Annual Report 2008

PROFILE

Established in 1978, KOEI Co., Ltd. has been involved in planning, developing, and marketing game software since 1981. Since then the company has developed unique simulation technologies that can not be equaled, and pioneered the historical strategy genre in the game software industry. The company has released a wide range of strategy games, such as its award-winning "Nobunaga's Ambition" and "Romance of the Three Kingdoms" series, establishing its place as a top developer in the personal computer game software field. The company has also ported its popular personal computer game software titles to home video game platforms and has developed original products to broaden the scope of its business. Recently, the company has placed more emphasis on developing action games, as well as online games and content for mobile phones.

In Japan, KOEI Net Co., Ltd., a wholly-owned subsidiary of KOEI Co., Ltd., is expanding the groundwork for a direct sales and distribution structure. In keeping with Koei's commitment to strengthen its development capability and marketing structure beyond its home borders, the company has established subsidiaries overseas in the U.S., as well as in Canada, the U.K., France, Lithuania, Korea, Taiwan, China and Singapore. Koei will focus its efforts and the capabilities of its Group on moving forward to reach its goal of becoming the World's No.1 Entertainment Content Provider.

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A MESSAGE FROM THE CEO

Dear friends of Koei,

We have successfully ended this March 2008 fiscal year. Such good results can only be attributed to your ongoing support.

Here, I would like to present to you Koei Group's current business profile and management policies for the future.

Chairman & CEO **Masaru Iyori** President & COO **Kenji Matsubara**

Overview of the term under review

Koei released "Dynasty Warriors 6" for the PS3 & Xbox360 in November 2007, which shipped more than 800,000 units in Japan. "Samurai Warriors 2 Xtreme Legends" for the PS2 & Xbox360 was released in August 2007 and also managed to record 400,000 units in total sales.

Besides these successful titles, Koei launched a brand-new IP with the title "BLADESTORM: The Hundred Years' War" for the PS3 & Xbox360 in August 2007. This squad-based action game achieved 300,000 units in total sales and helped Koei establish a new market.

In the online gaming sector, Koei has already developed a huge customer base and stable revenues. Additionally, establishing a new development pipeline with its Singapore studio will enable Koei to provide a wide variety of game genres, such as "Romance of the Three Kingdoms Online", which was released in Japan in February 2008.

As a result of these successes, the Koei Group achieved net sales of 29.11 billion yen (up 19.5% YoY), income before taxes of 8.51 billion yen (down 4.0% YoY), and a consolidated net income of 5.26 billion yen (up 1.7% YoY).

In regards to profit distribution to its shareholders, Koei paid ¥55 per share as the annual dividend and kept a high total payout ratio of 70.7%.

New Mid-Term Business Plan for Future Growth

Koei Group has formulated a mid-term business plan called "Koei Vision 2011" for the period FY2007 to FY2011. Koei has positioned these five years as a time for "Challenge and Revolution," creating a powerful game system and business portfolio to greatly increase profit, as well as forming a concrete managerial foundation to allow stable long term growth. We evaluate this fiscal year as a period of laying the foundations for the challenges of "The creation of new "Business Pillars (Value)" and "Building Global Brands." We strive continually to enhance corporate value, through the creation of new franchises which follow Koei's most popular brand, the "Warriors" series. To make Koei's presence felt in the global market, we endeavor to foster development capability and enrich our global content lineup, as well as to reinforce sales, marketing, and promotion power. In addition, as a product of our improvements with regard to Koei group's management efficiency policy, Koei made KOEI Net Co., Ltd., ("Koei Net") a wholly-owned subsidiary; the key aims behind this being to expedite management decisions and realize flexible strategies. Furthermore, by combining the human resources and business foundation of Koei Net with Koei's content properties, we plan to achieve synergy between the two, strengthening our promising e-commerce business, which is expected to grow the market.

Consolidated financial goal

	FY 2007 Consolidated financial results	FY 2011 Consolidated profit target
Consolidated net sales	29.1 Billion Yen	50.0 Billion Yen
Consolidated operating profit	6.6 Billion Yen	11.0 Billion Yen
Consolidated pretax profit	10.3 Billion Yen	15.0 Billion Yen
Consolidated net income	5.3 Billion Yen	9.0 Billion Yen
Net Income per Share	77 Yen	131 Yen
Overseas sales ratio	26%	30%

Challenge and Business Domain

Challenges

Create new "Business Pillars (value)" **Build up Global brand**

Mid-Term Management Policies

Devote resources properly to prioritized areas.
Promote further Globalization.
Manage with "Strategic Plan"

Business Domains

Game Software **Online & Mobile** **Media & Rights**

A. Devote resource properly to prioritized areas.

Creation of a new franchise following the "Dynasty Warriors" series, further development of expansion businesses (Online & Mobile Business, Media & Rights Business), further investment in resources to develop new businesses and to find new sources of competitiveness that can lead to growth over the mid-term period.

B. Promote further Globalization.

Improving overseas business operations, training human resources overseas, the creation of strong support for overseas markets through organizational strengthening of sales and marketing skills, expanding our global lineup, achieving increases in sales per title, and aiming for expanded overseas presence and profitability.

C. Manage with "Strategic Plan"

Through portfolio management, strategically manage the balance between profitability and growth, while revolutionizing our personnel system, business processes, and management system from a mid-term standpoint, continuing to train excellent personnel and aiming for efficient management that can support our initiatives and globalization.

