

**NOTICE OF THE 38<sup>TH</sup> ORDINARY  
GENERAL MEETING OF SHAREHOLDERS**

Stock Code Number: 9766

June 7, 2010

Dear Shareholder,

You are cordially invited to attend the 38<sup>th</sup> Ordinary General Meeting of Shareholders of KONAMI CORPORATION (the “Company”). The meeting will be held as described hereunder.

If you are unable to attend the meeting, you may exercise your voting right in writing or via the Internet, etc. Please review the reference materials for the General Meeting of Shareholders contained herein and exercise your voting right in the manner described hereafter.

Sincerely yours,  
Kagemasa Kozuki  
Representative Director  
KONAMI CORPORATION  
7-2, Akasaka 9-chome, Minato-ku, Tokyo

## MEETING AGENDA

1. Date and time: 10:00 a.m., Tuesday, June 29, 2010
2. Venue: “Arena”, Main Office of Konami Sports Club, 10-1, Higashi Shinagawa 4-chome, Shinagawa-ku, Tokyo
3. Agenda:
  - Reports
    1. Business Report, Consolidated Financial Statements for the 38<sup>th</sup> fiscal year (from April 1, 2009 to March 31, 2010); and on the Reports of the accounting auditor and of the Board of Corporate Auditors regarding Consolidated Financial Statements for the 38<sup>th</sup> fiscal year
    2. Financial Statements for the 38<sup>th</sup> fiscal year
  - Proposals
    - Proposal 1 Election of seven members to the Board of Directors
    - Proposal 2 Continuation and Partial Revision of the Countermeasures to Large-Scale Acquisitions of KONAMI CORPORATION Shares (Takeover Defense Measures)

#### 4. Matters regarding the exercise of voting rights:

##### 1) Voting by mail

To vote by mail, please complete the voting form enclosed indicating “for” or “against” for each agenda item, and return the completed form to us no later than 6:00 p.m. on Monday, June 28, 2010.

##### 2) Voting via the Internet, etc.

To vote via the Internet, please carefully read the item entitled “Instructions for the Exercise of Voting Rights via the Internet, etc.” on page 3, and exercise your voting rights. Your vote via the Internet must be received by 6:00 p.m. on Monday, June 28, 2010.

- 
- If attending the meeting in person, please remember to bring the voting form enclosed with these materials and hand it to the receptionist. Please be informed that any persons other than a shareholder entitled to exercise the voting right such as any proxy or person accompanying a shareholder, who is not a shareholder of the Company may not attend the meeting.
  - In case any amendments or changes are made to the reference materials for the General Meeting of Shareholders, Business Report, financial statements and consolidated financial statements prior to the date of the meeting, the Company shall notify its shareholders via the Company’s web site (<http://www.konami.co.jp>).

[This is an English translation of the Report for the 38<sup>th</sup> Fiscal Year (the “Report”) of the Company provided for your reference and convenience. This translation includes a translation of the auditors’ report of KPMG AZSA & Co., the Company’s accounting auditor, of the financial statements included in the original Japanese language Report.]

## **Instructions for the Exercise of Voting Rights via the Internet, etc.**

If you are unable to attend the meeting, you may exercise your voting right by following one of the procedures described below. ADR holders cannot vote in this manner. Please contact the ADR Depository if you wish to vote.

### **1. Exercise of your voting rights via the Internet**

1) Shareholders may only exercise their voting rights online through the dedicated voting website designated by the Company.

**Voting website URL: <http://www.webdk.net>**

2) Shareholders choosing to exercise their voting rights online need to use the voting code and password specified on the enclosed voting form. Once you have entered the site, please vote for or against the resolution by following the instructions on screen.

3) Online votes may be accepted up to **6:00 p.m. on Monday, June 28, 2010**. However, shareholders are kindly requested to register online votes as early as possible to facilitate the counting of online votes.

4) If you duplicate your vote, i.e., if you exercise your voting rights both by voting forms and via the Internet, we will consider only the Internet vote to be valid.

5) If you vote a number of times over the Internet, or both by a personal computer and a mobile phone, we will consider the final vote to be the valid one.

6) Any connection fees to the Internet providers or time charges (telephone charges, etc.) incurred by shareholders in exercising votes online are to be borne by such shareholders.

### **2. Exercise of voting rights using the electronic voting rights exercise platform**

If you are a nominee shareholder such as a trust bank (including a standing proxy) and apply in advance to use the electronic voting platform operated by ICJ, Inc., a joint venture established by TSE and others, you are entitled to use the platform as a method for exercising your voting rights in addition to the aforementioned exercise of your voting rights electronically via the Internet.

#### **System requirements for voting by electronic means**

The following are systems requirements for accessing voting website.

(1) Internet access.

(2) Shareholders choosing to exercise their voting rights using a PC should note that the site only supports the following browser software: Microsoft® Internet Explorer 6.0 or above. The site supports any hardware platform running the software specified above.

(3) Shareholders choosing to exercise their voting rights using a mobile phone should note that a handset model that supports 128-bit SSL (encrypted) communication is required (for security reasons, the site has been designed only to be accessible by mobile phones with 128-bit SSL encryption technology).

(Microsoft® is a registered trademark in the United States and other countries of Microsoft Corporation of the U.S.)

(Attached documents)

## **Business Report**

(April 1, 2009 – March 31, 2010)

### **1. Business Performance**

#### **(1) Konami Group Business Conditions and Results**

Although the Japanese economy showed signs of recovery from the recession that had been continuing since last year, the business environment during the fiscal year ended March 31, 2010 continued to be uncertain, with reduced personal consumption due to factors such as severe income and employment situations.

Regarding the entertainment industry that KONAMI CORPORATION and its subsidiaries (“Konami”) operate in, despite measures taken to arouse demand as its platforms have become widespread, the home video game market remained challenging – both in Japan and overseas – as compared to the previous fiscal year. The measures included the reduction of standalone video game console prices by various hardware manufacturers, the launch of new handheld video game consoles and the release of major game titles by various software producing companies towards the year-end sales season. The amusement arcade market also continued to see a decline in the volume of customer traffic due to the impact of the H1N1 influenza pandemic as well as a decline in the operators’ investment motive affected by the severe economic condition. In the gaming market, while the environment continued to be severe, affecting even the major operators in Las Vegas, there are some promising signs overseas, such as the case where casinos in Singapore were legalized and opened.

In the health and fitness industry, heightened interest in and demand related to the maintenance and promotion of good health is expected to continue into the future due to the aging population of Japan as well as concern over lifestyle diseases.

Against such a backdrop, the digital entertainment segment of the KONAMI CORPORATION and its subsidiaries (“Konami”) rolled out the latest titles in home video game software series, with a focus on popular Konami series such as the soccer game *Winning Eleven* (known in the US and Europe as *PRO EVOLUTION SOCCER*). New titles, such as *LOVEPLUS*, which is a new romantic communication game, and titles featuring popular overseas content enjoyed steady sales. As products for amusement arcades, *MAH-JONG FIGHT CLUB GARYOTENSEI*, the latest in the series, and the large-scale mass medal game *FORTUNE TRINITY* continued to be satisfactory. Card game products also showed favorable sales. Turnover in home video game software and arcade games, however, has declined in comparison to the same period of the previous year, which was marked by the release of major game titles.

As for the Gaming & System segment, Konami enriched its product lineup in the North American and Australian markets, with a focus, in the case of video slot machines, on the new-generation cabinet

(outer structure) *Podium* running the *K2V* series, and on the *Advantage 5* series in the case of mechanical stepper machines. Those sales progressed steadily. Meanwhile, we also increased the sale of the *Konami Casino Management System* and the profits from participation agreements (equipment sales in which profits are shared).

In the Health & Fitness segment, we increased the number of new fitness clubs under Konami's direct management and expanded the portfolio of fitness clubs outsourced to us. At the same time, we advanced the development and introduction of facilities and services that meet the diversifying needs of customers. Furthermore, we reinforced the marketing of health products, drove forward the computerization of health management and strove to expand and enrich services, both within and outside our facilities, supporting the promotion and maintenance of good health.

Our consolidated results for the year ended March 31, 2010 are as follows: consolidated net revenues amounted to ¥262,144 million (a year-on-year decrease of 15.4%), operating income was ¥18,664 million (a year-on-year decrease of 31.8%), net income before income taxes was ¥17,122 million (a year-on-year decrease of 30.7%), and net income attributable to Konami Corporation was ¥13,314 million (a year-on-year increase of 22.4%).

## **Performance by business segment**

### Digital Entertainment

*Computer & Video Games business:* In Japan, a diverse lineup of home video game products was released by Konami. In addition to sports titles – which are Konami's forte – such as *WORLD SOCCER Winning Eleven 2010* (known in the US and Europe as *PES 2010 - Pro Evolution Soccer*) and the *JIKKYOU PAWAFURU PUROYAKYU* series, Konami also released the animated title *Pen 1 Grand Prix: A penguin's troubles Special* and *LOVEPLUS* in the romance themed simulation series, as one of the home video game software.

Furthermore, we promoted various popular Konami titles through online distribution for mobile phones and terminals. This included the commencement of the online distribution, such as *DanceDanceRevolution S* and *Mobile PAWAFURU PUROYAKYU*, for the Windows phone, following the distribution of software titles for the iPhone and iPod touch.

*Amusement business:* As amusement arcade video games, *MAH-JONG FIGHT CLUB GARYOTENSEI*, *BASEBALL HEROES 2009 HA-SHA* and *QUIZ MAGIC ACADEMY 7*, the latest titles in their series, were released in addition to popular music game titles. Meanwhile, in medal games, the large-scale token pusher *FORTUNE TRINITY* began operation in addition to the new genre mass medal game *Infinity Rings*. *FORTUNE TRINITY*, which was inspired by Las Vegas, is proving popular with its highly innovative show quality and design.

In order to arouse new demand, Konami launched, in March 2010, an e-money service named *PASELI* that utilizes the Konami *e-AMUSEMENT* service, which links amusement arcades nationwide in Japan through its network. *PASELI* has seen favorable reactions since its introduction. Card games business

continued to mark favorable sales.

In North America and Europe, *PES 2010 - Pro Evolution Soccer*, the music game series *DanceDanceRevolution* and game content for overseas consumption, such as *SAW*, enjoyed favorable sales. Konami is also promoting the development of content, which meets the needs of overseas markets, for mobile phones and terminals. Mobile application programs for the iPhone/iPod touch that were produced overseas won international awards abroad.

Due to the absence of major titles, such as *METAL GEAR SOLID 4 GUNS OF THE PATRIOTS* of our previous fiscal year, however, the overall sales fell this quarter as compared to the same period in the previous fiscal year.

In terms of financial performance, consolidated net revenues for the year ended March 31, 2010 in this segment amounted to ¥142,650 million (a year-on-year decrease of 24.0%).

#### Gaming & System

In the North American market, the *Advantage 5* five-reel stepper machine series, which has become a standard item, and the *Podium*, a new generation cabinet (outer structure) running the *K2V* series, continue to enjoy favorable sales. Sales of the *Konami Casino Management System*, a system that supports a steady flow of income through maintenance and services, and sales through participation agreements (in which profits are shared with casino operators) increased and are steadily expanding their respective market shares. Full-scale marketing and sales are also expanding in Central and South America, building a distributor network for the market.

In the Australian market, sales of video slot machines, including the new cabinet *Podium* running the *K2V* series, increased favorably. The introduction of the *Konami Casino Management System* in the market also contributed to the improvement of Konami revenues.

The Global Gaming Expo, one of the gaming industry's largest trade fairs, was held in November 2009 in Las Vegas. Konami exhibited, and received favorable reviews for, a wide-ranging product lineup that responded to the needs of each relevant market. It included new content for the *K2V* series, which was loaded onto the *Podium* new cabinet (outer structure) for the expo; *Advantage Revolution*, the latest slot machine in which progress has been made in the staging elements; *Advantage 5*; and the *Konami Casino Management System*.

