,074,733

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥18,307	¥18,293	\$164,949
Depreciation	734	701	6,614
Increase (decrease) in provision for loss on order received	(476)	595	(4,291)
Increase (decrease) in allowance for doubtful accounts	(5)	(12)	(52)
Increase (decrease) in provision for bonuses for directors	7	(74)	66
Increase (decrease) in provision for bonuses	51	90	461
Interest and dividend income	(3,992)	(3,455)	(35,970)
Loss(gain) on valuation of securities	1,645	492	14,821
Loss(gain) on sales of investment securities	(3,869)	(4,169)	(34,859)
Loss(gain) on redemption of securities	432	703	3,897
Loss(gain) on sales of property, plant and equipment	(0)	(1)	(3)
Foreign exchange losses (gains)	(161)	141	(1,453)
Decrease(increase) in notes and accounts receivable	632	(836)	5,699
Decrease(increase) in inventories	7	(48)	67
Increase (decrease) in notes and accounts payable - trade	(280)	359	(2,525)
Other, net	(341)	(539)	(3,072)
Sub total	12,691	12,238	114,347
Interest and dividend income received	3,353	2,667	30,213
Interest paid	(0)	(0)	(2)
Income taxes refund	1,273	1,377	11,469
Income taxes paid	(7,719)	(5,894)	(69,554)
Net cash provided by operating activities	9,597	10,389	86,475
Cash flows from investing activities:			
Payments into time deposits	(89)	(84)	(810)
Proceeds from withdrawal of time deposits	84	122	761
Purchase of short-term and long-term investment securities	(16,158)	(30,397)	(145,588)
Proceeds from sales and redemption of short-term and long-term investment securities	14,996	24,272	135,118
Purchase of property, plant and equipment	(236)	(3,729)	(2,128)
Purchase of intangible assets	(7)	(14)	(70)
Proceeds from sales of property, plant and equipment	1	1	15
Other, net	(86)	(155)	(779)
Net cash used in investing activities	(1,496)	(9,984)	(13,480)
Cash flows from financing activities:			
Proceeds from short-term borrowings	1,500	5,500	13,514
Repayments of short-term borrowings	(1,500)	(5,500)	(13,514)
Proceeds from disposal of treasury shares	377	374	3,396
Purchase of treasury shares	(1,556)	(7)	(14,022)
Dividends paid	(6,551)	(5,900)	(59,023)
Net cash used in financing activities	(7,730)	(5,533)	(69,649)
Effect of exchange rate changes on cash and cash equivalents	56	(76)	512
Net increase (decrease) in cash and cash equivalents	428	(5,204)	3,858
Cash and cash equivalents at beginning of year	6,540	11,745	58,929
Cash and cash equivalents at end of year (Note 4)	¥6,968	¥6,540	\$62,787

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. Summary of significant accounting policies:****(1) Basis of presentation of consolidated financial statements -**

The accompanying consolidated financial statements of KOEI TECMO HOLDINGS CO., LTD. ("the Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan 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, 2019 and 2018 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 Act of Japan. 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, 2019, which was ¥110.99 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

The consolidated financial statements include the accounts of the Company and its subsidiaries, including KOEI TECMO GAMES CO., LTD., KOEI TECMO NET CO., LTD., KOEI TECMO WAVE CO., LTD., CWS BRAINS, LTD., KOEI TECMO CAPITAL CO., LTD., KOEI TECMO AMERICA CORPORATION, KOEI TECMO EUROPE LIMITED, KOEI TECMO TAIWAN CO., LTD., KOEI TECMO TIANJIN SOFTWARE CO., LTD., KOEI TECMO BEIJING SOFTWARE CO., LTD., KOEI TECMO SINGAPORE PTE. LTD., and KOEI TECMO LIV CO., LTD. Some small-scale subsidiaries whose total assets, net sales, net income or loss, retained earnings or other items would have no material effect on the financial statements have not been consolidated. All significant intercompany transactions and accounts have been eliminated in consolidation.

The fiscal year end of KOEI TECMO TAIWAN CO., LTD. is December 31, which differs from that of the Company and as such, the subsidiary is consolidated based on its provisional closing balances as of the Company's fiscal year end. The fiscal year end of KOEI TECMO TIANJIN SOFTWARE CO., LTD. and KOEI TECMO BEIJING SOFTWARE CO., LTD. is also December 31 and the Company used their financial statements as of their own fiscal year end in the preparation of the consolidated financial statements, making adjustments, if necessary, for significant transactions that occurred during the period from their fiscal year end to the consolidated fiscal year end.

(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 adjustment" in the accompanying consolidated balance sheets.

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 and 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 income or loss for the period in which they arise.

(b) Securities and investment securities

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 income or loss for the period in which they arise.

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

Available-for-sale securities for which quoted market price is 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.

Available-for-sale securities for which quoted market price is 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 available-for-sale 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 income or loss for the period.

The net amount of equity included in the Company's financial statements from investment partnerships and similar investments, is calculated based on the relevant financial statements for the partnership available as of the reporting date.

(6) Inventories -

Inventories of the Company and its consolidated subsidiaries are determined using the moving-average method for merchandise, finished goods and raw materials, 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) and the last purchase cost method for supplies.

(7) Property, plant and equipment -

The declining balance method is used for calculating depreciation, except for buildings (excluding facilities attached to buildings), which were acquired since April 1, 1998 and facilities attached to buildings and structures, which were acquired since April 1, 2016 that the straight line method is used.

The property, plant and equipment held by foreign consolidated subsidiaries is being depreciated by the straight-line basis, based on the estimated useful lives of the assets.

The range of useful lives for “Buildings and structures” is principally from 3 to 50 years.