Chairman & CEO Masaru Iyori

KOEI CO., LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31

	Millions of yen		Thousands of U.S. dollars (Note1)
	2008	2007	**2008**
ASSETS			
Current assets:			
Cash and time deposits (Note 2)	**¥5,411**	¥4,210	**$54,007**
Notes and accounts receivable	**5,879**	8,614	**58,679**
Less: Allowance for bad debts	**(25)**	(79)	**(250)**
	5,854	8,535	**58,429**
Inventories (Note 3)	**772**	406	**7,705**
Marketable securities (Note 4)	**4,646**	4,626	**46,372**
Deferred income taxes (Note 8)	**1,096**	1,039	**10,939**
Other current assets	**1,297**	1,339	**12,946**
Total current assets	**19,076**	20,155	**190,398**
Property and equipment:			
Land (Note 9)	**4,268**	4,020	**42,599**
Buildings	**7,673**	6,777	**76,584**
Machinery and equipment	**151**	159	**1,507**
Construction in progress	**1,949**	651	**19,453**
Other	**2,594**	2,097	**25,892**
	16,635	13,704	**166,035**
Less:Accumulated depreciation	**(5,751)**	(5,184)	**(57,401)**
Total property and equipment	**10,884**	8,520	**108,634**
Investments and other assets:			
Investment securities (Note 4)	**30,254**	37,844	**301,966**
Deferred income taxes (Notes 8 and 9)	**3,911**	1,290	**39,036**
Other investments	**263**	372	**2,624**
Less: Allowance for bad debts	**(86)**	(15)	**(858)**
Intangible assets	**280**	299	**2,795**
Total investments and other assets	**34,622**	39,790	**345,563**
Total assets	**¥64,582**	¥68,465	**$644,595**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note1)
	2008	2007	2008
LIABILITIES			
Current liabilities:			
Notes and accounts payable – trade	**¥1,126**	¥1,571	**$11,239**
Accounts payable – other	**894**	2,229	**8,923**
Accrued income taxes (Note 8)	**1,927**	3,272	**19,233**
Consumption tax payable	**238**	264	**2,375**
Accrued bonuses to employees	**457**	535	**4,561**
Accrued bonuses to directors	**27**	-	**269**
Allowance for sales returns	**208**	136	**2,076**
Other current liabilities	**615**	497	**6,140**
Total current liabilities	**5,492**	8,504	**54,816**
Long-term liabilities:			
Long-term debt (Note 5)	**10**	10	**100**
Deferred income taxes (Note 8)	**46**	81	**459**
Reserve for retirement benefits (Note 7)	**420**	450	**4,192**
Accrued severance indemnities for directors	**418**	429	**4,172**
Deposits on contract	**107**	114	**1,068**
Other long-term liabilities	**33**	35	**329**
Total long-term liabilities	**1,034**	1,119	**10,320**
Total liabilities	**6,526**	9,623	**65,136**
NET ASSETS (Note 10)			
Shareholders' equity:			
Common stock:	**9,091**	9,091	**90,737**
Authorized: 200,000,000 shares at March 31, 2008 and 2007			
Issued: 68,650,510 shares at March 31, 2008 and 2007			
Additional paid-in capital	**12,549**	12,546	**125,252**
Retained earnings	**41,784**	39,197	**417,048**
Less: Treasury stock 1,095,736 shares at March 31, 2008 1,100,238 shares at March 31, 2007	**(1,720)**	(1,725)	**(17,167)**
Total shareholders' equity	**61,704**	59,109	**615,870**
Valuation and translation adjustments:			
Unrealized gains or losses on securities (Note 4)	**(2,452)**	749	**(24,473)**
Unrealized losses on revaluation of the land (Note 9)	**(1,841)**	(1,841)	**(18,375)**
Foreign currency translation adjustments	**(75)**	207	**(749)**
Total valuation and translation adjustments	**(4,368)**	(885)	**(43,597)**
Share subscription rights (Note 12):	**69**	3	**689**
Minority interest in consolidated subsidiaries:	**651**	615	**6,497**
Total net assets	**58,056**	58,842	**579,459**
Total liabilities and net assets	**¥64,582**	¥68,465	**$644,595**

The accompanying notes are an integral part of these statements.

KOEI CO., LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars (Note1)
	2008	2007	**2008**
Net sales	**¥29,112**	¥24,359	**$290,568**
Cost of sales (Note 6)	**15,759**	13,685	**157,291**
Gross profit	**13,353**	10,674	**133,277**
Selling, general and administrative expenses(Note 6)	**6,717**	5,322	**67,043**
Operating income	**6,636**	5,352	**66,234**
Non-operating income (expenses):			
Interest and dividend income	**2,513**	2,305	**25,082**
Gain on sale of investment securities	**1,730**	1,047	**17,267**
Loss on derivative instruments (Note 4 and 11)	**(252)**	(63)	**(2,515)**
Loss on devaluation of investment securities	**(1,712)**	(239)	**(17,088)**
Loss on discontinued operations	**(49)**	(30)	**(489)**
Provision for allowance for bad debts	**-**	(44)	**-**
Exchange (loss) gain, net	**(511)**	167	**(5,100)**
Other	**159**	377	**1,587**
Income before income taxes	**8,514**	8,872	**84,978**
Income taxes (Note 8):			
Current	**3,633**	3,767	**36,261**
Deferred	**(478)**	(130)	**(4,771)**
	3,155	3,637	**31,490**
Income before minority interest	**5,359**	5,235	**53,488**
Minority interest in consolidated subsidiaries	**(102)**	(69)	**(1,018)**
Net income	**¥5,257**	¥5,166	**$52,470**

	Yen		U.S. dollars
Per share:			
Net income - Basic	**¥77.80**	¥76.29	**$0.78**
- Diluted	**¥77.79**	¥76.27	**$0.78**
Cash dividends	**¥55.00**	¥40.00	**$0.55**