In terms of financial performance, consolidated net revenues for the year ended March 31, 2010 in this segment amounted to ¥19,996 million (a year-on-year increase of 9.1%).

#### Health & Fitness

A difficult business climate persisted in the fitness club industry as consumer spending remained suppressed due to uncertainty over the future, price-competition progressed further and the increase in the number of fitness clubs made it difficult to recruit new members. Against such a backdrop, Konami

strove to enhance its services – both within and outside its facilities – and its health products as well as expand the range of services and the lineup of products that meet regional characteristics and customer needs.

*Operation of fitness clubs:* Regarding directly managed facilities, 21 facilities were closed through merger and elimination of facilities executed as part of structural reform. Meanwhile, a total of the six facilities, including relocated and reconstructed facilities, were opened during the fiscal year such as Motoyamaminami (Hyogo Prefecture), Kitahama (Osaka Prefecture) and Sendai Nagamachi (Miyagi Prefecture). Furthermore, at some facilities, we introduced a digital golf simulator system to enhance the golf teaching program and health management and exercise guidance that combine the services provided by fitness clubs and medical institutions. We developed facilities meeting the characteristics of each region, upgraded and enhanced services utilizing IT and Konami's strengths in health management, exercise and nutritional guidance, and provided support for the maintenance and promotion of good health – both within and outside our facilities – to our customers, whose health consciousness is on the rise.

*Operation of sports facilities outsourced to us:* As to the management of facilities outsourced to Konami, we added six facilities including the Mikamo Clean Center Residual Heat Utilization Facility (Tochigi Prefecture), the Hiroshima Prefectural Sports Center (Hiroshima Prefecture) and the Sakai Municipal Mihara Sports Center (Osaka Prefecture) to the portfolio, and we continued to promote the health of community residents by making use of Konami's know-how and experience in the operation of public facilities, etc. The number of sports facilities managed by Konami, including those that are directly managed or managed on an outsourced basis, was 327 nationwide as of March 31, 2010.

*Health products:* As to health products, we released *EXERCISEWATER ZERO*, a sugar-free beverage with zero calories. We also launched the second catalog sales at post offices in Tokyo through an alliance with the Tokyo Branch of Japan Post Network Co., Ltd.

In terms of financial performance, consolidated net revenues for the year ended March 31, 2010 in this segment amounted to ¥85,765 million (a year-on-year decrease of 4.7%).

## **(2) Capital Expenditures and Financing Activities**

Capital expenditures in the consolidated fiscal year ended March 31, 2010 totaled ¥7,962 million. Principal capital investments included investments for production equipment and for the opening and renovation of sports and fitness club facilities.

With respect to financing, funding requirements for the above capital expenditures and so forth were mainly financed by cash and deposits on hand and cash flows from operating activities.

In November 2006, the Company established a 5-year commitment line (¥20.0 billion) for the purpose of securing liquidity in hand to flexibly meet financing demands. In the coming years, the Company will continue to endeavor to secure adequate short-term liquidity and credit lines for fund raising to finance dynamic business development.

### (3) Trend of Assets and Business Results

#### 1. Financial and business results of the Konami Group (U.S. GAAP)

(Millions of yen, except per share data)

Years ended March 31	2007	2008	2009	2010
Net revenues	280,279	297,402	309,771	262,144
Operating income (loss)	28,145	33,839	27,361	18,664
Net income attributable to Konami Corporation	16,211	18,345	10,874	13,314
Basic net income attributable to Konami Corporation per share (yen)	118.15	133.63	79.30	99.76
Total assets	304,657	319,248	301,670	298,198
Konami Corporation stockholders' equity	174,662	182,759	178,632	184,465

Notes: 1. Financial and business results of the Group is prepared in conformity with the accounting principles and procedures and indication methods which are required for the issue of American Depository Receipts (ADR), namely, the U.S. generally accepted in the United States (U.S. GAAP).

2. In the fiscal year ended March 31, 2009, the Company recorded ¥11,121 million in business structure improvement expenses (e.g. accelerated depreciation of tangible fixed assets) in the Health & Fitness Business.

3. Effective the fiscal year ended March 2010, the Company has applied the FASB Accounting Standards Codification 810 "Consolidation" (former SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statement, an amendment of ARB No. 51"). In conjunction with this application, some changes in presentations for the past fiscal years have been made.

#### 2. Financial and business results of the Company (Japanese GAAP)

(Millions of yen, except per share data)

Years ended March 31	2007	2008	2009	2010
Operating income	7,196	25,478	21,456	19,295
Ordinary income	1,278	20,475	15,721	14,495
Net income (loss)	988	17,395	9,454	14,092
Basic net income (loss) per share (yen)	7.16	126.70	68.95	105.60
Total assets	168,423	178,565	180,952	178,743
Total net assets	139,179	149,272	146,136	153,012

#### **(4) Issues for the Konami Group**

##### ***Build a powerful organization that can respond to rapid changes in the global economy***

Although there were signs of gradual recovery from the ongoing economic slowdown from the previous fiscal year, the global economy remains uncertain. There is also concern of a difficult business climate which persisted in our businesses – Digital Entertainment, Gaming & System and Health & Fitness – due to the impact of the Economic Uncertainty.

On the other hand, in our business environment, progress has been made in developing a network environment. In the process, users have begun sharing a variety of information, and communities are starting to emerge each of which is characterized by its distinct taste.

Konami has shifted to a holding company structure so that it may respond appropriately to a rapidly changing market environment and evolve into a flexible and sustainable entity. As such, there is now a clear separation between the management of the Konami group and the execution of duties for each business segment. In promoting the globalization of each business segment, we shifted to a system in which each Konami director is ultimately responsible for a business segment. This is to enable on-target response to the needs of each market as well as promote the agile development of each business. We also intend to promote the competitiveness and the sustainable growth of each group company. We believe that this will allow the whole Konami group to make a leap forward.

##### ***Enhance profitability and channel managerial resources to growth areas***

In the Digital Entertainment segment, various hardware manufacturers have expanded standalone video game consoles and handheld video game consoles. Furthermore, new gaming platforms, including mobile phones or other handheld devices, also continue to expand, and online access is available globally on multiple platforms. As a result, users seeking a new and diversity of ways to play games with an emphasis on connection with others over a network are on the increase.

With such diversity and globalization sought by users, Konami intends to channel appropriate managerial resources in selective and focused manners.

In the Gaming & System segment, as for the casino market where Konami operates, the legalization of gambling is progressing in various countries and regions around the world, and the number of casinos is increasing each year. Business opportunities are continuously increasing for Konami, which manufactures and markets slot machines and offers participation agreements and the *Konami Casino Management System* that secure stable revenues for Konami. We will endeavor to expand our business in the future with strategic alliances with other companies.

In the Health & Fitness segment, we have been promoting, against the backdrop of higher health consciousness and increase in those with more leisure time due to the retirement of baby boomers, new Konami Sports Club outlets as well as taking on management of fitness clubs outsourced to Konami.

It is anticipated that health consciousness will become even higher in the future while preferences and lifestyles will diversify. In order to achieve further growth, we will take proactive steps to create value.

This includes the reinforcement of our proprietary IT-based health management system that keeps an ongoing record of users' exercise history in various real-life situations (e.g., at the fitness club, outside the home and in the home) and manages data for the promotion of good health, provision of new services and even the marketing of supplements.

Konami plans to allocate appropriate managerial resources not only to the existing Digital Entertainment, Gaming & System segments, and Health & Fitness but also to new business fields where growth is anticipated in the medium- to long-term.

**(5) Principal Business** (as of March 31, 2010)

The principal businesses of the Konami Group are as shown below:

1. *Digital Entertainment Business* Production, manufacture and sale of computer & video games, amusement, card games, online and other digital contents and related products
2. *Gaming & System Business* Development, manufacture, sale and service of gaming machines and Casino Management System for casinos.
3. *Health & Fitness Business* Management of fitness clubs / production, manufacture and sale of fitness machines and health service products

## (6) Main Konami Group Offices (as of March 31, 2010)

Holding company

KONAMI CORPORATION Minato-ku, Tokyo

Operating companies in Japan

Konami Digital Entertainment Co., Ltd.	Minato-ku, Tokyo
Konami Sports & Life Co., Ltd.	Shinagawa-ku, Tokyo
KPE, Inc.	Zama, Kanagawa
Konami Real Estate, Inc.	Minato-ku, Tokyo
Internet Revolution Inc.	Minato-ku, Tokyo
HUDSON SOFT CO., LTD.	Minato-ku, Tokyo

Operating companies overseas

Konami Digital Entertainment, Inc.	USA
Konami Gaming, Inc.	USA
Konami Australia Pty Ltd	Australia
Konami Digital Entertainment B.V.	Holland
Konami Digital Entertainment GmbH	Germany
Konami Digital Entertainment Limited	Hong Kong
Konami Software Shanghai, Inc.	Shanghai, China

Note: Locations are of each company's headquarters.

## (7) Employees (as of March 31, 2010)

### 1. Konami Group

Business segment	Number of employees	Change from end of previous term
Digital Entertainment Business	3,297	104
Gaming & System Business	396	22
Health & Fitness Business	1,547	(37)
Other Business	275	1
Entire Company (corporate staff)	193	(14)
Total	5,708	76

Notes: 1. Employees include all persons on the Konami Group payroll.

2. Employees classified as corporate staff for the entire Company are administrative staff not assigned to any particular business segment.

### 2. The Company

Number of employees	Change from end of previous term
74	(5)

Note: Employees include all persons on the Company payroll.

## (8) Major Subsidiaries (as of March 31, 2010)

### 1. Major subsidiaries

Company	Capital	Equity ratio (%)	Major businesses
Konami Digital Entertainment Co., Ltd.	¥26,000 million	100.0	Planning, production, manufacture and sales of online games, consumer-use video game software, amusement machines, card games, content for mobile phones etc.
Konami Sports & Life Co., Ltd.	¥13,000 million	100.0	Operation of sports clubs; planning, production, and sales of health and fitness-related products and services
KPE, Inc.	¥1,000 million	100.0	Production, manufacturing and sales of liquid crystal units for pachinko machines
Konami Real Estate, Inc.	¥10,000 million	100.0	Real estate leasing and management
Internet Revolution Inc.	¥1,250 million	(70.0) 70.0	Operation of portal sites
HUDSON SOFT CO., LTD.	¥5,064 million	53.9	Production, manufacture and sales of content for mobile phones and online games, and software for consumer-use games
Konami Corporation of America	US\$35,500 thousand	100.0	Holding company in the United States
Konami Digital Entertainment, Inc.	US\$23,870 thousand	(100.0) 100.0	Production, manufacture and sales of consumer-use video game software, card game products, etc. in U.S.A.
Konami Gaming, Inc.	US\$25,000 thousand	(100.0) 100.0	Production, manufacture and sales of gaming machines in U.S.A.
Konami Digital Entertainment B.V.	Eur 9,019 thousand	100.0	Sales of products for amusement facilities, etc. in Europe
Konami Digital Entertainment GmbH	Eur 5,113 thousand	(100.0) 100.0	Production, manufacture and sales of consumer-use video game software, card game products, etc. in Europe
Konami Digital Entertainment Limited	HK\$19,500 thousand	100.0	Manufacture and sales of products in Asia
Konami Software Shanghai, Inc.	US\$2,000 thousand	100.0	Production of consumer-use video game software in Asia
Konami Australia Pty Ltd	A\$30,000 thousand	100.0	Production, manufacture and sales of gaming machines in Australia

Notes: 1. Percentage of Equity ratio shown in parentheses is indirect ownership percentages, and is included in the percentage indicated in the second line.

2. Konami Sports & Life Co., Ltd. merged in May 2009 with Self Fitness Club Corporation.

### 2. Scope of consolidation

The Company consolidates 22 companies, including the 14 major subsidiaries listed above, and applies the equity method to one affiliated company.

An overview of our consolidated financial results is as shown in “1. Business Performance, (1) Konami Group Business Conditions and Results.”