(8) Intangible assets -

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) Provision for bonuses -

Provision for 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) Provision for bonuses for directors -

Provision for bonuses are stated at the estimated amount of the bonuses to be paid to directors based on their services for the current fiscal year.

(11) Allowance for doubtful accounts -

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

(12) Provision for sales returns -

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

(13) Provision for sales discount -

An allowance for sales discount is provided for losses incurred on estimated sales discount of products in the future.

(14) Provision for point card certificates -

A provision for point card certificates is provided for the accumulation of points granted to online shopping users. The amount of provision is determined based on the past usage of points.

(15) Provision for loss on order received -

A provision for loss on order received is provided for the estimated loss of the order. An allowance for loss is recognized when it is probable that the expected revenue to be derived from an order is lower than the unavoidable cost of meeting the obligations.

(16) Revenue for software development contract -

When the outcome of the software development contract can be reliably estimated, contract revenue is recognized based on the stage of completion by applying the percentage of completion method. The stage of completion is primarily determined using the cost-to-cost method.

If the outcome of the software development contract cannot be reliably estimated, the completed contract method is applied.

(17) Finance leases -

For finance lease transactions other than those 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.

(18) Retirement benefits -**(a) Method for attributing projected benefits to periods**

The retirement benefit obligation is calculated by attributing projected benefits to periods until the end of the current fiscal year on a benefit formula basis.

(b) Amortization of prior service cost and actuarial gain or loss

Prior service cost is amortized on a straight-line basis over certain periods (from 9 to 12 years), which are shorter than the average remaining years of service of the eligible employees. Net actuarial gain or loss is amortized from the following year on a straight-line basis over certain periods (from 9 to 12 years), which are shorter than the average remaining years of service of the eligible employees.

(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, June 28, 2019), and necessary modifications have been made for consolidation.

(20) Net income per share -

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

The basic information for net income per share computations for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2019	Net income		Weighted average number of shares	EPS	
Basic EPS					
Net income	¥13,694	\$123,384			
Other	-	-			
Net income attributable to owners of parent	¥13,694	\$123,384	126,796	¥108.00	\$0.97
Effect of Diluted stock shareholders					
Warrants	-	-	279		
Diluted EPS					
Net income attributable to owners of parent	¥13,694	\$123,384	127,075	¥107.77	\$0.97

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2018	Net income	Weighted average number of shares	EPS
Basic EPS			
Net income	¥13,017		
Other	-	-	
Net income attributable to owners of parent	¥13,017	126,756	¥102.70
Effect of Diluted stock shareholders			
Warrants	-	333	
Diluted EPS			
Net income attributable to owners of parent	¥13,017	127,089	¥102.43

The Company implemented a 1.2-for-1 stock split on October 1, 2018. Net income per share and diluted net income per share are calculated by assuming this stock split was executed at the beginning of the fiscal year ended March 31, 2019.

2. Unapplied Accounting Standards, etc.

The Company and its domestic consolidated subsidiaries have not applied the following revised and newly-established accounting standards published by March 31, 2019.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 30, 2018)

(1) Outline

Those accounting standards were issued to show the accounting treatment and the disclosure on revenue from contracts with customers.

Those accounting standards were prepared by applying basic principles of IFRS 15 “Revenue from Contracts with Customers” which has applied on or after January 1, 2018, while adding alternative accounting treatments within a range not to impair the comparability if there have been some practical accounting treatments for our country to consider.

(2) Effective date

The Company and its consolidated subsidiaries plan to apply those accounting standards from the beginning of the fiscal year beginning on April 1, 2021.

(3) The impact of the application

The impact of the application is under evaluation at the time of the preparation of these consolidated financial statements.

3. Changes in presentation:

(Consolidated balance sheet)

Effective beginning the fiscal year ended March 31, 2019, the Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018). As a result of the adoption, “Deferred tax assets” have been classified under “Investments and other assets”, and “Deferred tax liabilities” have been classified in the section of “Long-term liabilities”.

As a result of this change, deferred tax assets and deferred tax liabilities in the consolidated balance sheet for the previous year have been reclassified that, deferred tax assets (after offsetting deferred tax liabilities) under “investments and other assets” have been increased by ¥186 million and deferred tax assets under “current asset”, deferred tax liabilities under “current liabilities” and deferred tax liabilities under “long-term liabilities” have been decreased by ¥959 million, ¥1 million and ¥771 million, respectively.

“Accrued bonuses to employees”, “Accrued bonuses to directors”, “Allowance for sales returns”, “Allowance for sales discount”, “Allowance for customer-discount points” and “Allowance for loss on order received” under current liabilities were changed its presentation to “Provision for bonuses”, “Provision for bonuses for directors”, “Provision for sales returns”, “Provision for sales discount”, “Provision for point card certificates” and “Provision for loss on order received”, respectively, to be in line with the taxonomy for Electric Disclosure for Investors’ NETwork (“EDINET”).

4. Cash flow information:

Reconciliation of cash and cash equivalents

Cash and deposits at March 31, 2019 and 2018 reconciled to cash and cash equivalents were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥7,056	¥6,626	\$63,578
Time deposits with maturity over three months	(88)	(86)	(790)
Total cash and cash equivalents	¥6,968	¥6,540	\$62,787

5. Accumulated depreciation of property, plant and equipment:

Accumulated depreciation of property, plant and equipment as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Accumulated depreciation of property, plant and equipment	¥11,947	¥11,521	\$107,642

6. Financial instruments:

(1) 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 instruments that invested in stocks, debenture, and derivatives aiming to achieve a high yield.

Derivatives that the Company uses are only the compound financial instruments that invested 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 consist of principally equity securities and debt securities, are exposed to the risk of market price fluctuations.