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	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains (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, 2006	**¥9,091**	**¥12,534**	**¥38,081**	**(¥1,203)**	**(¥263)**	**(¥1,841)**	**(¥129)**	**-**	**¥575**	**¥57,103**
Net income			5,166							5,166
Cash dividends paid			(3,729)							(3,729)
Bonus to directors			(19)							(19)
Bonus to employees of the overseas subsidiaries			(1)							(1)
Purchase of treasury stock				(577)						(577)
Disposal of treasury stock		12		55						67
Decrease due to consolidation of subsidiaries			(301)							(301)
Net changes during the year					1,012		78	3	40	1,133
Balance at March 31, 2007	9,091	12,546	39,197	(1,725)	749	(1,841)	207	3	615	58,842
Net income			5,257							5,257
Cash dividends paid			(2,702)							(2,702)
Bonus to employees of the overseas subsidiaries			(1)							(1)
Purchase of treasury stock				(7)						(7)
Disposal of treasury stock		3		12						15
Decrease due to consolidation of subsidiaries			33							33
Net changes during the year					(3,201)		(282)	66	36	(3,381)
Balance at March 31, 2008	**¥9,091**	**¥12,549**	**¥41,784**	**(¥1,720)**	**(¥2,452)**	**(¥1,841)**	**(¥75)**	**¥69**	**¥651**	**¥58,056**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains (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, 2007	**$90,737**	**$125,222**	**$391,227**	**($17,217)**	**$7,476**	**($18,375)**	**$2,066**	**$30**	**$6,138**	**$587,304**
Net income			52,470							52,470
Cash dividends paid			(26,969)							(26,969)
Bonus to employees of the overseas subsidiaries			(10)							(10)
Purchase of treasury stock				(70)						(70)
Disposal of treasury stock		30		120						150
Decrease due to consolidation of subsidiaries			330							330
Net changes during the year					(31,949)		(2,815)	659	359	(33,746)
Balance at March 31, 2008	**$90,737**	**$125,252**	**$417,048**	**($17,167)**	**($24,473)**	**($18,375)**	**($749)**	**$689**	**$6,497**	**$579,459**

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 (Note1)
	2008	2007	**2008**
Cash flows from operating activities:			
Income before income taxes	**¥8,514**	¥8,872	**$84,978**
Adjustments for:			
Depreciation and amortization	**695**	541	**6,937**
Interest and dividend income	**(2,513)**	(2,305)	**(25,082)**
Loss on devaluation of investment securities	**1,712**	239	**17,088**
Gain on sale of investment securities, net	**(1,730)**	(1,047)	**(17,267)**
Loss on derivative instruments	**251**	63	**2,505**
Exchange loss (gain), net	**356**	(107)	**3,553**
Decrease (increase) in notes and accounts receivable	**2,477**	(2,564)	**24,723**
Decrease (increase) in inventories	**(372)**	268	**(3,713)**
Increase (decrease) in notes and accounts payable	**(345)**	717	**(3,443)**
Other	**(391)**	725	**(3,903)**
Sub total	**8,654**	5,402	**86,376**
Interest and dividend income received	**2,396**	2,227	**23,914**
Income taxes paid	**(4,954)**	(3,834)	**(49,446)**
Net cash provided by operating activities	**6,096**	3,795	**60,844**
Cash flows from investing activities:			
Payment for purchase of securities	**(36,121)**	(39,481)	**(360,525)**
Proceeds from sale of securities	**37,499**	40,441	**374,279**
Payment for purchase of property and equipment	**(1,423)**	(1,214)	**(14,203)**
Payment for purchase of intangible fixed assets	**(52)**	(255)	**(519)**
Payment for purchase of investment in subsidiaries	**(1,415)**	-	**(14,123)**
Other	**(50)**	(196)	**(499)**
Net cash used in investing activities	**(1,562)**	(705)	**(15,590)**
Cash flows from financing activities:			
Proceeds from short-term debt	**6,530**	4,910	**65,176**
Repayment of short-term debt	**(6,530)**	(4,910)	**(65,176)**
Purchase of treasury stock	**(7)**	(577)	**(70)**
Proceeds from sales of treasury stock	**15**	71	**150**
Dividends paid	**(2,702)**	(3,729)	**(26,969)**
Other	**(34)**	(44)	**(339)**
Net cash used in financing activities	**(2,728)**	(4,279)	**(27,228)**
Effect of exchange rate changes on cash and cash equivalents-	**(534)**	157	**(5,330)**
Net increase in cash and cash equivalents	**1,272**	(1,032)	**12,696**
Cash and cash equivalents at beginning of year	**3,690**	4,032	**36,830**
Cash and cash equivalents of newly consolidated subsidiaries	**-**	690	**-**
Cash and cash equivalents at end of year (Note 2)	**¥4,962**	¥3,690	**$49,526**

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 have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act 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 overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets for 2006) from the consolidated financial statements of Koei Co., Ltd. (the "Company") and consolidated subsidiaries prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not considered necessary for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

The consolidated financial statements include the accounts of the Company and its subsidiaries, including ERGOSOFT Corporation, KOEI NET Co., Ltd., KOEI CAPITAL Co., Ltd., KOEI Corporation in the U.S., KOEI Ltd. in the UK, KOEI KOREA Corporation, TAIWAN KOEI ENTERTAINMENT SOFTWARE Inc., KOEI France SAS, KOEI Canada Inc., KOEI Entertainment Singapore Pte. Ltd., Tianjin KOEI Software Co., Ltd., and Beijing KOEI Software Co., Ltd. Due to the increase of materiality, Tianjin KOEI Software Co., Ltd. and Beijing KOEI Software Co., Ltd. were newly consolidated only in the balance sheets as of March 31, 2008. Some subsidiaries whose net income would have no material effect on the financial statements have not been consolidated. All significant intercompany transactions and accounts have been eliminated in consolidation.