## 2. Status of shares of the Company

Status of Shares (as of March 31, 2010)

1. Number of shares authorized	450,000,000
2. Number of shares issued	143,500,000
3. Number of shareholders	51,286
4. The 10 Largest shareholders	

	Number of shares (Thousands)	Shareholding Ratio (%)
Kozuki Foundation For Sports and Education	14,700	11.01
Kozuki Holding	13,530	10.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,724	8.04
Japan Trustee Services Bank, Ltd. (Trust Account)	8,207	6.15
Kozuki Capital Corporation	7,036	5.27
Sumitomo Mitsui Banking Corporation	4,135	3.10
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,790	2.84
JPMorgan Securities Japan Co., Ltd.	3,000	2.25
CBNY- UMB FUNDS	1,791	1.34
Mitsubishi UFJ Securities Co., Ltd.	1,521	1.14

Note: The above shareholding ratios are calculated after the deduction of treasury shares (10,039 thousand shares).

### 3. Officers of the Company

#### (1) Directors and Corporate Auditors (as of March 31, 2010)

Position	Name	Areas of responsibility and primary duties at the Company, and significant concurrent positions outside the Company
Representative Director, Chairman of the Board, President President, Corporate Officer	Kagemasa Kozuki	Chairman of the Board of Directors, Kozuki Foundation For Sports and Education
Representative Director, Vice President, Corporate Officer	Noriaki Yamaguchi	
Representative Director, Vice President, Corporate Officer	Kimihiko Higashio	
Director	Takuya Kozuki	
Director	Tomokazu Godai	Representative Director and Chairman of the Board, MAYATEC Co., Ltd. External Director, HUDSON SOFT CO., LTD.
Director	Hiroyuki Mizuno	Director, Hiroshima Prefectural Institute of Industrial Science and Technology External Director, MegaChips Corporation (Former Vice President, Matsushita Electric Industrial Co., Ltd.*) * Current Panasonic Corporation
Director	Akira Gemma	Senior Corporate Adviser, SHISEIDO Co., Ltd. External Director, Kirin Holdings Company, Limited (Former Representative Director and President, SHISEIDO Co., Ltd.)
Standing Corporate Auditor	Noboru Onuma	(Former Director, Sumitomo Mitsui Banking Corporation)
Corporate Auditor	Tachio Ohori	(Former Commissioner of Metropolitan Police Department)
Corporate Auditor	Masaru Mizuno	Senior Advisor, Japan Tobacco Inc. (Former Commissioner, National Tax Agency; Former Representative Director and President, Japan Tobacco Inc.)
Corporate Auditor	Shogo Sasabe	Special Advisor, Bando Chemical Industries, Ltd. President, Kobe Pharmaceutical University External Director, THE JAPAN WOOL TEXTILE CO., Ltd. (Former Representative Director and President, BANDO CHEMICAL INDUSTRIES, LTD.)

Notes 1. Messrs. Tomokazu Godai, Hiroyuki Mizuno and Akira Gemma, Director, are the external director provided in Item 15 of Article 2 of the Corporate Law.

2. Messrs. Noboru Onuma, Tachio Ohori, Masaru Mizuno and Shogo Sasabe, Corporate Auditor, are the external corporate auditor provided in Item 16 of Article 2 of the Corporate Law.

3. At the 37th Ordinary General Meeting of Shareholders held on June 26, 2009, Mr. Takuya Kozuki was newly elected and assumed the post of Director.

4. HUDSON SOFT CO., LTD., at which Mr. Tomokazu Godai concurrently holds a key position, is a subsidiary of the Company.

5. Corporate Auditor Mr. Noboru Onuma has experience fostered over many years in financial institutions and possesses a keen insight in the areas of finance and accounting.

6. Corporate Auditor Mr. Masaru Mizuno served as Commissioner of the National Tax Agency and possesses a keen insight in the areas of finance and accounting.
7. The Company has appointed Director Mr. Tomokazu Godai as Independent Director as provided for in the regulations of the Tokyo Stock Exchange, Inc. and notified the person to the Exchange.

## (2) Total Amount of Remuneration, etc. Paid to Directors and Corporate Auditors

Category	Number of paid officers	Amount of payment
Director	8	¥462 million
Corporate Auditor	4	¥45 million
Total	12	¥507 million

## (3) External Officers

### 1. Major activities in the fiscal year under review

Category	Name	Major activities
Director	Tomokazu Godai	Attended all the 9 meetings of the Board of Directors held during the fiscal year under review and made necessary statements concerning deliberations on propositions, etc.
	Hiroyuki Mizuno	Attended all the 9 meetings of the Board of Directors held during the fiscal year under review and made necessary statements concerning deliberations on propositions, etc.
	Akira Gemma	Attended all the 9 meetings of the Board of Directors held during the fiscal year under review and made necessary statements concerning deliberations on propositions, etc.
Corporate Auditor	Noboru Onuma	Attended all the 9 meetings of the Board of Directors and all the 9 meetings of the Board of Corporate Auditors and made necessary statements concerning deliberations on propositions, etc.
	Tachio Ohori	Attended 8 of the 9 meetings of the Board of Directors and 8 of the 9 meetings of the Board of Corporate Auditors which were held during the fiscal year under review and made necessary statements concerning deliberations on propositions, etc.
	Masaru Mizuno	Attended all the 9 meetings of the Board of Directors and all the 9 meetings of the Board of Corporate Auditors and made necessary statements concerning deliberations on propositions, etc.
	Shogo Sasabe	Attended all the 9 meetings of the Board of Directors and all the 9 meetings of the Board of Corporate Auditors and made necessary statements concerning deliberations on propositions, etc.

### 2. Outline of the limit liability agreement

The Company entered into the agreement with all external directors and external corporate auditors to limit their liabilities as provided in Paragraph 1 of Article 423 of the Corporate Law subject to a limit which is the total of the amounts provided in all Items of Paragraph 1 of Article 425 of the Corporate Law.

### 3. Total amount of remuneration, etc. paid to external officers

Category	Number of paid officers	Amount of payment
Total amount of remuneration, etc. paid to external officers	7	¥79 million

Note: The above total amount of remuneration, etc. paid to external officers is included in “3. (2) Total Amount of Remuneration, etc. Paid to Directors and Corporate Auditors.”

### 4. Total amount of remuneration, etc. received by external officers from subsidiaries

During the fiscal year under review, external officers received a total of ¥12 million in remuneration, etc. from subsidiaries for which they concurrently serve as officers.

#### **4. Status of Accounting Auditor**

**(1) Name of Accounting Auditor:** KPMG AZSA & Co.

**(2) Amount of Remuneration, etc.**

- |   |              |
|---|--------------|
| 1. Amount of remuneration, etc. paid to the accounting auditor during the fiscal year under review                      | ¥207 million |
| 2. Total of money and other financial benefits to be paid by the Company and its subsidiaries to the accounting auditor | ¥321 million |

Notes: 1. The amounts of remuneration, etc. for the audit based on the Corporate Law and the audit based on the Securities and Exchange Law are not clearly divided, and cannot be divided substantially, based on the auditing agreement between the Company and the accounting auditor. Therefore, the total of these amounts is shown in the amount of remuneration, etc. shown in 1. The Company also underwent an audit based on the Sarbanes-Oxley Act (SOX) of the United States, and its total amount stated.

2. Of the important subsidiaries of the Company, Konami Corporation of America, Konami Digital Entertainment B.V. and six companies underwent an audit (limited to audits based on the provisions of the Corporate Law and the Securities and Exchange Law (including foreign laws and ordinances equivalent to these Laws)) by a certified public accountant or an audit firm (including parties with the same qualification as these in foreign countries) other than the accounting auditor of the Company.

**(3) Policy on Decision About the Dismissal or Non-reappointment of an Accounting Auditor**

When it is acknowledged that an accounting auditor is subject to one of the Items of Paragraph 1 of Article 340 of the Corporate Law, the Board of Corporate Auditors will dismiss the accounting auditor with the approval of all corporate auditors.

Besides the foregoing, when the conduct of a proper audit is deemed difficult because of the occurrence of an event, etc. damaging the eligibility and independence of an accounting auditor, Directors will present a proposal on the dismissal or non-reappointment of the accounting auditor to the General Meeting of Shareholders with the approval of the Board of Corporate Auditors or at the request of the Board of Corporate Auditors.

## **5. Systems to Ensure Appropriate Operations**

An outline of matters resolved at a meeting of the Board of Directors as a system for the Company to ensure appropriate business operations is shown below:

### **(1) Systems to ensure that the execution of the duties of directors conform to laws and ordinances and the Articles of Incorporation**

The Company's Compliance Committee plays a leading role in ensuring the appropriateness of the fulfillment of the duties of directors through the establishment of operational procedures and regulations and the reinforcement of evaluation and monitoring systems. The Company is effectuating measures to prevent problems through the establishment of a system to report ethical issues and other matters as a checks-and-balance function against illegal activities, and a system is put in place to eliminate anti-social influences. In addition, the Company has made excellent progress with respect to the establishment of internal control systems as required under the Sarbanes-Oxley Act of the United States since listing on the New York Stock Exchange.

### **(2) Systems to store and control information on the fulfillment of the duties of directors**

The Company has established an information control regulation and a document control regulation, and a system to properly store and control the information on the fulfillment of the duties of directors by specifying important documents and clarifying the form of storage.

### **(3) Regulation and other systems for the management of the risk of loss**

To identify and control the risks that surround the Company, we have established a risk management regulation. The Risk Management Committee has played a leading role in establishing and strengthening the systems necessary for risk management.

### **(4) Systems to secure the effective fulfillment of the duties of directors**

The Company is endeavoring to secure the effective fulfillment of the duties of directors by establishing a regulation concerning the division of duties and official authority to clarify the details of duties in which each division is in charge and official authority.

### **(5) Systems to ensure that the fulfillment of the duties of employees conforms to laws and ordinances and the Articles of Incorporation**

The Company is committed to compliance in its corporate philosophy, code of conduct and guidelines for the behavior of officers and employees which are made known to all staff without exception through the information system. The Compliance Committee plays a leading role in strengthening systems.

### **(6) Systems to ensure the appropriateness of business as a corporate group consisting of a joint stock company, its parent company and its subsidiaries**

As a holding company, the Company is managing the operations of the entire Group through means such

as the proper exercise of voting rights, to ensure the proper and balanced conduct of business of each company in the Group. In addition, the Company is preceding the establishment of an internal control system for each company in the Group. All Group companies will act in unison in such areas as information storage management, risk management and compliance, to ensure the establishment of integrated group management. With respect to the audit system by the Board of Corporate Auditors, we have established a group audit system that centers on the holding company, and will seek to strengthen it further.

**(7) When a corporate auditor asks for the assigning of an employee to assist in the duties of the corporate auditor, matters concerning the employee**

When the Board of Corporate Auditors judges that a person is required to assist in the fulfillment of its duties, the Board of Corporate Auditors may ask for a person with sufficient expertise, such as a member of the internal audit office, to assist in the fulfillment of the duties.

**(8) Matters concerning the independence from directors of the employee set out in the preceding Item**

The Board of Corporate Auditors may express opinions about the appointment, etc. of a person requested by the Board of Corporate Auditors for assistance in the fulfillment of duties. A member of the internal audit office to whom assistance is requested should not receive any instruction from directors concerning this assistance.

**(9) System for a director and an employee to report to a corporate auditor and other systems concerning reports to corporate auditors**

We will establish a regulation providing for matters to be reported by a director or employee to the Board of Corporate Auditors so that any important matter influencing the management and business results may be immediately reported to the Board of Corporate Auditors. A system to report ethical issues and other matters is in place to enable the Board of Corporate Auditors to obtain the reports from employees directly.

**(10) Other systems to ensure the effective execution of audits by corporate auditors**

When the Board of Corporate Auditors deems it necessary for the fulfillment of duties, the Board of Corporate Auditors may request experts such as lawyers and certified public accountant to provide opinions and advice.