The investments in the compound financial instruments that invested 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 division 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.

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 only investments within the specified limit of amount are allowed. In addition, the Company clearly separates its transaction division and management division in their functions with the view to securely manage its assets. The Company's management division confirms transactions, manages its current position, and ensures that all derivative transactions are executed in accordance with the established policies so that its internal control functions properly. The management division periodically provides administrative reports on the status of its position, including market value, to the financial director and treasurer.

Regarding 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 values of financial instruments

Fair values of financial instruments include the values based on market prices, and the reasonably estimated values when market prices are not available. Since certain assumptions and others are adopted for estimating such values, they may differ when adopting different assumptions and others.

(2) Fair values of financial information

Fair values of financial instruments as of March 31, 2019 and 2018 were summarized as follows:

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

(a) Fair values of financial instruments

Millions of yen			
March 31, 2019			
	Book value	Fair value	Difference
Cash and deposits	¥7,056	¥7,056	-
Notes and accounts receivable	8,359		
Allowance for doubtful accounts*	(5)		
	8,354	8,354	-
Marketable and investment securities			
Available-for-sale securities	70,263	70,263	-
Assets Total	¥85,674	¥85,674	-

Millions of yen			
March 31, 2018			
	Book value	Fair value	Difference
Cash and deposits	¥6,626	¥6,626	-
Notes and accounts receivable	8,978		
Allowance for doubtful accounts*	(10)		
	8,968	8,968	-
Marketable and investment securities			
Available-for-sale securities	74,484	74,484	-
Assets Total	¥90,078	¥90,078	-

Thousands of U.S.dollars			
March 31, 2019			
	Book value	Fair value	Difference
Cash and deposits	\$63,578	\$63,578	-
Notes and accounts receivable	75,321		
Allowance for doubtful accounts*	(50)		
	75,275	75,275	-
Marketable and investment securities			
Available-for-sale securities	633,059	633,059	-
Assets Total	\$771,912	\$771,912	-

* The allowance is calculated by applying a percentage based on collection experience to the remaining accounts are included.

Note: 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 quoted by financial institutions.

These securities are described in the Note on "9. Securities and investment securities".

(b) Financial instruments whose fair values were not available

The financial instruments for which the fair values were not available as of March 31, 2019 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Shares of subsidiaries and associates	¥20	¥20	\$180
Investments in capital of subsidiaries and associates	98	-	884
Non-listed equity securities	302	268	2,724
Investments in associations	5,895	4,165	53,119
Total	¥6,316	¥4,453	\$56,909

It was not practicable to estimate the fair value of the unlisted shares because the market price is not available and the fair value cannot be estimated reliably. Therefore, these financial instruments were not included in the marketable and investment securities described in (a).

(c) Maturities of financial instruments

The maturities of the financial instruments at March 31, 2019 and 2018 were as follows:

	Millions of yen			
	At March 31, 2019			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥965	-	-	-
Notes and accounts receivable	8,359	-	-	-
Marketable and investment securities				
Available-for-sale securities				
(1)Government bonds and local government bonds	130	2,759	4,456	5,037
(2)Corporate bonds	-	1,515	3,484	4,949
(3)Other	-	-	-	-
Total	¥9,456	¥4,274	¥7,940	¥9,987

	Millions of yen			
	At March 31, 2018			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥1,632	-	-	-
Notes and accounts receivable	8,978	-	-	-
Marketable and investment securities				
Available-for-sale securities				
(1)Government bonds and local government bonds	-	1,803	6,224	5,504
(2)Corporate bonds	-	1,209	4,471	5,280
(3)Other	-	-	-	-
Total	¥10,611	¥3,012	¥10,696	¥10,784

	Thousands of U.S. dollars			
	At March 31, 2019			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	\$8,702	-	-	-
Notes and accounts receivable	75,321	-	-	-
Marketable and investment securities				
Available-for-sale securities				
(1)Government bonds and local government bonds	1,177	24,858	40,150	45,389
(2)Corporate bonds	-	13,657	31,394	44,593
(3)Other	-	-	-	-
Total	\$85,200	\$38,516	\$71,544	\$89,983

7. Rental property:

The Company and its consolidated subsidiaries own buildings (including land) for leasing in Kanagawa prefecture, other domestic areas, and foreign countries. The rental income included in net sales was ¥321 million (\$2,892 thousand) and ¥387 million for the years ended March 31, 2019 and 2018, respectively.

Information about fair value of rental property included in the consolidated financial statements at March 31, 2019 and 2018 were as follows:

	At March 31, 2019			
	Book value (net of depreciation)			Fair value
	March 31, 2018	Decrease	March 31, 2019	March 31, 2019
Millions of yen	¥15,595	¥354	¥15,240	¥17,474
Thousands of U.S dollars	\$140,508	\$3,197	\$137,311	\$157,437

	At March 31, 2018			
	Book value (net of depreciation)			Fair value
	March 31, 2017	Decrease	March 31, 2018	March 31, 2018
Millions of yen	¥15,700	¥105	¥15,595	¥17,222

Book values recorded in the consolidated balance sheets 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.