(3) Translation of foreign currency -

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

For the purpose of the statements of cash flows, the Company has 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 are stated at cost, provided cost is not in excess of net realizable value. Cost, except for work-in-process, is determined principally by the moving-average method. Work-in-process is stated at cost determined by the specific identification method.

(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 ranges of useful lives for "Buildings" and "Machinery and equipment" are principally from 10 to 50 years and 4 to 15 years, respectively.

(Accounting policy change)

Effective from the year ended March 31, 2008, the Company and its domestic subsidiaries changed their depreciation method for tangible fixed assets acquired on or after April 1, 2007 in accordance with the revision of Japanese Corporate Tax Law (Partial Revision of Income Tax Law, Law No. 6 of March 30, 2007; Partial Revision of Income Tax Law Enforcement Ordinance, Cabinet Order No. 83 of March 30, 2007). The effect of this change for the year ended March 31, 2008 was to decrease operating income, ordinary income and income before income taxes by ¥42 million ($419 thousand).

(Additional Information)

Pursuant to an amendment to the Japanese Corporate Tax Law, effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries depreciate the difference between the original residual value of 5% of acquisition cost of assets acquired before April 1, 2007 and the new residual value of 1 Yen (memorandum value) by the straight-line method over 5 years commencing from the fiscal year following the year in which the asset becomes fully depreciated to the original residual value. Depreciated amounts are included in depreciation expenses. The effect of this change for the year ended March 31, 2008 was immaterial.

(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.

(9) Accrued bonuses -

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

(10) Stock issuance cost -

Stock issuance cost is expensed as incurred.

(11) Allowance for bad debts -

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

(12) Allowance for sales returns -

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

(13) Finance leases -

Finance leases, other than those that are deemed to transfer ownership of the leased assets to the lessees, are accounted for using a method similar to that applicable to operating leases.

(14) 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.

(15) Reserve for retirement benefits -

The reserve for retirement benefits as of March 31, 2007 and 2008 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 period of 14 years from the year following that in which they arise.

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

(16) 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, 2008 is as follows:

	Millions of yen	Thousands of U.S. dollars	Thousands of shares	Yen	U.S. dollars
	Net income		Weighted average number of shares	EPS	
Basic EPS					
Net income	**¥5,257**	**$52,470**			
Other	**(1)**	**(10)**			
Net income for common stock shareholders	**¥5,256**	**$52,460**	**67,553**	**¥78**	**$0.78**
Effect of Diluted stock shareholders					
Warrants	**-**	**-**	**9**		
Diluted EPS					
Net income for computation	**¥5,256**	**$52,460**	**67,562**	**¥78**	**$0.78**

(17) Accounting standard for presentation of net assets in the balance sheet -

Effective from the year ended March 31, 2007, the Company and its domestic subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests and the shareholders' equity sections.

The net assets section includes items which were not included in the previously presented stockholders' equity section. Share subscription rights and minority interests are included in the net assets section at March 31, 2007 and 2008. Under the previous presentation rules, companies were required to present share subscription rights in the liabilities section and minority interests between the non-current liabilities and the shareholders' equity sections.

(18) Consolidated statements of changes in net assets -

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, "the Additional New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 and 2008 in accordance with the Additional New Accounting Standards.

Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

(19) Share subscription rights -

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Share Subscription rights" (Statement No.8 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for share subscription rights.

The new standard and guidance are applicable to share subscription rights newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee share subscription rights based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for share subscription rights granted to non-employees based on the fair value of either share subscription rights or the goods or services received.

The company applied the new accounting standard for share subscription rights to those granted on and after May 1, 2006. The effect of adoption of this accounting standard for the year ended March 31, 2007 was to decrease operating income, ordinary income and income before income taxes by ¥3 million.

2. Cash flow information:

(1)Cash and time deposits at March 31, 2008 and 2007 reconciled to cash and cash equivalents as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Cash and time deposits	**¥5,411**	¥4,210	**$54,007**
Time deposits with maturity over three months	**(449)**	(520)	**(4,481)**
Total cash and cash equivalents	**¥4,962**	¥3,690	**$49,526**

(2) Assets and liabilities of newly consolidated subsidiaries:

Assets and liabilities of Tianjin KOEI Software Co., Ltd. and Beijing KOEI Software Co., Ltd. with the investment cost and net cash outflow of such investment, which are included in "Payment for purchase of investment in subsidiaries" for the ended March 31, 2008 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2008	**2008**
Current assets	**¥2,080**	**$20,760**
Non current assets	**¥124**	**$1,238**
Current liabilities	**(¥91)**	**($908)**
Minority interests	**(¥2)**	**($20)**
Shares of the Company before additional investment	**(¥261)**	**($2,605)**
Additional investment cost of shares	**¥1,850**	**$18,465**
Cash and cash equivalents of subsidiaries	**(¥435)**	**($4,342)**
Net cash used for acquisition of subsidiaries	**¥1,415**	**$14,123**

3. Inventories:

Inventories at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Merchandise	**¥65**	¥26	**$649**
Finished goods	**346**	246	**3,453**
Work in process	**256**	18	**2,555**
Raw materials	**105**	116	**1,048**
	¥772	¥406	**$7,705**