## **6. Basic Policy on Control of the Company**

The basic policies of the Company concerning managerial control are as follows:

### **(1) Basic policy concerning the existence of individuals who determine the Company's financial and business policy**

Under the corporate philosophy “We, the Konami Group of Companies (‘the Group’), aim to be a business group towards which people have high expectations, through creating and providing people with Valuable Time”, the basic managerial policy of “focus on shareholders” and “maintaining good relationship with stakeholders including shareholders and contribute to society as a corporate citizen” and the specific management policy of “International Standards” “Fair Competition” and “Pursuit of High Profits”, the Group is endeavouring to ensure and improve corporate value and the common interests of shareholders by further aiming to optimize the use of Group management resources and continuously and stably growing and expanding the sources of corporate value of Group companies.

### **(2) Special efforts to advance the realization of basic policy**

In order to maintain and develop this basic policy, the Group made a move to a holding company structure on March 31, 2006 and commenced a style of management under a holding company structure with three main business segments: “Digital Entertainment Business”, “Gaming & System Business” and “Health & Fitness Business”. On the one hand, the holding company is in charge of formulating business strategies for the entire Group and checking the conditions of execution of duties at each company, and on the other, the Group companies effectuate operations one step ahead of changes in the times through timely decision making within their area of business. Also, the Company seeks to realize “Further improvement of transparency of management”, “Structure of expeditious management system” and “System of thorough responsibility for revenue”, which are the merits of a holding company system, at a maximum level, and will be ensured and enhanced for the Group's corporate value and shared shareholder interests to be fulfilled.

### **(3) Efforts to prevent the control over financial and operational decisions to fall under inappropriate parties based on the basic policy**

The Company believes that, if a Large-Scale Acquisition of shares of the Company is proposed, the decision on whether to accept or reject that proposal must ultimately be based on the intent of its shareholders. The Company, however, finds it necessary to assume that some of these proposals for Large-Scale Acquisition may not provide adequate information required by shareholders to properly make the decision or may pose the danger of impairing the corporate value and the common interests of shareholders given the purpose and other aspects of the acquisition. In addition, the Company believes that, in order to enhance the brand value of the Group, it is essential to have stable management from a mid-to-long term perspective and sufficient understanding of accumulated management resources. Therefore, we think that if the persons controlling the decisions of the Company's financial and business policies lack sufficient understanding about the Company, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed. The Company believes that it must take adequate and appropriate measures under such circumstances in order to protect the corporate value and the common interests of shareholders.

The Company henceforth has introduced Countermeasures Against Large-Scale Acquisitions of KONAMI CORPORATION Shares (Takeover Defense Measures; hereafter "the Plan") based on a resolution at the 35<sup>th</sup> Ordinary General Meeting of Shareholders on June 28, 2007.

The contents of the Plan are as described below.

The Company's board of directors shall, with respect to any party intending to conduct a Large-Scale Acquisition of shares of the Company that would result in the holding ratio of share certificates by a specific shareholder group being 20% or more (such party, hereinafter, a "Large-scale Acquirer") (a) prior to the acquisition, request provision of Large-scale Acquisition information, including the purpose, method and terms of the Acquisition, basis for calculating the purchase price etc., (b) fully evaluate and review the Large-scale Acquisition information during the acquisition evaluation period, which shall be a 60 day or 90 day period depending on the difficulty of Large-scale Acquisition, (c) disclose its opinion and present the alternative plan etc., to the shareholders, and conduct negotiations with the Large-scale Acquirer (the above (a)-(c) are the "Large-scale Acquisition Rules").

After which, the Company's board of directors shall, (d) if the Large-scale Acquirer does not comply with the Large-scale Acquisition Rules, implement the appropriate measures to resist the Large-scale Acquirer, as provided for in the Company Law or any other laws and the Articles of Incorporation of the Company, such as a gratis allotment of Stock Acquisition Rights with conditions for exercise that are discriminatory with respect to the Large-scale Acquirer; or (e) if the Large-scale Acquirer does comply with the Large-scale Acquisition Rule, in principle, the Company's board of directors shall not take countermeasures against the Large-scale Acquirer; although, in exceptional circumstances, if it is determined that the proposed Large-scale Acquisition would have material adverse effect on the corporate value of the Company and the common interests of its shareholders, the Company's board of directors may take countermeasures.

### **(4) Determination of Board of Directors regarding the efforts and underlying reasons**

For the following reasons, the Board of Directors of the Company believes that the efforts described in (3)

above are in line with the basic policy, and do not adversely affect the corporate value and common interests of the shareholders, nor aim to maintain the position of the directors or officers of the Company.

a. Establishment of the Independent Committee

In order to eliminate arbitrary triggering of the countermeasures by the board of directors of the Company and to ensure the fairness and reasonableness of the procedures and decisions, the Company will establish the Independent Committee. The Independent Committee, as an advisory body to the board of directors, will check whether the Large-scale Acquisition Rule is complied with, consider details of acquisition and countermeasures and recommend to the board of directors whether the countermeasures should be triggered.

b. Emphasis on the intention of shareholders

The Company has introduced the Plan subject to approval by the shareholders at the Ordinary General Meetings of Shareholders in order to reflect the opinions of the shareholders with respect to the Plan.

c. Advice of outside experts

The board of directors, auditors and the Independent Committee of the Company may obtain advice from independent experts such as financial advisors, certified public accountants, lawyers, consultants, etc. in order to enhance the fairness and reasonableness of the consideration and decisions by the board or directors, auditors and the Independent Committee.

d. Establishment of reasonable objective requirements

The countermeasures under the Plan are designed such that they will not be triggered unless certain predetermined reasonable objective requirements have been satisfied and that maximum value shall be placed on the recommendation of the Independent Committee, and ensure that a system is in place to prevent arbitrary triggering by the board of directors of the Company.

e. No dead-hand takeover defense measures

The effective period of the Plan is 3 years from the conclusion of the 35<sup>th</sup> Ordinary General Meeting of Shareholders held on June 28, 2007 to the conclusion of the Ordinary General Meeting of Shareholders relating to the fiscal year ending March 2010. However, the Plan may be abolished by the board of directors of the Company even during the effective period.

## **7. Policy on Decisions About Dividends from Retained Earnings, etc.**

The Company believes that the provision of dividends and the enhancement of corporate value are important ways to return profits to our shareholders. It is our policy to use retained earnings for investments focused on business fields with good future possibility in order to continually reinforce the Company's growth potential and competitiveness.

We paid an interim dividend of ¥27 per share on November 27, 2009. Combined with a final dividend of ¥27 per share, we shall distribute an annual dividend of ¥54 per share for the fiscal year under review.

## Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of yen)

<b>ASSETS:</b>		<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>	
<b>Current assets</b>	<b>¥134,562</b>	<b>Current liabilities</b>	<b>¥53,465</b>
Cash and cash equivalents	50,740	Current portion of long-term debt and capital lease obligations	2,433
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥680 million at March 31, 2010	30,164	Trade notes and accounts payable	16,138
Inventories	23,497	Accrued income taxes	3,962
Deferred income taxes, net	20,669	Accrued expenses	18,568
Prepaid expenses and other current assets	9,492	Deferred revenue	6,246
		Other current liabilities	6,118
<b>Tangible fixed assets</b>	<b>¥62,434</b>	<b>Long-term liabilities</b>	<b>¥55,502</b>
		Long-term debt and capital lease obligations, less current portion	39,885
<b>Investments and other assets</b>	<b>¥101,202</b>	Accrued pension and severance costs	2,861
Investments in marketable securities	226	Deferred income taxes, net	4,162
Investments in affiliates	2,146	Other long-term liabilities	8,594
Identifiable intangible assets	35,246		
Goodwill	21,899	<b>Total liabilities</b>	<b>¥108,967</b>
Lease deposits	27,685		
Deferred income taxes, net	3,531	<b>Commitments and contingencies</b>	
Other assets	10,469		
		<b>EQUITY:</b>	
		<b>Konami Corporation stockholders' equity</b>	
		Common stock	47,399
		Additional paid-in capital	77,089
		Legal reserve	284
		Retained earnings	83,055
		Accumulated other comprehensive income (loss)	(175)
		Treasury stock	(23,187)
		<b>Total Konami Corporation stockholders' equity</b>	<b>¥184,465</b>
		<b>Noncontrolling interest</b>	<b>¥4,766</b>
		<b>Total equitiy</b>	<b>¥189,231</b>
<b>Total assets</b>	<b>¥298,198</b>	<b>Total liabilities and equity</b>	<b>¥ 298,198</b>

**Consolidated Statements of Income**  
**(Year ended March 31, 2010)**

(Millions of yen)

---

<b>Net revenues</b>	<b>¥262,144</b>
<b>Costs and expenses</b>	<b>243,480</b>
Costs of products sold and services rendered	185,734
Selling, general and administrative expenses	55,407
Restructuring and impairment charges	2,339
<b>Operating income</b>	<b>18,664</b>
<b>Other income (expenses)</b>	<b>(1,542)</b>
Interest income	165
Interest expense	(1,574)
Foreign currency exchange gain (loss), net	67
Other, net	(200)
<b>Income before income taxes</b>	<b>17,122</b>
<b>Income taxes</b>	<b>3,600</b>
Equity in net income of affiliated companies	56
<b>Net income</b>	<b>13,578</b>
Net income attributable to the noncontrolling interest	264
<b>Net income attributable to Konami Corporation</b>	<b>¥13,314</b>

---

**Consolidated Statements of Stockholders' Equity**  
**(Year ended March 31, 2010)**

(Millions of yen)

	Stockholders' Equity							Non controlling Interest	Total Equity
	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Accumulat ed Other Comprehen sive Income (Loss)	Treasury Stock, at Cost	Total Konami Corporation stockholders ' equity		
<b>Balance at March 31, 2009</b>	¥47,399	¥77,090	¥284	¥76,947	¥98	¥(23,186)	¥178,632	¥4,907	¥183,539
Cash dividends attributable to Konami Corporation				(7,206)			(7,206)		(7,206)
Cash dividends attributable to noncontrolling interest								(381)	(381)
Purchase of treasury stock						(3)	(3)		(3)
Reissuance of treasury stock		(1)				2	1		1
Comprehensive income									
Net income				13,314			13,314	264	13,578
Foreign currency translation adjustments					(207)		(207)	(4)	(211)
Net unrealized losses on available-for-sale securities					(8)		(8)		(8)
Pension liability adjustment					(58)		(58)	(20)	(78)
Total comprehensive income for this year							13,041	240	13,281
<b>Balance at March 31, 2010</b>	¥47,399	¥77,089	¥284	¥83,055	¥(175)	¥(23,187)	¥184,465	¥4,766	¥189,231

## **Assumptions underlying preparation of consolidated financial statements**

### **Scope of Consolidation**

1. Number of consolidated subsidiaries: 22
2. Name of principal consolidated subsidiaries
  - Konami Digital Entertainment Co., Ltd.
  - Konami Sports & Life Co., Ltd.
  - KPE, Inc.
  - Konami Real Estate, Inc.
  - Internet Revolution Inc.
  - HUDSON SOFT CO., LTD.
  - Konami Corporation of America
  - Konami Digital Entertainment, Inc.
  - Konami Gaming, Inc.
  - Konami Digital Entertainment B.V.
  - Konami Digital Entertainment GmbH
  - Konami Digital Entertainment Limited
  - Konami Software Shanghai, Inc.
  - Konami Australia Pty Ltd

### **Application of the Equity Method**

1. Number of equity-method affiliates: 1
2. Name of the equity-method affiliate: Resort Solution Co., Ltd.

### **Summary of Significant Accounting Policies**

1. Basis of presentation for consolidated financial statements

The consolidated financial statements of the Company have been prepared in accordance with the terminology, format and preparation method used in the accounting principles generally accepted in the United States of America (“U.S. GAAP”), in compliance with Article 3, Paragraph 1 of the Corporate Accounting Rules Supplementary Provisions (Ordinance of the Ministry of Justice No. 46; December 11, 2009). However, in compliance with such article, certain disclosure that is required on the basis of U.S. GAAP is omitted.