8. Lease:

The future minimum lease receipts for only non-cancelable operating lease contracts as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥211	¥217	\$1,905
Due after one year	606	839	5,463
Total	¥817	¥1,056	\$7,368

9. Securities and investment securities:

Comparisons of the acquisition costs and fair values of available-for-sale securities for which quoted market price is available at March 31, 2019 and 2018 were as follows:

2019 and 2018 were as follows:	Millions of yen			
	At March 31, 2019			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value
Available-for-sale securities for which market prices are available -				
(1)Equity securities	¥47,933	¥5,680	¥2,470	¥51,142
(2)Debt securities	18,799	725	2,876	16,648
(3)Other	1,963	527	19	2,471
Total	¥68,696	¥6,933	¥5,366	¥70,263

	Millions of yen			
	At March 31, 2018			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value
Available-for-sale securities for which market prices are available -				
(1)Equity securities	¥46,142	¥8,903	¥1,013	¥54,032
(2)Debt securities	19,462	930	2,526	17,866
(3)Other	1,991	595	1	2,585
Total	¥67,595	¥10,429	¥3,540	¥74,484

	Thousands of U.S. dollars			
	At March 31, 2019			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value
Available-for-sale securities for which market prices are available -				
(1)Equity securities	\$ 431,868	\$ 51,176	\$ 22,258	\$ 460,786
(2)Debt securities	169,384	6,536	25,917	150,002
(3)Other	17,690	4,756	176	22,269
Total	\$ 618,942	\$ 62,469	\$ 48,353	\$ 633,059

Impairment loss of ¥1,645 million (\$14,821 thousand) and ¥492 million was recognized for the years ended March 31, 2019 and 2018, respectively.

Available-for-sale securities sold for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Sales amount	¥14,288	¥16,874	\$128,735
Gross realized gains	3,936	4,299	35,470
Gross realized losses	67	130	611

10. Research and development expenses:

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were ¥780 million (\$7,032 thousand) and ¥962 million, respectively.

11. Retirement benefit plan:

(1) Outline

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

(2) Defined benefit plan

(a) The reconciliation of defined benefit plans was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligation at the beginning of the period	¥5,313	¥4,954	\$47,873
Service cost	435	410	3,922
Interest cost	26	24	237
Actuarial loss	85	19	768
Benefits paid	(160)	(95)	(1,446)
Other	(5)	-	(47)
Retirement benefit obligation at the end of the period	¥5,694	¥5,313	\$51,308

(b) The reconciliation of plan assets at fair value was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Plan assets at fair value at the beginning of the period	¥5,255	¥4,658	\$47,353
Expected return on plan assets	235	208	2,124
Actuarial gain(loss)	(161)	95	(1,454)
Contributions by the employer	540	386	4,867
Benefits paid	(160)	(93)	(1,446)
Other	1	-	12
Plan assets at fair value at the end of the period	¥5,711	¥5,255	\$51,457

(c) The reconciliation related to retirement benefit obligation and plan assets at fair value at the end of the period and defined benefit liability and defined asset recorded on the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligations of the funding plan	¥5,694	¥5,313	\$51,308
Plan assets at fair value	(5,711)	(5,255)	(51,457)
	(16)	57	(149)
Retirement benefit obligations of the non-funding plan	-	-	-
Net amount of liabilities and assets recognized in the consolidated balance sheets	(16)	57	(149)
Retirement benefit liability	-	57	-
Retirement benefit asset	16	-	149
Net amount of liabilities and assets recognized in the consolidated balance sheets	¥16	¥57	\$149

(d) Retirement benefit expenses and their breakdown:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥435	¥410	\$3,922
Interest cost	26	24	237
Expected return on plan assets	(235)	(208)	(2,124)
Amortization of actuarial differences	(20)	(24)	(184)
Amortization of prior service costs	10	10	93
Retirement benefit expenses	¥215	¥213	\$1,944

(e) The breakdown of prior service cost and actuarial gain (loss) recognized in other comprehensive income before deduction of tax benefit were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service costs	¥10	¥10	\$ 93
Actuarial gain(loss)	(267)	50	(2,411)
Total	¥(257)	¥60	\$ (2,317)

(f) The breakdown of prior service cost and actuarial gain (loss) recognized in accumulated other comprehensive income before deduction of tax benefit were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	¥122	¥132	\$1,100
Unrecognized actuarial gain (loss)	205	(61)	1,853
Total	¥327	¥70	\$2,954

(g) The breakdown of plan assets by major category was as follows:

	2019	2018
Bonds	47.0%	50.2%
Equities	50.0%	47.4%
Other	3.0%	2.4%
Total	100.0%	100.0%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rate expected to earn the profit from multiple plan assets at present and in the future.

(h) The assumptions used in accounting for the above plans were as follows:

	2019	2018
Discount rate	0.5%	0.5%
Expected rate of return on plan assets	4.5%	4.5%

(3) Defined contribution plan

The required contributions to the defined contribution plans of one of the foreign consolidated subsidiaries are ¥1 million (\$9 thousand) and ¥2 million for the years ended March 31, 2019 and 2018, respectively.

12. Income taxes:

The reconciliation of differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2019 and 2018 were as follows:

	2019	2018
Statutory tax rate	30.6%	30.8%
Increase (decrease) in taxes resulting from:		
Permanent difference of exclusion from expenses	0.9	0.3
Permanent difference of exclusion from gross revenue	(0.2)	(0.2)
Special tax credit for research and development expenses and other	(3.2)	(2.1)
Tax rate difference in certain subsidiaries	(0.7)	(0.7)
Valuation allowance	(0.2)	0.1
Changes in allowance for bad debt	(0.8)	-
Adjustment on deferred tax assets due to change in income tax rate	-	0.2
Reserved profit of foreign subsidiaries	(0.1)	0.6
Other, net	(1.1)	(0.2)
Effective tax rate	25.2%	28.8%