4. 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, 2008 and 2007 is as follows:

	Millions of yen At March 31,2008			
	Cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Other securities for which market quotations are available -				
Equity securities	**¥10,291**	**¥995**	**¥1,375**	**¥9,911**
Debt securities	**24,610**	**726**	**4,536**	**20,800**
Other	**2,399**	**103**	**132**	**2,370**
	¥37,300	**¥1,824**	**¥6,043**	**¥33,081**

	Thousands of U.S. dollars At March 31,2008			
	Cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Other securities for which market quotations are available -				
Equity securities	**$102,715**	**$9,931**	**$13,724**	**$98,922**
Debt securities	**245,633**	**7,246**	**45,274**	**207,605**
Other	**23,945**	**1,028**	**1,317**	**23,656**
	$372,293	**$18,205**	**$60,315**	**$330,183**

	Millions of yen At March 31,2007			
	Cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Other securities for which market quotations are available -				
Equity securities	¥8,824	¥1,495	¥332	¥9,987
Debt securities	28,459	647	768	28,338
Other	2,243	280	50	2,473
	¥39,526	¥2,422	¥1,150	¥40,798

Impairment loss of ¥1,702 million ($16,820 thousand) and ¥238 million are included in the above for the years ended March 31, 2008 and 2007, respectively.
"Debt securities" contain exchange linked bonds of $5,000 thousand and $11,000 thousand as a contract amount for the years ended March 31, 2008 and 2007, respectively. And stock conversion bonds of ¥1,100 million ($109,791 thousand) and ¥1,714 million as a contract amount for the year ended March 31, 2008 and 2007.
The unrealized loss of ¥252 million ($2,490 thousand) and ¥63 million on the bonds are stated in the statement of income for the years ended March 31, 2008 and 2007, respectively.

Available-for-sale securities sold for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Sales amount	**¥13,535**	¥10,397	**$135,093**
Gross realized gains	**1,898**	1,047	**18,944**
Gross realized losses	**85**	0	**848**

The aggregate fair value of trading securities was ¥1,393 million ($13,766 thousand) and ¥1,224 million at March 31, 2008 and 2007, respectively. There was no net change in the unrealized gains or losses on trading securities included in earnings for the years ended March 31, 2008 and 2007.
The aggregate carrying value of unlisted securities included in “Other securities for which market quotations are unavailable” was ¥286 million ($2,826 thousand) and ¥300 million at March 31, 2008 and 2007, respectively.

5. Long-term debt:

Long-term debt as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Unsecured 1.11% loans from an unconsolidated subsidiary due serially to 2009	**¥10**	¥10	**$100**
Total	**¥10**	¥10	**$100**

6. 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, 2008 and 2007 were ¥870 million ($8,684 thousand) and ¥455 million, respectively.

7. 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, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligations	**(¥1,833)**	(¥1,766)	**($18,295)**
Plan assets	**1,237**	1,267	**12,346**
	(596)	(499)	**(5,949)**
Unrecognized actuarial differences	**176**	49	**1,757**
Reserve for retirement benefits	**(¥420)**	(¥450)	**($4,192)**

The net pension expenses relating to retirement benefits for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Service cost	**¥195**	¥208	**$1,946**
Interest cost	**33**	34	**329**
Expected return on plan assets	**(44)**	(32)	**(439)**
Amortization of actuarial differences	**15**	31	**150**
Net pension expense	**¥199**	¥241	**$1,986**

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

	2008	2007
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.5%**	3.0%
Method of attributing the projected benefits to periods of service	**Straight- line basis**	Straight- line basis
Amortization of unrecognized actuarial differences	**14 years from the year following that in which they arise**	14 years from the year following that in which they arise

8. Income taxes:

The income taxes applicable to the Company and its subsidiaries in Japan include corporation tax, enterprise tax and inhabitant tax which, in aggregate, resulted in an effective tax rate of approximately 40.6% for the years ended March 31, 2008 and 2007. 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 deductible for income tax purposes, the non-deductibility of the losses of subsidiaries, different tax rates applicable to foreign subsidiaries and dividend income which is not taxable.

The reconciliation of differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2008 is as follows:

	2008
Statutory tax rate	**40.6%**
Increase (decrease) in taxes resulting from:	
Non-taxable dividend income	**(0.3)**
Special tax credit for research and development expenses and other	**(4.9)**
Change in valuation allowance	**(0.5)**
Other	**2.2**
Effective tax rate	**37.1%**

The difference between the statutory tax rate and the effective tax rate for the financial statement purpose for the year ended March 31, 2007 is not presented as it was immaterial.

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Unrealized gain on sales of inventories	**¥221**	¥101	**$2,206**
Inventory write-down	**116**	161	**1,158**
Provision for enterprise tax	**177**	273	**1,767**
Accrued bonuses	**187**	219	**1,866**
Directors' retirement allowances	**132**	140	**1,318**
Reserve for retirement benefit	**208**	216	**2,076**
Loss on investment securities	**473**	194	**4,721**
Revaluation of land	**1,261**	1,261	**12,586**
Unrealized loss on investment securities	**1,783**	-	**17,796**
Other	**449**	455	**4,481**
Total deferred tax assets	**5,007**	3,020	**49,975**
Valuation allowance	**-**	(170)	**-**
Total deferred tax assets, net of valuation allowance	**5,007**	2,850	**49,975**
Deferred tax liabilities:			
Special reserve for tax purposes	**-**	45	**-**
Unrealized gain on investment securities	**46**	522	**459**
Other	**-**	35	**-**
Total deferred tax liabilities	**46**	602	**459**
Net deferred tax assets	**¥4,961**	¥2,248	**$49,516**

9. Qualified revaluation of land:

Pursuant to the Law Concerning Land Revaluation that became effective on March 31, 2000, the Company comprehensively revalued the land it used for business purposes, and the resultant unrealized loss on revaluation of ¥1,841 million ($15,595 thousand), net of related deferred tax assets of ¥1,261 million ($10,682 thousand), was recorded as a separate component of net assets on the balance sheet. The land prices used for the revaluation were based on the prices shown in an official notice published by the Commissioner of the National Tax Agency in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, after reasonable adjustments.