2. Methods and standards for the valuation of assets

#### **(1) Securities**

Marketable securities and securities held for trading purposes are stated at fair value when readily determinable. Held-to-maturity debt securities are stated at amortized cost after adjustment for any premium or discount. Realized gains and losses from the sale of available-for-sale securities are determined based on the average cost method.

## (2) Inventories

Resalable products, finished products, work-in-process, raw materials and supplies are stated at the lower of cost or market. Cost is determined by the identified-cost method for software, and by averaging for all other items.

## 3. Depreciation methods

Tangible fixed assets are depreciated mainly using the declining balance method while in-house software is amortized mainly using the straight-line method.

## 4. Accounting standards for reserves

### Allowance for doubtful accounts

Generally, allowance for doubtful accounts is calculated based on the actual ratio of bad debt losses incurred. For specific accounts with higher possibility of bad debt loss, the allowance is determined by respective judgment.

## 5. Goodwill and identifiable intangible assets

Goodwill represents the difference between the cost of acquired companies and amounts allocated to the estimated fair value of their net assets. Identifiable intangible assets represent intangible assets related to trademarks, membership lists, gaming licenses, and franchise contracts, etc. acquired in connection with acquisitions of subsidiaries. Reviews are conducted at least once annually to identify any impairment against fair value for goodwill and intangible assets subject to amortization with indefinite useful lives, and a test for any impairment loss is conducted at the end of each consolidated fiscal period. Intangible assets subject to amortization with definite useful lives are amortized over a period of 7–15 years corresponding to the estimated useful life.

## 6. Impairment or disposal of long-lived assets

The Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the carrying amount of assets exceeds the estimated future cash flows (undiscounted) for the assets, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

## 7. Accrued pension and severance costs

The accumulation of defined benefit type retirement benefit obligation (i.e., the variance between the fair value of plan assets and retirement benefit obligations) is recognized under the consolidated balance sheet and posted to accumulated other comprehensive income (loss) after tax effect considerations on corresponding adjustments. With respect to unrecognized actuarial net gain or loss, the portion of balance exceeding the corridor (10% of retirement benefit obligation or the fair value of plan assets, whichever is bigger) at the beginning of the fiscal year is amortized over the average residual service period of the relevant employee using the straight-line method. For some plans, as they are defined benefit plan by multiple businesses, the expense based on the amounts of necessary contributions for each period is recognized as the net pension expenses.

## 8. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

## 9. Rounding policy

Amounts of less than one million yen are rounded to the nearest unit.

### Changes in Significant Accounting Policies

1. From July 1, 2009, Konami adopted ASC No.105, “Generally Accepted Accounting Principles” (former Statement of Financial Accounting Standards (hereafter, referred to as “SFAS”) No.168 “The FASB Accounting Standards Codification<sup>TM</sup> and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No.162”). ASC No. 105 establishes that the FASB Accounting Standard Codification<sup>TM</sup> is the single official source of authoritative U.S. Generally Accepted Accounting Principles, other than guidance issued by the Securities and Exchange Commission, doing away with the previous various hierarchies. The adoption of ASC No. 105 did not have a material effect on Konami’s consolidated financial position or results of operations.
2. Effective April 1, 2009, Konami has adopted ASC No.805, “Business Combinations” (former SFAS No.141 (revised 2007), “Business Combinations” (“SFAS 141R”). ASC No.805 establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. As of the effective date, the adoption of ASC No.805 did not have a significant impact on its consolidated financial statements.
3. Effective April 1, 2009, Konami has adopted ASC No. 810, “Consolidation” (former SFAS No. 160 “Noncontrolling Interests in Consolidated Financial Statement, an amendment of ARB No. 51”). ASC No. 810 establishes accounting standards for noncontrolling interests and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. ASC No. 810 requires (i) that consolidated net income include the amounts attributable to both the parent and the noncontrolling interest, (ii) that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and (iii) expanded disclosures that clearly identify and distinguish between the interests of the parent owner and the interests of the noncontrolling owners of a subsidiary. Upon the adoption of ASC No. 810 noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and stockholders' equity on the consolidated balance sheet, are now included as a separate component in equity. In addition, the presentation of consolidated statements of income and cash flows has been changed.

### Notes to Consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets ¥79,900 million
2. Accumulated other comprehensive income (loss)

A breakdown of accumulated other comprehensive income (loss) as of March 31, 2010 is as follows.

Foreign currency translation adjustments	¥ (19) million
Net unrealized gains on available-for-sale securities	¥1 million
Pension liability adjustment	¥ (157) million
<hr/> Accumulated other comprehensive income (loss)	<hr/> ¥ (175) million

## Notes to Consolidated Statement of Stockholders' Equity

### 1. Type and number of shares issued at the end of the consolidated fiscal year under review

Common stock: 143,500,000 shares

### 2. Dividends

#### (1) Dividend payment

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 14, 2009	Common stock	3,603	27.00	March 31, 2009	June 5, 2009
Board of Directors meeting held on November 5, 2009	Common stock	3,603	27.00	September 30, 2009	November 27, 2009
Total		7,206			

#### (2) Of dividends whose record date belongs to the consolidated fiscal year under review, those dividends whose effective date is in the subsequent fiscal year

Resolution	Type of shares	Fund of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 13, 2010	Common stock	Retained earnings	3,603	27.00	March 31, 2010	June 8, 2010
Total			3,603			

## Notes on Financial Instruments

### 1. Matters concerning financial instruments

The Company and its subsidiaries limit their fund management activities to short-term deposits and the like, and funds are procured primarily through bank loans and issuance of corporate bonds. With respect to derivative transactions, although forward exchange contracts are used primarily to mitigate FX fluctuation risks related in part to operating receivables and payables, derivatives are not executed for speculative purposes.

The Company and its subsidiaries strive to mitigate customers' credit risk associated with trade notes and accounts receivable, which are operating receivables through management of due dates and outstanding balances by customer, and periodical monitoring of the conditions of principal customers in an effort to promptly detect any doubtful collectibles caused by deterioration in the financial conditions of customers and other factors.

Investment securities are primarily stocks of corporate customers with which the Company has business alliances and relationships, and the market price and financial conditions of each issuing entity (corporate customer) are periodically monitored in the course of continuously reviewing the holding status in consideration of the relationships with customers.

With respect to trade notes and accounts payable which are operating payables and accrued expenses, the majority of them are due for payment within a year.

Debt obligations are primarily required funds procured for the purpose of operating transactions and capital investment, and the repayment (redemption) due dates for such obligations arrive in order within the next three years.

Derivative transactions are forward exchange contracts executed for mitigating FX fluctuation risks

associated primarily with foreign currency-based operating receivables and payables. The Company and its subsidiaries manage derivative transactions in accordance with the transaction authorization rules defined in financial regulations and other rules. Furthermore, in utilizing derivatives, the Company and its subsidiaries execute transactions only with highly rated financial institutions in order to mitigate credit risk.

Although operating payables and debt obligations are exposed to liquidity risk, that risk is managed by monthly preparing and updating the funding plan of each Group company and implementing other controls.

## 2. Matters concerning the market value of financial instruments

Amount on the consolidated balance sheet, market value (projected fair value) and the variance as of March 31, 2010 (the financial closing date of the consolidated fiscal year under review) are as follows.

	Amount on consolidated balance sheet (*1) (millions of yen)	Market value (projected fair value) (*1) (millions of yen)	Variance (millions of yen)
Cash and cash equivalents	50,740	50,740	-
Trade notes and accounts receivable	30,844		
Allowance for doubtful accounts (*2)	(680)		
	30,164	30,164	-
Investments in marketable securities	226	226	-
Trade notes and accounts payable	(16,138)	(16,138)	-
Accrued expenses	(18,568)	(18,568)	-
Long-term debt	(15,204)	(15,103)	(101)
Derivative transactions	-	-	-

(\*1) Items posted under liabilities are presented in a bracket of “( )”.

(\*2) General allowance for doubtful accounts and specific allowance for doubtful accounts that correspond to trade notes and accounts receivable have been deducted.

(Notes) Calculation method for the market value of financial instruments

(Cash and cash equivalents, trade notes and accounts receivable, trade notes and accounts payable and accrued expenses)

These items are presented in book values, as they are due for payment in a short period of time and the market value is close to the book value.

(Investments in marketable securities)

The market value is based on prices on the stock market.

(Investments in non-marketable securities)

For investments in non-marketable securities for which there are no quoted markets prices, a

reasonable estimate of fair value could not be made without incurring excessive costs. It was not practicable to estimate the fair value of the common stock a company that is not publicly listed. Therefore, investments in such stocks are posted at cost. Investments in non-marketable securities (¥544 million on the consolidated balance sheet) is not included in “Investments in marketable securities”.

(Long-term debt)

The market value of long-term debt of the Company and its subsidiaries is based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the Company’s current borrowing rate for similar debt instruments of comparable maturity.

(Derivative transactions)

The market value of a derivative transaction, consisting of foreign exchange contracts, all of which are used for purposes other than trading, are estimated by obtaining quotes from the counterparty of the transaction or from a third party. There is no derivative transaction to post on the consolidated balance sheet as of the end of the fiscal year under review.

**Notes on Per Share Data**

Net assets per share:	¥1,382.16
Net income attributable to Konami Corporation per share:	¥99.76

**Notes on Significant Subsequent Events**

There is no applicable item.

**Balance Sheet**  
**(As of March 31, 2010)**

(Millions of yen)

<b>ASSETS:</b>		<b>LIABILITIES:</b>	
<b>Current assets</b>	<b>¥47,360</b>	<b>Current liabilities</b>	<b>¥9,191</b>
Cash and cash equivalents	32,037	Short-term borrowings	7,307
Trade accounts receivable	3,097	Current portion of long-term debt	204
Prepaid expenses	181	Other accounts payable	568
Deferred income taxes, net	160	Accrued expenses	200
Short-term loans	9,393	Income taxes payable	886
Income tax receivable	2,245	Deposits received	23
Other	246		
Allowance for doubtful accounts	(2)	<b>Long-term liabilities</b>	<b>¥16,539</b>
		Straight bonds	15,000
<b>Fixed assets</b>	<b>¥131,382</b>	Long-term borrowings	350
<b>Tangible fixed assets</b>	<b>406</b>	Asset retirement obligation	93
Buildings improvement	191	Other	1,096
Transportation equipment	24		
Tools and fixtures	191	<b>Total liabilities</b>	<b>¥25,730</b>
<b>Intangible fixed assets</b>	<b>11</b>		
In-house software	4	<b>NET ASSETS:</b>	
Trademark	2	<b>Stockholders' equity</b>	<b>¥153,012</b>
Design	4	<b>Common stock</b>	<b>47,398</b>
Other	0	<b>Capital surplus</b>	<b>43,240</b>
<b>Investments and other assets</b>	<b>130,963</b>	Additional paid-in capital	36,893
Investment securities	521	Other capital surplus	6,346
Investments in subsidiaries and affiliates	116,120	<b>Retained earnings</b>	<b>84,729</b>
Long-term loans	13,949	Legal reserve	283
Long-term prepaid expenses	5	Other retained earnings	84,445
Deferred income taxes, net	76	Special reserves	58,294
Lease deposit	232	Retained earnings brought forward	26,150
Other	64	<b>Treasury Stock</b>	<b>(22,355)</b>
Allowance for doubtful accounts	(6)		
		<b>Total net assets</b>	<b>¥153,012</b>
<b>Total assets</b>	<b>¥178,743</b>	<b>Total liabilities and net assets</b>	<b>¥178,743</b>

**Statement of Income**  
**(Year ended March 31, 2010)**

(Millions of yen)