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
	2019	2018	2019
Deferred tax assets:			
Tax loss carry-forwards	¥167	¥183	\$1,506
Provision for bonuses	297	281	2,676
Provision for loss on order received	36	182	327
Unrealized loss on inventory reserve	67	80	609
Provision for enterprise tax	172	188	1,555
Provision for sales discount	62	115	564
Loss on investment securities	1,181	324	10,647
Software development expense amortization	229	227	2,068
Impairment loss on fixed assets	22	24	202
Net defined benefit liability	106	14	960
Revaluation reserve for land	948	948	8,546
Other	469	594	4,225
Subtotal	3,761	3,165	33,891
Valuation allowance	(198)	(1,325)	(1,788)
Net deferred tax assets	¥3,563	¥1,840	\$32,102

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax liabilities:			
Unrealized losses on securities	¥(293)	¥(1,478)	\$(2,641)
Reserved profit of foreign subsidiaries	(147)	(306)	(1,328)
Other	(110)	(11)	(998)
Net deferred tax liabilities	¥(551)	¥(1,796)	\$(4,968)

13. Assets pledged and revaluation of the land:

(1) Assets pledged	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Buildings and structures	¥241	¥247	\$2,172
Land	306	306	2,757
Total	¥547	¥553	\$4,930

(2) Revaluation of the land

The subsidiary, KOEI TECMO LIV CO., LTD., 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 revaluation reserve for 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, 2019 and 2018 were ¥69 million (\$628 thousand) more than the book value and ¥53 million less than the book value, respectively.

14. Provision for loss on order received:

Inventories and provision for loss on order received related to the project which is probable to incur losses are presented as is and are not offset.

The provision for loss on order received included in inventories related to projects which are probable to incur losses as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Work in process	¥59	¥28	\$538
Total	¥59	¥28	\$538

Allowance for loss on order received included in the cost of sales at the years ended March 31, 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cost of sales	¥118	¥595	\$1,071
Total	¥118	¥595	\$1,071

15. Net assets:

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as capital 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 capital 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 19, 2019, the shareholders resolved cash dividends amounting to ¥6,952 million (\$62,638 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2019. Such appropriations will be recognized in the period when they are resolved.

Note: The Company implemented a one point two-for-one stock split on October 1, 2018. Number of increase in shares by stock split is as follows:

Issued share:	
(1) Total number of issued shares before stock split	107,723,374 shares
(2) Number of increase in shares by stock split	21,544,674 shares
(3) Total number of issued shares after stock split	129,268,048 shares
Treasury shares:	
(1) Total number of treasury shares before stock split	1,930,912 shares
(2) Number of increase in shares by stock split	386,182 shares
(3) Total number of treasury shares after stock split	2,317,094 shares

16. Share subscription rights:

The summarized contents of share subscription rights as of March 31, 2019 were as follows:

	Share subscription rights #7	Share subscription rights #8	Share subscription rights #9
Date of the annual shareholders' meeting	June 25, 2014	June 22, 2016	June 20, 2018
Position and number of grantee	7 directors and 21 employees of the Company and 380 executive officer or employees of the subsidiaries	9 directors and 17 employees of the Company and 394 executive officer or employees of the subsidiaries	11 directors and 18 employees of the Company and 405 executive officer or employees of the subsidiaries
Date of grant	September 22, 2014	September 26, 2016	September 25, 2018
Class and number of stock	Capital stock 1,153,008	Capital stock 999,840	Capital stock 911,400
Exercised period	From September 23, 2016 to September 20, 2019	From September 27, 2018 to September 24, 2021	From September 11, 2020 to September 8, 2023

The Company implemented a 1.2-for-1 stock split on October 1, 2018 and the number of stock is adjusted after the stock split.

The following table summarizes scale and movement of share subscription rights for the year ended March 31, 2019

	Share subscription rights #7	Share subscription rights #8	Share subscription rights #9
Non-exercisable (number of shares)			
Outstanding at April 1, 2018	-	964,200	-
Granted	-	-	911,400
Forfeited	-	28,080	14,400
Vested	-	936,120	-
Outstanding at March 31, 2019	-	-	897,000
Exercisable (number of shares)			
Outstanding at April 1, 2018	556,560	-	-
Vested	-	936,120	-
Exercised	196,128	81,600	-
Forfeited	7,344	8,400	-
Outstanding at March 31, 2019	353,088	846,120	-
Exercise price	¥1,224 \$11.02	¥1,668 \$15.02	¥2,033 \$18.31
Average stock price at exercise	¥1,936 \$17.44	¥1,962 \$17.67	- -
Fair value price at grant date	¥290 \$2.61	¥384 \$3.45	¥364 \$3.27

The Company implemented a 1.2-for-1 stock split on October 1, 2018 and the exercise price is adjusted amount after the stock split. Average stock price at exercise has been calculated by assuming this stock split was executed at the beginning of the fiscal year ended March 31, 2019.

17. Asset retirement obligations:

(1) 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.

(2) Instead of posting liabilities for asset retirement obligations, the Company and its consolidated subsidiaries use the method of estimating the reasonable amount that cannot be finally recovered from the deposit related to a real estate lease contract and posting the part of that amount belonging to the current fiscal year under costs.

(3) Changes to aggregate asset retirement obligations applicable to the fiscal years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Beginning balance	¥53	¥54	\$486
Expenses belonging to the consolidated fiscal year	5	1	53
Decrease due to settlement of asset retirement obligations	-	(2)	-
Ending balance	¥59	¥53	\$539

18. Related party transactions:

(1) Related party transactions between the Company and its related parties.