Deferred tax assets relating to the revaluation were included in the "Deferred income taxes" account (non-current assets) as presented in Note 8.

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

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

As of March 31, 2008, the fair value of the revalued land, estimated using the method descried above, had further declined to ¥3,045 million ($30,392 thousand).

10. Net Assets:

Under the Japanese laws and regulations, the entire amount of payment for new shares is required to be designated as common stock, although, generally, 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. Japanese Company Law ("the Law") became effective on May 1, 2006, and, at the same time, the Japanese Commercial Code ("the Code") was repealed.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock. Under the Law, in cases when dividends are paid, an amount equal to 10% of the dividends or the excess of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve, whichever is the smaller, must be set aside as additional paid-in-capital or legal earnings reserve. Under the Code, additional paid-in capital and legal earnings reserve were available for distribution by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, even when the total amount of additional paid-in-capital and legal earnings reserve is less than 25% of common stock, additional paid-in-capital and legal earnings reserve may be available for dividends if there are sufficient distributable surplus. Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or may be capitalized by a resolution of the Board of Directors. Under the Law, both of those appropriations require a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

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 Japanese laws and regulations.

At the annual shareholders' meeting held on June 20, 2008, the shareholders resolved cash dividends amounting to ¥2,026 million ($20,222 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations will be recognized in the period when they are resolved.

11. Derivative Instruments:

The Company had certain derivative instruments including exchange linked bonds for the purpose to earn high interest as one of the portfolio management. The risk for the investment in the derivative instruments contains the fluctuation of bonds prices and foreign exchange rate. The company does not anticipate any material losses arising from credit risk because the counterparties to those contracts are limited to major international financial institutions.

The Finance Department executes and controls the transactions and positions based on the rules decided by the board meeting. Each contract and its results are to be periodically reported to the board meeting.

12. Share Subscription Rights:

The summarized contents of share subscription rights as of March 31, 2008 were 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 25, 2002	June 23, 2004	June 22, 2006	June 22, 2006
Position and number of grantee	5 directors and 408 employees of the Company	5 directors and 519 employees of the Company	5 directors	13 executive officer, 136 employees of the Company and 65 employees of the subsidiaries
Date of grant	June 25, 2002	August 23, 2004	March 15, 2007	March 15, 2007
Class and number of stock	Common Stock 344,760	Common Stock 299,780	Common Stock 20,800	Common Stock 316,400
Exercised period	From July 1, 2004 to June 30, 2007	From July 1, 2006 to June 30, 2009	From July 1, 2008 to June 30, 2011	From July 1, 2008 to June 30, 2011

The following tables summarize scale and movement of share subscription rights as of March 31, 2008.

	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, 2007	-	-	20,800	316,400
Granted	-	-	-	-
Forfeited	-	-	5,000	13,800
Exercised	-	-	-	-
Outstanding at March 31, 2008	-	-	15,800	302,600
Exercisable (number of shares)				
Outstanding at April 1, 2007	268,372	239,980	-	-
Granted	-	-	-	-
Forfeited	-	8,060	-	-
Exercised	268,372	4,940	-	-
Outstanding at March 31, 2008	-	226,980	-	-
Exercise price	¥2,228 ($22.04)	¥1,895 ($18.91)	¥2,191 ($21.87)	¥2,191 ($21.87)
Average stock price at exercise	-	¥2,071 ($20.67)	-	-
Fair value price at grant date	-	-	¥274 ($2.73)	¥274 ($2.73)

13. Segment Information:

(1) Industry Segments Information-

The Company operates principally in the following business segments:

a) Game Software: Design, development, manufacture and sale of game and educational software for personal computers (PCs) and home video game systems.

b) Distribution: Distribution of software for PCs and home video game systems.

c) Media: Design, development, manufacture and sale of “Game Software” related products such as books, music CDs and picture DVDs. .

d) Other: Game Software product licensing, development of word processor software, real estate management, venture capital, etc.,

The following tables present net sales and operating income and operating expenses, identifiable assets and depreciation and capital expenditure information by industry segment for the years ended March 31, 2008 and 2007.

	Millions of yen						
	For the year ended March 31, 2008						
	Game Software	Distribution	Media	Other	Total	Elimination or Corporate Assets	Consolidated Total
I. Net sales and operating income:							
Net sales							
(1) Net sales to outside customers	**¥8,961**	**¥17,249**	**¥1,856**	**¥1,046**	**¥29,112**	**-**	**¥29,112**
(2) Inter-segment net sales	**12,233**	**56**	**800**	**139**	**13,228**	**(13,228)**	**-**
Total	**21,194**	**17,305**	**2,656**	**1,185**	**42,340**	**(13,228)**	**29,112**
Operating expenses	**15,926**	**16,318**	**2,544**	**630**	**35,418**	**(12,942)**	**22,476**
Operating income	**¥5,268**	**¥987**	**¥112**	**¥555**	**¥6,922**	**(¥286)**	**¥6,636**
II. Identifiable assets, depreciation and capital expenditure:							
Identifiable assets	**¥15,437**	**¥7,761**	**¥1,417**	**¥3,709**	**¥28,324**	**¥36,258**	**¥64,582**
Depreciation	**566**	**2**	**14**	**46**	**628**	**67**	**695**
Capital expenditure	**750**	**0**	**31**	**6**	**787**	**691**	**1,478**