---

<b>I</b>	<b>Operating revenues</b>	<b>¥19,295</b>
	Management fee revenue	5,054
	Dividend income	14,241
<b>II</b>	<b>Costs and expenses</b>	<b>4,685</b>
	Selling, general and administrative expenses	4,685
	<b>Operating income</b>	<b>14,609</b>
<b>III</b>	<b>Non-operating income</b>	<b>300</b>
	Interest income	256
	Other	44
<b>IV</b>	<b>Non-operating expense</b>	<b>415</b>
	Interest expenses	41
	Bond interest expenses	242
	Foreign exchange loss	100
	Other	30
	<b>Ordinary income</b>	<b>14,495</b>
<b>V</b>	<b>Extraordinary gain</b>	<b>50</b>
	Gain on sale of equity securities	50
<b>VI</b>	<b>Extraordinary losses</b>	<b>256</b>
	Loss on sale of equity securities	235
	Effect of adoption of an accounting standard for asset retirement obligations	20
<hr/>		
	<b>Income before income taxes</b>	<b>14,289</b>
	<b>Income taxes</b>	<b>196</b>
	Current	215
	Deferred	(19)
	<b>Net income</b>	<b>14,092</b>

---

**Statement of Changes in Stockholders' Equity**  
**(Year ended March 31, 2010)**

(Millions of yen)

	Stockholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total stockholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings		Total retained earnings		
						Special reserves	Retained earnings brought forward			
Balance at March 31, 2009	¥47,398	¥36,893	¥6,347	¥43,240	¥283	¥55,794	¥21,764	¥77,843	¥(22,354)	¥146,127
Changes during the year										
Cash dividends							(7,206)	(7,206)		(7,206)
Other reserves						2,500	(2,500)	-		-
Net income							14,092	14,092		14,092
Purchase of treasury stock									(2)	(2)
Reissuance of treasury stock			(0)	(0)					1	1
Net change of items other than Stockholders' equity										
Total changes during the year	-	-	(0)	(0)	-	2,500	4,385	6,885	(0)	6,884
Balance at March 31, 2010	¥47,398	¥36,893	¥6,346	¥43,240	¥283	¥58,294	¥26,150	¥84,729	¥(22,355)	¥153,012

	Difference of appreciation and conversion		Total net assets
	Net unrealized gains on available-for-sale securities	Total difference of appreciation and conversion	
Balance at March 31, 2009	¥8	¥8	¥146,136
Changes during the year			
Cash dividends			(7,206)
Other reserves			-
Net income			14,092
Purchase of treasury stock			(2)
Reissuance of treasury stock			1
Net change of items other than Stockholders' equity	(8)	(8)	(8)
Total changes during the year	(8)	(8)	6,876
Balance at March 31, 2010	-	-	¥153,012

## Summary of Significant Accounting Policies

### 1. Methods and standards for the valuation of assets

#### Securities

Shares in subsidiaries and affiliates: Stated at cost based on the moving average method.

#### Other investment securities:

Quoted securities: The market value method is applied, based on the market value as of the fiscal year-end. The entire positive or negative valuation difference with the acquisition price is booked directly as net assets, and the cost of securities sold is calculated using the moving average method.

Unquoted securities: Valued at cost using the moving average method.

### 2. Depreciation and amortization methods of fixed assets

Tangible fixed assets: Depreciated mainly using the declining balance method.

Intangible fixed assets: Amortized mainly using the straight-line method. For in-house software, amortization is computed using the straight-line method based on the estimated useful life of 5 years.

Long-term prepaid expenses: Amortized mainly using the straight-line method.

### 3. Accounting standards for reserves

#### (1) Allowance for doubtful accounts

Generally, allowance for doubtful accounts is calculated based on the actual ratio of bad debt losses incurred. For specific accounts with higher possibility of bad debt loss, the allowance is determined by respective judgment.

#### (2) Accrued pension and severance costs (prepaid pension expense)

Provided based on the estimated amount of the projected benefit obligation and the plan assets at the year-end. Unrecognized net transition asset is credited to expense over 13 years on a straight-line basis. Unrecognized actuarial net gain or loss will be amortized from the following fiscal year within the average remaining service period of 3 years on a straight-line basis.

### 4. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

### 5. Rounding policy

Amounts of less than one million yen are rounded to the nearest unit.

## Changes in Significant Accounting Policies

### 1. Accounting standard for asset retirement obligation

In line with the application of “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18; March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21; March 31, 2008) effective on fiscal years commencing on or prior to March 31, 2010, the Company has adopted these accounting standards for the fiscal year under review.

In conjunction with the application of these standards, operating income and ordinary income declined by ¥10 million respectively and income before income taxes declined by ¥30 million.

### 2. Accounting standards for retirement benefits

The Company has adopted “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19; July 31, 2008) effective the fiscal year under review.

The impact of this change is immaterial.

## Notes to Balance Sheet

### 1. Monetary assets and liabilities in relation to subsidiaries and affiliates

	(Millions of yen)
Short-term assets	12,497
Short-term liabilities	7,660
Long-term assets	14,167
Long-term liabilities	350

2. Accumulated depreciation of tangible fixed assets 570

## Notes to Statement of Income

### 1. Transactions with subsidiaries and affiliates

	(Millions of yen)
Operating revenues	19,293
Selling, general and administrative expenses	2,038
Non-operating transactions	299

## Notes to Statement of Changes in Stockholders' Equity

Type and number of treasury shares at the end of the fiscal year under review

(Thousand shares)

	Number of shares as of March 31, 2009	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2010
Common stock	10,038	1	0	10,039
Total	10,038	1	0	10,039

Note: The increase of 1,000 shares of treasury shares of common stock is due to the purchase of shares constituting less than one unit.

## Notes on Tax Effect Accounting

Breakdown by major cause for the occurrence of deferred tax assets and deferred tax liabilities

(Millions of yen)

Deferred tax assets	
Investments and other	2,221
Long-term other accounts payable	446
Accrued expenses, etc.	162
Others	<u>111</u>
Deferred tax assets subtotal	2,941
Valuation allowance	<u>(2,678)</u>
Total deferred tax assets	263
Deferred tax liabilities	
Tangible fixed assets	(25)
Others	<u>(0)</u>
Total deferred tax liabilities	<u>(26)</u>
Net deferred tax assets	<u>237</u>

## Notes on Fixed Assets Used on Lease

Other than fixed assets written in the balance sheet, some office machines are used based on an agreement for a finance lease other than those that are deemed to transfer ownership of the leased property to the lessee.

## Notes on Transactions with Related Parties

Subsidiaries and affiliates, etc.

Attributes	Company name	Percentage of voting rights	Relationship with the related party	Transactions	Amount of transactions (Millions of yen)	Account title	Ending balance (Millions of yen)
Subsidiary	Konami Digital Entertainment Co., Ltd.	Direct 100%	Interlocking of directors	Receipt of business management fees	2,666	Trade accounts receivable	1,897
				Lending and borrowing of funds	6,792	Short-term borrowings	6,792
				Interest income Interest expense	11 28		
	Konami Sports & Life Co., Ltd.	Direct 100%	Interlocking of directors	Lending of funds	21,374	Short-term loans	8,805
				Interest income	197	Long-term loans	12,569
				Underwriting for capital increases	4,000	–	–
	Konami Real Estate, Inc.	Direct 100%	Real estate leasing	Payment of office rent	1,421	Prepaid expenses	125
Lease deposit						217	

Note: Transaction terms and the policy, etc. of deciding transaction terms

1. The receipt of business management fees is determined through negotiations, considering the running costs, etc. of the Company as a pure holding company.
2. The lending and borrowing of funds include funds that the Company provides to companies in the Konami Group through the cash management system, and their net ending balance is posted. The interest rates are determined based on the market interest rates and others.
3. The underwriting of capital increases involves the underwriting of 10 million shares at ¥400 per share.
4. Payment of office rent, etc. is determined based on actual prices in the neighboring areas.
5. Consumption taxes are not included in the amount of transactions but are included in the ending balance.

## Notes on Per Share Data

Net assets per share: ¥1,146.50

Net income per share: ¥105.60

## Notes on Significant Subsequent Events

There is no applicable item.

## Independent Auditors' Report

May 11, 2010

The Board of Directors  
KONAMI CORPORATION:

KPMG AZSA & Co.

Masafumi Tanabu (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Hiroto Yamane (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Stockholders' Equity, and notes to the consolidated financial statements of KONAMI CORPORATION for the consolidated fiscal year beginning on April 1, 2009 and ending on March 31, 2010, in accordance with Paragraph 4, Article 444 of the Corporate Law. Responsibility for preparation of these financial statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that an Accounting Auditor obtain reasonable assurance that consolidated financial statements contain no material misstatements. An audit includes an assessment, on a test basis, of the overall presentation of consolidated financial statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of KONAMI CORPORATION and its consolidated subsidiaries for the related consolidated fiscal year, in conformity with accounting principles generally accepted in the United States in compliance with Article 3, Paragraph 1 of the Corporate Accounting Rules Supplementary Provisions (Ordinance of the Ministry of Justice No. 46; December 11, 2009) of Japan (refer to Note of "Basic significant matters 1 regarding preparation of consolidated financial statements" of the notes to consolidated financial statements).

### Additional Information

As described in "Assumptions underlying preparation of consolidated financial statements", the Company has adopted effective April 1, 2009, the U.S. Financial Accounting Standards Board (FASB) Codification Topic 810 "Consolidation" (former SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statement, an amendment of ARB No. 51").

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

## Independent Auditors' Report

May 11, 2010

The Board of Directors  
KONAMI CORPORATION:

KPMG AZSA & Co.

Masafumi Tanabu (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Hiroto Yamane (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the non-consolidated Balance Sheet, Statement of Income, Statement of Changes in Stockholders' Equity, notes to the non-consolidated financial statements, and detailed statements of KONAMI CORPORATION for the 38<sup>th</sup> business year beginning on April 1, 2009 and ending on March 31, 2010, in accordance with Item 1, Paragraph 2, Article 436 of the Corporate Law. Responsibility for preparation of these financial statements and detailed statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that an Accounting Auditor obtain reasonable assurance that non-consolidated financial statements and detailed statements contain no material misstatements. An audit includes an assessment, on a test basis, of the overall presentation of non-consolidated financial statements and detailed statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the non-consolidated financial statements and detailed statements referred to above present fairly, in all material respects, the financial position and results of operations of KONAMI CORPORATION for the business year under review, in conformity with accounting principles generally accepted in Japan.

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

## AUDIT REPORT

Regarding the performance of duties by the Directors for the 38<sup>th</sup> fiscal year from April 1, 2009 to March 31, 2010, the Board of Corporate Auditors hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Corporate Auditor.

### 1. Auditing Methods and Details of Such Methods

The Board of Corporate Auditors established auditing policies, auditing plans, and other relevant matters for the fiscal year under review, and received reports from each Corporate Auditor regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel, and the accounting auditors regarding performance of their duties, and sought explanations as necessary.

Each Corporate Auditor followed the auditing standards of corporate auditors, auditing policies and auditing plans for the fiscal year under review, allocation of duties, and other relevant matters established by the Board of Corporate Auditors, communicated with the Directors, the internal audit department, other employees, and any other relevant personnel, and made efforts to optimize the environment for information collection and audit, and participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, employees, and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions. In addition, we confirmed the details of the resolution of the Board of Directors related to the establishment of the systems to ensure appropriate operations including systems to ensure that the execution of the duties of Directors conform to laws and regulations and the Articles of Incorporation (internal control system), and verified the condition of the systems put in place in accordance with the aforesaid resolution. We reviewed the contents of the basic policy stipulated in Item 3(a) and actions stipulated in Item 3(b) of Article 118 of the Ordinance of Enforcement of the Corporate Law in consideration of the status of discussions held by the Board of Directors, etc..

With respect to subsidiaries, we communicated and exchanged information with directors, corporate auditors, and other relevant personnel of the subsidiaries, received business reports from subsidiaries, and visited their offices and studied their operations and financial positions as necessary.

Furthermore, we monitored and verified whether the accounting auditors maintained their independence and implemented appropriate audits, and we received reports from the accounting auditors regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the accounting auditors that “the system for ensuring that duties are performed properly” (matters set forth in each Item of Article 131 of the Corporate Accounting Rules) is organized in accordance with the “product quality management standards regarding audits” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and its supporting schedules, non-consolidated financial statements and their supporting schedules, as well as consolidated financial statements related to the fiscal year under review.