Principal transactions between the Company's consolidated subsidiaries and its related parties were as follows:

For the year ended March 31, 2019										
Type	Name	Location	Capital or investments	Business or profession	Voting rights held(%)	Relationship with the related parties	Transactions	Amount	Account name	Balance
Executive	Keiko Erikawa	-	-	Executive Chairman	2.10 [4.66] (Note1)	-	The exercise of stock option (Note2)	¥11 million (\$107 thousand)	-	-
Executive	Yoichi Erikawa	-	-	Executive President	2.17 [4.59] (Note1)	-	The exercise of stock option (Note2)	¥11 million (\$104 thousand)	-	-
Executive	Yasuharu Kakiyama	-	-	Director	0.36 [0.27] (Note1)	-	The exercise of stock option (Note3)	¥11 million (\$104 thousand)	-	-

Note 1: The figures contained in parentheses represent the ownership ratio of the voting right which close persons or assentors have.

Note 2: The exercise of stock options granted by resolution at the Board of Director's meeting held on September 5, 2016.

Note 3: The exercise of stock options granted by resolution at the Board of Director's meeting held on September 1, 2014.

Note 4: The amount is calculated by multiplying the number of shares issued as a result of exercise of the stock option by the amount paid.

For the year ended March 31, 2018										
Type	Name	Location	Capital or investments	Business or profession	Voting rights held(%)	Relationship with the related parties	Transactions	Amount	Account name	Balance
Executive	Keiko Erikawa	-	-	Executive Chairman	2.09 [4.63] (Note1)	-	The exercise of stock option (Note2)	¥10 million (\$103 thousand)	-	-
Executive	Yoichi Erikawa	-	-	Executive President	2.16 [4.56] (Note1)	-	The exercise of stock option (Note2)	¥11 million (\$95 thousand)	-	-
Executive	Hisashi Koinuma	-	-	Director	0.03 (Note1)	-	The exercise of stock option (Note2)	¥21 million (\$192 thousand)	-	-

Note 1: The figures contained in parentheses represent the ownership ratio of the voting right which close persons or assentors have.

Note 2: The exercise of stock options granted by resolution at the Board of Director's meeting held on September 1, 2014.

Note 3: The amount is calculated by multiplying the number of shares issued as a result of exercise of the stock option by the amount paid.

(2) Related party transactions between the Company's consolidated subsidiaries and its related parties.

Principal transactions between the Company's consolidated subsidiaries and its related parties are as follows:

For the year ended March 31, 2019										
Type	Name	Location	Capital or investments	Business or profession	Voting rights held(%)	Relationship with the related parties	Transactions	Amount	Account name	Balance
Company with a majority of the voting rights held by an executive or close relative	KANKYO KAGAKU CO., LTD. (Note 1)	Chiyoda-ku, Tokyo	¥40 million (\$360 thousand)	Real estate leasing	7.68	Real estate leasing	Real estate leasing (Note 2)	¥151 million (\$1,365 thousand)	Deposit	¥146 million (\$1,320 thousand)
						Pledge of collateral	Pledge of collateral (Note 3)	¥547 million (\$4,930 thousand)	Prepaid expense	¥12 million (\$114 thousand)
						Election of officer	-	-	-	-
Company with a majority of the voting rights held by an executive or close relative	MY PROPERTY CO., LTD. (Note 4)	Yokohama-shi, Kanagawa	¥14 million (\$126 thousand)	Real estate leasing	-	Joint acquisition of fixed assets	Joint acquisition of fixed assets (Note 5)	-	-	-
						Election of officer	-	-	-	-
Company with a majority of the voting rights held by an executive or close relative	AK FORTUNE CO., LTD. (Note 4)	Yokohama-shi, Kanagawa	¥14 million (\$126 thousand)	Real estate leasing	-	Joint acquisition of fixed assets	Joint acquisition of fixed assets (Note 5)	-	-	-
						Election of officer	-	-	-	-

Note 1: Yasuharu Kakiyama, who is a director & advisor of the Company, and his close relatives own 100 percent of the voting rights.

Note 2: The subsidiary, KOEI TECMO GAMES CO., LTD., leases a joint ownership building of the related party, KANKYOKAGAKU CO., LTD., and the subsidiary, KOEI TECMO LIV CO., LTD.

The lease fee and other transaction terms are determined by price negotiations based on the current status of transactions in the neighborhood.

Note 3: A Land and building which the subsidiary, KOEI TECMO LIV CO., LTD., owns are pledged as collateral for the borrowing the related party, KANKYOKAGAKU CO., LTD., required for a construction expense.

The amount is equal to book value of the land and building which our subsidiary, KOEI TECMO LIV CO., LTD., owns.

Note 4: Yoichi Erikawa, who is a President & CEO of the Company, and his close relatives own 100 percent of the voting rights.

Note 5: The subsidiary, KOEI TECMO GAMES CO., LTD.(hereinafter, "KTG") and MY PROPERTY CO., LTD. and AK FORTUNE CO., LTD. (hereinafter, "these two companies") are jointly planning to acquire composite facilities.

KTG and these two companies entered into building sale and purchase agreement on the composite facilities on December 1, 2017, and are planning to acquire after completion in January 2020.

The acquisition cost of the composite facilities by KTG and these two companies is ¥21,933 million (\$197,612 thousand).

KTG is planning to acquire office floor and live house type halls among the composite facilities, and the value is ¥16,306 million (\$146,914 thousand).

KTG paid ¥3,522 million (\$31,734 thousand) as an interim payment at December 27, 2017, it is recorded as construction in progress.

KTG has received an opinion for external experts that allocation method of the acquisition cost in composite facilities is appropriate. Note that there are no claims or debts as a result of the acquisition of the land and the composite facilities between KTG and these two companies and they have no plans to increase the amount of them.