	Thousands of U.S dollars						
	For the year ended March 31, 2008						
	Game Software	Distribution	Media	Other	Total	Elimination or Corporate Assets	Consolidated Total
I. Net sales and operating income:							
Net sales							
(1) Net sales to outside customers	**$89,440**	**$172,163**	**$18,525**	**$10,440**	**$290,568**	**-**	**$290,568**
(2) Inter-segment net sales	**122,098**	**559**	**7,985**	**1,387**	**132,029**	**(132,029)**	**-**
Total	**211,538**	**172,722**	**26,510**	**11,827**	**422,597**	**(132,029)**	**290,568**
Operating expenses	**158,958**	**162,871**	**25,392**	**6,288**	**353,509**	**(129,175)**	**224,334**
Operating income	**$52,580**	**$9,851**	**$1,118**	**$5,539**	**$69,088**	**($2,854)**	**$66,234**
II. Identifiable assets, depreciation and capital expenditure:							
Identifiable assets	**$154,077**	**$77,463**	**$14,143**	**$37,020**	**$282,703**	**$361,892**	**$644,595**
Depreciation	**5,649**	**20**	**140**	**459**	**6,268**	**669**	**6,937**
Capital expenditure	**7,486**	**0**	**309**	**60**	**7,855**	**6,897**	**14,752**

	Millions of yen						
	For the year ended March 31, 2007						
	Game Software	Distribution	Media	Other	Total	Elimination or Corporate Assets	Consolidated Total
I. Net sales and operating income:							
Net sales							
(1) Net sales to outside customers	¥7,847	¥14,253	¥1,757	¥502	¥24,359	-	¥24,359
(2) Inter-segment net sales	9,672	63	484	148	10,367	(10,367)	-
Total	17,519	14,316	2,241	650	34,726	(10,367)	24,359
Operating expenses	13,216	13,658	2,349	485	29,708	(10,701)	19,007
Operating income	¥4,303	¥658	(¥108)	¥165	¥5,018	¥334	¥5,352
II. Identifiable assets, depreciation and capital expenditure:							
Identifiable assets	¥15,629	¥9,745	¥1,466	¥3,681	¥30,521	¥37,944	¥68,465
Depreciation	412	10	5	47	474	67	541
Capital expenditure	377	19	2	8	406	1,162	1,568

The amounts of corporate assets included in the "Elimination or Corporate Assets" column for the years ended March 31, 2008 and 2007 were ¥39,393 million ($389,297 thousand) and ¥42,523 million, respectively. Corporate assets mainly comprise surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.

(2) Geographic Area Information -

The following tables present sales, operating expenses and operating income and assets information by geographic area for the years ended March 31, 2008 and 2007.

	Millions of yen						
	For the year ended March 31, 2008						
	Japan	North America	Europe	Asia	Total	Elimination or Corporate Assets	Consolidated Total
I. Net sales and operating income:							
Net sales							
(1) Net sales to outside customers	**¥22,563**	**¥3,962**	**¥1,701**	**¥886**	**¥29,112**	**-**	**¥29,112**
(2) Inter-segment net sales	**2,946**	**227**	**-**	**269**	**3,442**	**(3,442)**	**-**
Total	**25,509**	**4,189**	**1,701**	**1,155**	**32,554**	**(3,442)**	**29,112**
Operating expenses	**19,087**	**3,851**	**1,662**	**1,315**	**25,915**	**(3,439)**	**22,476**
Operating income	**¥6,422**	**¥338**	**¥39**	**(¥160)**	**¥6,639**	**(¥3)**	**¥6,636**
II. Identifiable assets:	**¥20,506**	**¥1,476**	**¥914**	**¥3,709**	**¥26,605**	**¥37,977**	**¥64,582**

	Thousands of U.S. dollars						
	For the year ended March 31, 2008						
	Japan	North America	Europe	Asia	Total	Elimination or Corporate Assets	Consolidated Total
I. Net sales and operating income:							
Net sales							
(1) Net sales to outside customers	**$225,202**	**$39,545**	**$16,978**	**$8,843**	**$290,568**	**-**	**$290,568**
(2) Inter-segment net sales	**29,404**	**2,266**	**-**	**2,685**	**34,355**	**(34,355)**	**-**
Total	**254,606**	**41,811**	**16,978**	**11,528**	**324,923**	**(34,355)**	**290,568**
Operating expenses	**190,508**	**38,437**	**16,589**	**13,125**	**258,659**	**(34,325)**	**224,334**
Operating income	**$64,098**	**$3,374**	**$389**	**($1,597)**	**$66,264**	**(30)**	**$66,234**
II. Identifiable assets:	**$204,671**	**$14,732**	**$9,123**	**$37,019**	**$265,545**	**$379,050**	**$644,595**

	Millions of yen						
	For the year ended March 31, 2007						
	Japan	North America	Europe	Asia	Total	Elimination or Corporate Assets	Consolidated Total
I. Net sales and operating income:							
Net sales							
(1) Net sales to outside customers	¥21,599	¥1,285	¥786	¥689	¥24,359	-	¥24,359
(2) Inter-segment net sales	1,751	-	-	-	1,751	(1,751)	-
Total	23,350	1,285	786	689	26,110	(1,751)	24,359
Operating expenses	16,980	1,726	860	1,193	20,759	(1,752)	19,007
Operating income	¥6,370	(¥441)	(¥74)	(¥504)	¥5,351	¥1	¥5,352
II. Identifiable assets:	¥23,047	¥1,123	¥386	¥1,532	¥26,088	¥42,377	¥68,465

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

The amount and major items of corporate assets included in the “Elimination or Corporate assets” column are the same as those in (1)

(3) Overseas sales information -

The following table presents overseas sales information for the years ended March 31, 2008 and 2007.