2. Results of Audit

(1) Results of audit of Business Report

- (a) In our opinion, the Business Report and its supporting schedules are in accordance with the related laws and regulations and the Articles of Incorporation, and fairly represent the Company’s condition.
- (b) With regard to the performance of duties by the Directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation.
- (c) In our opinion, the contents of the resolutions of the Board of Directors regarding the internal control system are fair and reasonable. In addition, we have found no matters on which to remark in regard to the performance of duties of the Directors regarding the internal control system.
- (d) With regard to the basic policy on control of the Company provided in the Business Report, we have found no item worthy of special mention. We recognize that the actions stipulated in Article 118, Item 3(b) of the Ordinance for Enforcement of the Corporate Law mentioned in the Business Report are in line with the basic policy, are not detrimental to the common interests of shareholders and do not support the position of the executive officers of the Company.

(2) Results of audit of non-consolidated financial statements and their supporting schedules

In our opinion, the methods and results of audit employed and rendered by KPMG AZSA & Co., accounting auditors, are fair and reasonable.

(3) Results of audit of consolidated financial statements

In our opinion, the methods and results of audit employed and rendered by KPMG AZSA & Co., accounting auditors, are fair and reasonable.

May 12, 2010

Board of Corporate Auditors  
KONAMI CORPORATION

Standing Corporate Auditor	Noboru Onuma	(Seal)
Corporate Auditor	Tachio Ohori	(Seal)
Corporate Auditor	Masaru Mizuno	(Seal)
Corporate Auditor	Shogo Sasabe	(Seal)

Note: Corporate Auditors Messrs. Noboru Onuma, Tachio Ohori, Masaru Mizuno and Shogo Sasabe are external corporate auditors as provided for in Article 2, Item 16 and Article 335, Paragraph 3 of the Corporate Law.

## Reference Materials Concerning the Exercise of Voting Rights

### Proposal 1: Election of seven members to the Board of Directors

Because the terms of office for all seven Directors expire at the conclusion of this General Meeting of Shareholders, this proposal requests the election of seven Directors.

Candidates for the new Board are as follows:

	Name (Date of birth)	Resume, position and areas of responsibility at the Company, and significant concurrent positions outside the Company	Shares of the Company's stock owned
1	Kagemasa Kozuki (Nov. 12, 1940)	<p>Mar. 1969    Founded Konami Industries</p> <p>Mar. 1973    Established Konami Industries Co., Ltd. (current KONAMI CORPORATION)</p> <p>Jun. 1987    Representative Director and Chairman of the Board</p> <p>Jun. 1994    Representative Director and Chairman of the Board, President (to present)</p> <p>Significant concurrent position Chairman of the Board of Directors, Kozuki Foundation For Sports and Education</p>	122,190
2	Noriaki Yamaguchi (Jan. 26, 1944)	<p>Jun. 1994    Joined the Company</p> <p>Jun. 1994    Managing Director in charge of International Business Division</p> <p>Jul. 1995    Managing Director in charge of Administration Division</p> <p>Feb. 1996    Managing Director in charge of Finance and Accounting Division</p> <p>Jun. 2000    Director and Executive Corporate Officer Finance and Accounting Division</p> <p>Jun. 2001    Representative Director and Executive Corporate Officer Finance and Accounting Division</p> <p>Jan. 2003    Representative Director and Executive Corporate Officer, Vice President</p> <p>Apr. 2007    Representative Director, Vice President</p> <p>Jun. 2009    Representative Director, and Executive Corporate Officer, Vice President (to present)</p>	59,024
3	Kimihiko Higashio (Sep. 24, 1959)	<p>Dec. 1997    Joined the Company</p> <p>Jan. 2000    Executive Corporate Officer (Kansai Region Representative)</p> <p>May 2003    Executive Corporate Officer (Division President, Human Resources)</p> <p>Jun. 2005    Director and Division President, Human Resources</p> <p>May 2008    Representative Director, Vice President</p> <p>Jun. 2009    Representative Director and Executive Corporate Officer, Vice President (to present)</p> <p>Significant concurrent position: Director, Kanto IT Software Health Insurance Association</p>	24,140

	Name (Date of birth)	Resume, position and areas of responsibility at the Company, and significant concurrent positions outside the Company	Shares of the Company's stock owned
4	Takuya Kozuki (May. 19, 1971)	Nov. 1997 Director and Vice President, Konami Computer Entertainment America, Inc. Oct. 2001 Director and President, Konami Corporation of America Oct. 2002 Director and Chairman, Konami Computer Entertainment Hawaii, Inc. and Director and Chairman, Konami Corporation of America Jun. 2009 Director of the Company (to present)	13,954
5	Tomokazu Godai (Oct. 6, 1939)	May 1992 Director of the Company (to present)  Significant concurrent positions Representative Director and Chairman of the Board, MAYATEC Co., Ltd. External Director, HUDSON SOFT CO., LTD.	10,184
6	Hiroyuki Mizuno (Apr. 20, 1929)	Jun. 1990 Vice President, Matsushita Electric Industrial Co., Ltd. (current Panasonic Corporation) Aug. 1994 Adjunct Professor, Stanford University Jun. 2001 Director of the Company (to present)  Significant concurrent positions Director, Hiroshima Prefectural Institute of Industrial Science and Technology External Director, MegaChips Corporation	10,191
7	Akira Gemma (Aug. 1, 1934)	Jun. 1997 Representative Director and President, SHISEIDO Co., Ltd. Jun. 2001 Representative Director and Corporate Officer, Chairman of the Board Jun. 2003 Senior Corporate Adviser (to present) Jun. 2004 Director of the Company (to present)  Significant concurrent positions External Director, Kirin Holdings Company, Limited External Director, NKSJ Holdings, Inc.	8,000

Notes: 1. No special conflicts of interest exist between the Company and the proposed candidates for director.

2. Mr. Kimihiko Higashio will assume the position of External Director of RESORT SOLUTION CO., LTD. effective June 29, 2010.

3. Messrs. Tomokazu Godai, Hiroyuki Mizuno and Akira Gemma are the candidates for external directors. The Company has appointed Mr. Tomokazu Godai as Independent Director as provided for in the regulations of the Tokyo Stock Exchange, Inc. and notified the person to the Exchange.

4. Matters concerning the candidates for external directors are as follows:

(1) Reasons for appointing them as the candidates for external directors

We have decided to appoint these persons as candidates for external directors based on our judgment that each would make a significant contribution to the management of the Company as external directors, given their considerable experience, achievements and insight as managers of business corporations and given that they are in an objective position, independent of the executive management of the Company.

(2) Number of years since assuming the post of external director of the Company (until the conclusion of this General Meeting of Shareholders)

Tomokazu Godai: 18 years

Hiroyuki Mizuno: 9 years

Akira Gemma: 6 years

(3) Overview of the Limited Liability Contract

The Company has entered into a limited liability contract with Messrs. Tomokazu Godai, Hiroyuki Mizuno and Akira Gemma with respect to their liabilities provided for in Article 423, Paragraph 1 of the Corporate Law. Under this contract, the liabilities of three persons shall be limited to the aggregate total of the amounts stipulated in Article 425, Paragraph 1 of the said law. If these three persons are elected, the Company will renew the contract with each of them.

**Proposal 2: Continuation and Partial Revision of the Countermeasures to Large-Scale Acquisitions of KONAMI CORPORATION Shares (Takeover Defense Measures)**

The Company introduced a plan for countermeasures against large-scale acquisitions of the Company shares (takeover defense measures) (the “Current Plan”), based on the approval of its shareholders at the 35th Ordinary General Meeting of Shareholders held on June 28, 2007. The Current Plan is scheduled to expire at the conclusion of this general meeting.

In order to ensure and enhance the corporate value of the Company and the common interests of shareholders, the Company has continued to review the Current Plan following its introduction, in light of recent developments in takeover defense measures.

As a result of this review, the Company has determined to modify certain elements of the Current Plan (the revised takeover defense measures shall be referred to as “the Plan”) and renew the plan. Therefore, in accordance with the rules of the Current Plan, the Company seeks the approval of the shareholders to that effect. Modifications made to the Current Plan and the contents of the Plan are as described below.

The Plan has been approved by the Independent Committee.

**Modifications to the Current Plan**

- (i) As modified, the Plan specifies that, when implementing the takeover defense measures, the Company is able to confirm the shareholders’ intent at a General Meeting of Shareholders, if such is the recommendation of the Independent Committee or the decision of the board of directors.
- (ii) Further, it is now specified that, in implementing the takeover defense measures, the Company shall not provide economic benefits, such as monetary payments etc., to Nonqualified Persons (defined in Part III 3, (7) “Outline of countermeasure (gratis allotment of the Stock Acquisition Rights)”, (viii) of the Plan).
- (iii) Required revisions have been made to reflect the scheme for computerization of share certificates and the enactment of the Financial Instruments and Exchange Law in revision of the Securities and Exchange Act.
- (iv) The Plan permits that, where appropriate due to changes to laws and regulations, etc., necessary revisions to the Plan may be made by decision of the board of directors, based on the approval of the Independent Committee.
- (v) Other changes have been made in order to improve readability.

**Countermeasures Against Large-Scale Acquisition of the Company Shares  
(Takeover Defense Measures)**

**I. Basic policy regarding the persons who control the decisions on the company’s financial and business policies**

The Company believes that the persons who control decisions on the Company’s financial and

business policies need to fully understand the Company's financial and business operations and the sources of its corporate value, and must be able to ensure and enhance the corporate value of the Group and the common interests of its shareholders on an ongoing basis.

The Company will not unconditionally reject a large-scale acquisition of its shares if it would contribute to the corporate value of the Group and the common interests of shareholders. The Company believes that the final decision on acceptance of a large-scale acquisition should ultimately be made by its shareholders as a whole.

Nevertheless, in many cases, large-scale acquisitions do not contribute to the corporate value of the target company and the common interests of shareholders. This is the case, for example, with acquisitions conducted with a purpose that would obviously harm the corporate value and the common interests of its shareholders, those that may effectively force shareholders to sell their shares, those that do not provide sufficient time and information for the board of directors or shareholders of the target company to consider the terms of the acquisition, or for the target company's board of directors to offer an alternative proposal, and those that require negotiation with the acquirer in order to procure conditions more favorable than those originally proposed by the acquirer.

If a large-scale acquirer is not able to understand the Company's financial and business operations, or if it is not able to ensure and enhance the sources of corporate value (stated below) in the mid-to-long term based on an understanding of said sources, then the corporate value of the Company and the common interests of its shareholders would be harmed. The Company believes that in order to ensure the corporate value of the Company and the common interests of its shareholders it must take necessary and reasonable countermeasures against large-scale acquisitions that may harm the corporate value of the Company and the common interests of its shareholders.

## **II. The sources of the company's corporate value and special measures that will contribute to the realization of the basic policy**

In order to enable shareholders and investors to invest in the Company on a long term and ongoing basis, we will implement the measures stated in sections 2. and 3. below, based completely on the corporate goal of the Company and its sources of corporate value stated in 1. below, as initiatives to ensure and enhance the corporate value of the Company and the common interests of shareholders. We believe that this will contribute to the realization of the basic policy stated in Part I. above.

### **1. Corporate Goal and the Sources of the Company's Corporate Value**

#### **(1) Corporate Goal**

As its corporate goal, the Group aims, through the creation and provision of "valuable time", to be a business group in which people can always place their expectations. Our fundamental management policies are to maintain a shareholder-focused approach, and to maintain a sound relationship with all stakeholders and contribute to society as a good corporate citizen. In order to implement these policies, and to do so pursuant to the specific management principles of international standards, fair competition, and the pursuit of high profits, we will endeavor to ensure and enhance the corporate value and the common interests of

shareholders by further working toward optimal use of the Group's management resources and continuous and stable growth and expansion of the sources of corporate value stated in sub-section (2) below.