Notes for the parent company and important affiliated companies

(1) Information on the parent company

KOYU HOLDINGS CO., LTD. (as an unlisted company)

(2) Condensed financial statements for the important affiliated companies

Not applicable

For the year ended March 31, 2018										
Type	Name	Location	Capital or investments	Business or profession	Voting rights held(%)	Relationship with the related parties	Transactions	Amount	Account name	Balance
Company with a majority of the voting rights held by an executive or close relative	KANKYO KAGAKU CO., LTD. (Note 1)	Chiyoda-ku, Tokyo	¥ 40 million (\$360 thousand)	Real estate leasing	7.40	Real estate leasing	Real estate leasing (Note 2)	¥ 151 million (\$1,365 thousand)	Deposit	¥146 million (\$1,320 thousand)
									Prepaid expense	¥12 million (\$114 thousand)
						Pledge of collateral	Pledge of collateral (Note 3)	¥ 553 million (\$4,982 thousand)	-	-
						Election of officer	-	-	-	-
Company with a majority of the voting rights held by an executive or close relative	MY PROPERTY CO., LTD. (Note 4)	Yokohama-shi, Kanagawa	¥ 14 million (\$126 thousand)	Real estate leasing	-	Joint acquisition of fixed assets	Joint acquisition of fixed assets (Note 5)	-	-	-
						Election of officer	-	-	-	-
Company with a majority of the voting rights held by an executive or close relative	AK FORTUNE CO., LTD. (Note 4)	Yokohama-shi, Kanagawa	¥ 14 million (\$126 thousand)	Real estate leasing	-	Joint acquisition of fixed assets	Joint acquisition of fixed assets (Note 5)	-	-	-
						Election of officer	-	-	-	-

Note 1: Yasuharu Kakihara, who is a director & advisor of the Company, and his close relatives own 100 percent of the voting rights.

Note 2: The subsidiary, KOEI TECMO GAMES CO., LTD., leases a joint ownership building of the related party, KANKYOKAGAKU CO., LTD., and the subsidiary, KOEI TECMO LIV CO., LTD.

The lease fee and other transaction terms are determined by price negotiations based on the current status of transactions in the neighborhood.

Note 3: A Land and building which the subsidiary, KOEI TECMO LIV CO., LTD., owns are pledged as collateral for the borrowing the related party, KANKYOKAGAKU CO., LTD., required for a construction expense.

The amount is equal to book value of the land and building which our subsidiary, KOEI TECMO LIV CO., LTD., owns.

Note 4: Yoichi Erikawa, who is a President & CEO of the Company, and his close relatives own 100 percent of the voting rights.

Note 5: The subsidiary, KOEI TECMO GAMES CO., LTD. (hereinafter, "KTG") and MY PROPERTY CO., LTD. and AK FORTUNE CO., LTD. (hereinafter, "these two companies") are jointly planning to acquire composite facilities.

KTG and these two companies concluded building sale and purchase agreement on the composite facilities on December 1, 2017, and are planning to acquire after completion in January 2020.

The acquisition cost of the composite facilities by KTG and these two companies is ¥21,933 million (\$197,612 thousand).

KTG is planning to acquire office floor and live house type halls among the composite facilities, and the value is ¥16,306 million (\$146,914 thousand).

KTG paid ¥3,522 million (\$31,734 thousand) as interim at December 27, 2017, and it is recorded as "Construction in progress".

KTG has received an opinion for external experts that allocation method of the acquisition cost in composite facilities is appropriate. Note that there are no claims or debts as a result of the acquisition of the land and the composite facilities between KTG and these two companies and they have no plans to increase the amount of them.

Notes for the parent company and important affiliated companies

(1) Information on the parent company

KOYU CO., LTD. (as an unlisted company)

(2) Condensed financial statements for the important affiliated companies

Not applicable

19. Comprehensive income:

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Valuation difference on available-for-sale securities:			
Increase during the year	¥(2,831)	¥6,021	\$(25,514)
Reclassification adjustments	(2,232)	(3,510)	(20,116)
Amount before income tax effect	(5,064)	2,510	(45,631)
Income tax effect	1,535	(756)	13,833
Total unrealized gains on securities	(3,529)	1,754	(31,798)
Revaluation reserve for land:			
Tax effect	948	-	8,546
Total revaluation reserve for land	948	-	8,546
Foreign currency translation adjustment:			
Increase during the year	(293)	300	(2,644)
Reclassification adjustments	-	-	-
Amount before income tax effect	(293)	300	(2,644)
Income tax effect	-	-	-
Total foreign currency translation adjustment	(293)	300	(2,644)
Remeasurements of defined benefit plans:			
Increase during the year	(246)	75	(2,223)
Reclassification adjustments	(10)	(14)	(94)
Amount before income tax effect	(257)	60	(2,317)
Income tax effect	79	(18)	712
Total changes in remeasurements of defined benefit plans	(178)	41	(1,604)
Total other comprehensive income	¥(3,052)	¥2,096	\$(27,501)

20. Segment information:

(1) Outline of reportable segment

Reportable 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 review to determine the distribution of management resource and evaluate their business performance.

The Company operates principally in the following reportable segments:

- (a) Entertainment: Development and sale of entertainment contents
- (b) SP: Entrusted development of commercial amusement.
- (c) Amusement Facilities: Management of amusement arcade.
- (d) Real estate: Operation and management of real estate for leasing.

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

Income (loss) of the reportable segment is operating profit. Transfers among segments are based on market prices.