	Millions of yen For the year ended March 31, 2008			
	North America	Europe	Asia and Oceania	Total
I. Net sales	**¥3,962**	**¥2,127**	**¥1,499**	**¥7,588**
II. Consolidated net sales	**-**	**-**	**-**	**¥29,112**
III. Ratio between I. And II	**13.6%**	**7.3%**	**5.2%**	**26.1%**

	Thousands of U.S. dollars For the year ended March 31, 2008			
	North America	Europe	Asia and Oceania	Total
I. Net sales	**$39,545**	**$21,230**	**$14,961**	**$75,736**
II. Consolidated net sales	**-**	**-**	**-**	**$290,568**
III. Ratio between I. And II	**13.6%**	**7.3%**	**5.2%**	**26.1%**

	Millions of yen For the year ended March 31, 2007			
	North America	Europe	Asia and Oceania	Total
I. Net sales	¥1,285	¥1,049	¥3,458	¥5,792
II. Consolidated net sales	-	-	-	¥24,359
III. Ratio between I. And II	5.3%	4.3%	14.2%	23.8%

The principal countries or areas included in each region are as follows;
North America: U.S.A.
Europe: The U.K., France and Germany
Asia and Oceania: The Republic of Korea, Taiwan, China and Australia

14. Subsequent Events:

At a meeting of the Board of Directors of the Company held on May 13, 2008 a resolution making KOEI NET Co., Ltd. ("NET") into a wholly-owned subsidiary of the Company effective August 1, 2008 was approved, and the Company entered into a share exchange agreement on the same day.
Under the terms of the agreement, the Company will issue 90 shares of its own common stock in exchange for each share of NET's common stock to all NET's shareholders of the record as of July 31, 2008 excluding 66,096 shares owned by the Company.
1,020,240 new shares of common stock are to be issued for this purpose.
NET's total assets, total liabilities and net assets at March 31, 2008 amounted ¥7,761 million ($77,466 thousand), ¥3,534 million ($35,270 thousand) and ¥4,228 million ($42,196 thousand), respectively.

KPMG AZSA&Co.

AZSA Center Building 1-2,
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162-8551, Japan

To the Shareholders and Board of Directors of
KOEI Co., Ltd.:

We have audited the accompanying consolidated balance sheets of KOEI Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of 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 Companyls 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 consolidated financial position of KOEI Co., Ltd. and subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

As described in Note 14 to the consolidated financial statements, on May 13, 2008, the Company entered into a share exchange agreement to make KOEI NET Co., Ltd. a wholly-owned subsidiary of the Company.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

Tokyo, Japan
June 20, 2008

KPMG AZSA & Co.

BOARD OF DIRECTORS AND STATUTORY AUDITORS

Founder, Director & Chief Advisor
Yoichi Erikawa

Founder & Chairman Emeritus
Keiko Erikawa

Chairman & CEO
Masaru Iyori

President & COO
Kenji Matsubara

Senior Managing Director
Yoshiki Sugiyama

Director
Shintaro Kobayashi

Auditors
Satoru Morishima
Tsuyoshi Torii
Takashi Ouchi
Miyoshi Matsui

Managing Executive Officer
Akihiro Suzuki
Hisashi Koinuma
Masatoshi Hosaka

Managing Executive Officer & CFO
Kenjiro Asano

Executive Officers
Toru Ogawa
Takazumi Tomoike
Naoki Sano
Hiroshi Moriguchi
Seinosuke Fukui
Yasuichiro Shinbo

(As of July 1, 2008)

CORPORATE DATA

KOEI Co., Ltd.

Head Office
1-18-12 Minowa-cho, Kouhoku-ku,
Yokohama, Kanagawa 223-8503 Japan
Tel : +81-45-561-6888
http://www.koei.co.jp/

Date Established :
July 25, 1978

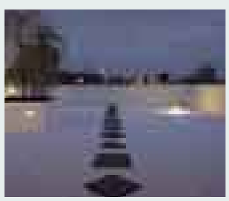
Paid-in Capital :
¥9,091 Million (As of March, 2008)

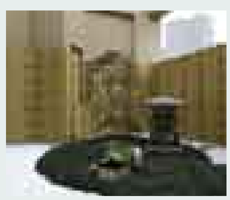
Number of Employees :
1,191 (As of March, 2008 : Consolidated Basis)

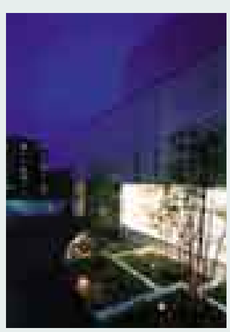
Account Settlement :
March 31

Transfer Agent of Common Stock :
The Chuo Mitsui Trust and Banking Co., Ltd.
33-1 Shiba 3-chome, Minato-ku,
Tokyo 105-8574 Japan

Independent Auditor :
KPMG AZSA & Co.







MAJOR SUBSIDIARIES

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Yokohama, Kanagawa 223-0051 Japan
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http://www.koeinet.co.jp/

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Tel : +65-6220-7581

KOEI Co., Ltd.

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