(3) Information on sales and income (loss), and other items by reportable segment

	Millions of yen						
	For the year ended March 31, 2019						
	Reportable segment						
	Entertain ment	SP	Amusement Facilities	Real estate	Sub Total	Other	Total
I. Net sales and segment income:							
Net sales							
(1) Net sales to external customers	¥34,979	¥1,638	¥1,516	¥768	¥38,903	¥64	¥38,968
(2) Inter-segment net sales	140	0	-	-	141	119	260
Total	35,120	1,639	1,516	768	39,044	184	39,228
Segment income	¥11,078	¥587	¥99	¥273	¥12,039	¥52	¥12,092
II. Other items:							
Depreciation	¥320	¥2	¥149	¥231	¥702	¥31	¥734

	Millions of yen						Total
	For the year ended March 31, 2018						
	Reportable segment					Other	
	Entertain ment	SP	Amusement Facilities	Real estate	Sub Total		
I. Net sales and segment income:							
Net sales							
(1) Net sales to external customers	¥35,180	¥944	¥1,536	¥784	¥38,446	¥480	¥38,926
(2) Inter-segment net sales	208	0	-	-	209	104	313
Total	35,389	945	1,536	784	38,655	584	39,240
Segment income	¥10,938	¥289	¥(362)	¥348	¥11,214	¥496	¥11,711
II. Other items:							
Depreciation	¥324	¥2	¥97	¥237	¥661	¥40	¥701

Thousands of U.S. dollars							
For the year ended March 31, 2019							
	Reportable segment					Other	Total
	Entertain- ment	SP	Amusement Facilities	Real estate	Sub Total		
I. Net sales and segment income:							
Net sales							
(1) Net sales to outside customers	\$315,158	\$14,765	\$13,661	\$6,928	\$350,512	\$584	\$351,097
(2) Inter-segment net sales	1,266	5	-	-	1,272	1,076	2,348
Total	316,424	14,770	13,661	6,928	351,785	1,660	353,446
Segment income	\$99,819	\$5,289	\$898	\$2,463	\$108,471	\$475	\$108,947
II. Other items:							
Depreciation	\$2,886	\$18	\$1,344	\$2,084	\$6,333	\$281	\$6,614

Note 1: "Other" is an operating segment not included in reportable segment, which is venture capital, etc.

Note 2: The Company's administrative expenses for the Company's indirect departments which do not belong to the reportable segment are allocated to each reportable segment in accordance with reasonable allocation standards.

(4) Reconciliation between the reportable segments above and the corresponding amount reported in the consolidated financial statements was as follows:

(a) Reconciliation of net sales	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Reportable segment Total	¥39,044	¥38,655	\$351,785
Sales of Other segment	184	584	1,660
Elimination of intersegment transactions	(260)	(313)	(2,348)
Total	¥38,968	¥38,926	\$351,097

(b) Reconciliation of segment income	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Reportable segment Total	¥12,039	¥11,214	\$108,471
Profit of Other segment	52	496	475
Total	¥12,092	¥11,711	\$108,947

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, 2019 and 2018.

(1) Sales

	Millions of yen				
	For the year ended March 31, 2019				
	Japan	North America	Europe	Asia, etc.	Consolidated Total
Net sales to external customers:	¥26,540	¥3,926	¥2,074	¥6,427	¥38,968

	Millions of yen				
	For the year ended March 31, 2018				
	Japan	North America	Europe	Asia, etc.	Consolidated Total
Net sales to external customers:	¥26,000	¥4,419	¥3,333	¥5,172	¥38,926

	Thousands of U.S. dollars				
	For the year ended March 31, 2019				
	Japan	North America	Europe	Asia, etc.	Consolidated Total
Net sales to external customers:	\$239,128	\$35,373	\$18,688	\$57,906	\$351,097

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

(2) Tangible fixed assets

Millions of yen				
For the year ended March 31, 2019				
Japan	Asia	UK	Other	Consolidated Total
¥24,911	¥1,347	¥2,504	¥0	¥28,764

Millions of yen				
For the year ended March 31, 2018				
Japan	Asia	UK	Other	Consolidated Total
¥25,226	¥1,497	¥2,689	¥0	¥29,413

Thousands of U.S. dollars				
For the year ended March 31, 2019				
Japan	Asia	UK	Other	Consolidated Total
\$224,447	\$12,144	\$22,565	\$0	\$259,161

21. Subsequent events:

Not applicable.



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of KOEI TECMO HOLDINGS CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, 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 misstatement, 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 judgment, 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 KOEI TECMO HOLDINGS CO., LTD. and its consolidated subsidiaries as at March 31, 2019 and 2018, 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, 2019 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 24, 2019
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Chairman

Keiko Erikawa*

President & CEO

Yoichi Erikawa*

Executive Vice-president

Hisashi Koinuma*

Director, Senior Executive Officer & CFO

Kenjiro Asano

Director

Yosuke Hayashi

Director

Kazuyoshi Sakaguchi

Director

Mei Erikawa

Director & Advisor

Yasuharu Kakiyama

Director(Outside)

Masao Tejima

Director(Outside)

Hiroshi Kobayashi

Director(Outside)

Tatsuo Sato

Audit & Supervisory Board Member (Full-time)

Seinosuke Fukui

Audit & Supervisory Board Member (Full-time, Outside)

Masaki Kimura

Audit & Supervisory Board Member

Satoru Morishima

Audit & Supervisory Board Member (Outside)

Toshikazu Kitamura

Executive Officer

Tomotoshi Nishimura

*Representative Director

(As of July 23, 2019)

CORPORATE DATA

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Head Office

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Yokohama, Kanagawa 223-8503 Japan
Tel : +81-45-562-8111
<http://www.koeitecmo.co.jp/>

Date Established :

April 1, 2009

Paid-in Capital :

¥15 Billion (As of March 31, 2019)

Number of Employees :

1,757(As of March 31, 2019: Consolidated Basis)

Account Settlement :

March 31

Transfer Agent of Common Stock :

Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo
100-8233 Japan

Independent Auditor :

KPMG AZSA LLC

MAJOR SUBSIDIARIES

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