## **(2) Sources of Corporate Value**

In the continually evolving field of entertainment, the Company has continued to move with the times and embrace new challenges. Founded in 1969, we have been manufacturing and marketing amusement arcade machines since 1973. In the 1980s, we began creating video game software for home use. In 1997, we entered the casino gaming machine market. Moreover, since 2001, we have been preparing to meet the needs of Japan's aging society by entering the field of health, which is an area of expected growth in demand and increasing interest. To this end, we have been developing our Health Service Business.

Thus, over the past 40 years, the Company has cultivated its sources of corporate value in the business areas of "entertainment" and "health". In the field of entertainment, as a leading digital entertainment company, we have developed creative ways of thinking, technology and production know-how and, in this way, we have accumulated digital content assets. In the field of health, we have gained expertise from operating one of Japan's largest fitness club networks, comprised of 327 facilities nationwide (211 directly managed fitness clubs, 116 fitness clubs managed on behalf of other organizations) as of March 2010, and our capabilities as a manufacturer enable us to develop and manufacture original fitness machines that utilize the Company's production expertise, as well as plan and develop, in-house, various supplements and other products.

We continue to strive for further grow and expand our sources of corporate value in the areas of entertainment and health.

## **2. Approaches based on Mid-to-Long Term Management Strategies**

The Company moved to a holding company structure on March 31, 2006, with management and executive functions clearly separated, in order to maximize the products and services that the Company produces in the areas of entertainment and health. We endeavor to enhance corporate value by establishing a corporate structure that can respond quickly to changes in users' demands.

With regard to the Digital Entertainment Business, in today's world, where network infrastructures are developing and there are ever-increasing opportunities for people to come into contact with digital content, the Company aims to provide products and services that provide genuine amusement to people across the globe by clearly identifying customer needs, drawing on our accumulated production know-how and digital content, and by demonstrating outstanding creativity. We will continue to focus on not only the matured game software market in Japan, but also the large game software market in the U.S. and Europe. By enlisting talented overseas creators and conducting joint-development with major overseas production studios, we aim to create our own original global franchise titles, fusing our Company's strength in game design, which involves technology that pursues the intrinsic interest factor of games, with the technology design capabilities possessed by production studios in the U.S. and Europe.

Furthermore, with the establishment of online environments in various platforms, such as video game systems, amusement arcade machines, mobile phones and personal computers, and the demand for new

forms of gameplay that focus on network connections, we continue to actively pursue download sales from gaming machines, mobile phones and smartphones etc. equipped with network functions.

In the Gaming & System Business, by further enhancing cooperation between development bases in North America, Australia and Japan and taking every opportunity to incorporate the technology and expertise we have accumulated in the entertainment field into the manufacture of gaming machines and the development of systems, we will bring to the market fresh, groundbreaking gaming machines that enrich the entertainment value of casinos. Observing the trend of globalization in the casino industry, we are aim to shift from a regional strategy to a global strategy. In the U.S., the world's largest casino market, more states are expected to lift the prohibition on casinos, which raises the prospect of further expansion of the North American market. We plan to increase market share by reliably supplying high-quality products and services that harness the digital entertainment technology of the Group. In addition to North America and Australia, in which we have established a platform for operations, we have also become more active in expanding into the casino markets of Central and South America and the Asian region, where future expansion appears likely.

In the Health Services Business, we strive to accurately grasp the multiplicity of customer needs, and add great value to the "Konami Sports Club" through provision of lifestyle advice. By making the most of our strengths in operating one of Japan's largest fitness club networks, comprised of more than 300 facilities nationwide, we aim to promote the Health Service Business, generating synergies from the enhancement of facility programs, the incorporation of information technology in health management, and the offering of a more extensive range of products etc. Against the background of an aging society and efforts to prevent lifestyle-related diseases etc., society as a whole is becoming more health-conscious, and we are working to develop our facilities, sales etc., and expand our products and services, in accordance with regional characteristics and customer needs, and to advance initiatives to support health maintenance and promotion both inside and outside the facilities, in response to changes in the health business environment.

In addition to the existing Digital Entertainment Business, Gaming & System Business and Health Service Business, the Group aims to provide the most appropriate management resources, with a view to new fields of expected growth in the mid-to-long term.

### **3. Reinforcement of Corporate Governance**

It is essential for the Company to ensure open and transparent management in order to achieve the corporate goal and the management policies mentioned above and, as set forth below, we are striving to further strengthen the business management structure and effectively utilize this structure in our daily operations.

With respect to our governance structure, three out of our seven directors are external directors and all four statutory auditors are external statutory auditors. Furthermore, we have set a one year term of office for directors. Thus, with respect to the composition of officers and the setting of the term of office, we are implementing concrete measures for reinforcement of corporate governance.

In 2002, the Company listed on the New York Stock Exchange, which has exacting listing standards. Since then, we have developed internal control systems in response to the U.S. Sarbanes-Oxley Act, which was enacted to strengthen regulation for corporate governance and disclosure. Through such

initiatives, we have strengthened the internal control systems that prevent improprieties and errors. In the future, the whole Group will make a concerted effort to realize even stronger corporate governance systems.

Moreover, with regard to compliance as part of the reinforcement of corporate governance, we have established our group-wide Konami Group Conduct Charter and the Konami Group Code of Business and Ethics, and we work towards common knowledge and awareness of compliance by informing each director and employee about compliance principles. Further, to prevent corporate corruption, we encourage the use of an internal notification system and rigorously protect the privacy of informants.

In 2000, the Company became the first Japanese company to obtain a license from the state of Nevada, in the United States, for the manufacture and sale of casino gaming machines. As of March 2010, we had obtained licenses in 36 states and provinces in North America. The acquisition of such licenses is subject to highly exacting examination procedures, which the Company has satisfied. These licenses not only entail thorough investigations of applicant companies but also require continuous strict compliance by individual executives. The Company strives to maintain strict compliance on an ongoing basis.

### **III. The Purpose and Content of the Plan**

#### **1. Purpose of the Plan**

The Plan is to be introduced for the purpose of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, in accordance with the basic policy stated in Part I. above, and as a revision of the current plan. The Company's board of directors considers that the decision on whether or not to accept any proposed Large-scale Acquisition of shares in the Company should be made by the shareholders. However, in accordance with the basic policy, the Company considers that a party that conducts a Large-scale Acquisition of shares in the Company which does not contribute to the corporate value of the Company and the common interests of shareholders is inappropriate as a party to control the decisions on the Company's financial and business policies. The Plan is intended to prevent decisions on the Company's financial and business policies from being controlled by inappropriate parties, and to deter Large-scale Acquisitions that would be adverse to the corporate value of the Company and the common interests of shareholders and, specifically, it aims to enable the Company's Board of Directors on the occasion of a Large-scale Acquisition to present an alternative plan to the shareholders, to ensure that there is the necessary time and information for shareholders to judge whether or not to accept the Large-scale Acquisition and to negotiate for benefit of the shareholders.

We note that, as of March 31, 2010, approximately 26% of the issued shares of the Company (excluding treasury shares) are held by entities etc. with which officers of the Company are associated. Since the Company is a publicly traded company, it is entirely possible that, in the future, these shareholders may decide to transfer their shares in the Company. Further, as part of the process of growing the Group hereafter, the Company may decide to raise funds from capital markets, in which case the shareholding ratio of such shareholders would be reduced.

In view of the above, we believe that the liquidity of the shares issued by the Company will increase further, and that, as a result of such increase, it is entirely possible that Large-scale Acquisitions adverse to the corporate value of the Company and the common interests of its shareholders may occur.

At this time, the Company has not received any Large-scale Acquisition proposals.

## **2. Procedure and Schedule of the Plan**

When the Plan is introduced after revision of the Current Plan, in order to properly reflect the shareholders' intent, the Plan shall be subject to approval by resolution of the 38<sup>th</sup> General Meeting of Shareholders scheduled for June 29, 2010.

## **3. Content of the Plan**

### **(Outline of the Plan)**

The Plan in outline is that the Company's board of directors shall, with respect to a party intending to conduct a Large-scale Acquisition as defined in (1) below (such party, hereinafter, a "Large-scale Acquirer") (i) prior to the acquisition, request provision of Large-scale Acquisition information, including the purpose, method and terms of the Acquisition, basis for calculating the purchase price etc., (ii) fully evaluate and review the Large-scale Acquisition information during the acquisition evaluation period (the "Acquisition Evaluation Period", defined in (3) below), which shall be a 60 day or 90 day period depending on the type of Large-scale Acquisition, (iii) disclose its opinion and present the alternative plan etc., to the shareholders, and conduct negotiations with the Large-scale Acquirer and after these specific procedures of evaluation, review and negotiation, it may be possible for the Large-scale Acquirer to conduct the Large-scale Acquisition (the above (i)-(iii) are the "Large-scale Acquisition Rules").

After which, the Company's board of directors shall, (iv) if the Large-scale Acquirer does not comply with the Large-scale Acquisition Rules, implement the appropriate measures to resist the Large-scale Acquirer, as provided for in the Company Law or any other laws and the Articles of Incorporation of the Company, such as a gratis allotment of Stock Acquisition Rights with conditions for exercise that are discriminatory with respect to the Large-scale Acquirer; or (v) if the Large-scale Acquirer does comply with the Large-scale Acquisition Rule, in principle, the Company's board of directors shall not take countermeasures against the Large-scale Acquirer; although, in exceptional circumstances, if it is determined that the proposed Large-scale Acquisition would have material adverse effect on the corporate value of the Company and the common interests of its shareholders, the Company's board of directors may take countermeasures.

The Company shall, in order to prevent arbitrary decisions by the directors with respect to propriety of the countermeasures and specific methods, etc., in accordance with independent committee rules (this outline, as per Exhibit 1 "Outline of the Independent Committee Rules"), establish an independent committee composed solely of outside directors etc., who are independent of the Company's management (the members of the independent committee, as per Exhibit 2 "Names and Career Summary of Members of the Independent Committee"), in order to obtain their objective judgment. The Company's board of directors will respect the recommendation of the Independent Committee to the maximum extent possible. In addition, if the necessary conditions for the specific countermeasures in this Plan are satisfied, a General Meeting of Shareholders shall be held to confirm the intent of the shareholders.

(1) Targeted Large-scale Acquisition

The Plan shall apply if either of the following (a), (b) or similar, occurs, or if there is a proposal for such action (hereinafter, a “Large-scale Acquisition”); provided, however, this shall not apply in cases where the Company’s board of directors has agreed in advance to the acquisition.

- (a) An Acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)<sup>1</sup> of a holder (*hoyuusha*)<sup>2</sup> amounting to 20% or more of the share certificates, etc. (*kabuken tou*)<sup>3</sup> issued by the Company; or
- (b) A public acquisition<sup>4</sup> that would result in the owning ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*)<sup>5</sup> of the person who conducts such public acquisition and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)<sup>6</sup> totaling at least 20% of the share certificates, etc. (*kabuken tou*)<sup>7</sup> issued by the Company.

The total number of voting rights (defined in Article 27-2(8) of the Financial Instruments and Exchange Act of Japan) and the total number of shares issued (defined in Article 27-23(4) of the Financial Instruments and Exchange Act of Japan) used for the calculation of each stock certificate, etc. owned shall be those written in the annual securities report, quarterly report, status report on the purchase of the Company’s own shares, and other documents that were most recently filed in accordance with the Financial Instruments and Exchange Act of Japan.

(2) Request for the provision of Large-scale Acquisition information

The Company will require every Large-scale Acquirer to submit to the Company’s board of directors, in a form prescribed by the Company, before effecting the Acquisition, a written undertaking that the Large-scale Acquirer will comply with the procedures established by the Large-scale Acquisition Rule (hereinafter the “Statement of Intention”). Within 10 business days<sup>8</sup> from the receipt of such Statement of Intention, the Company shall deliver to the Large-scale Acquirer a list of the Large-scale Acquisition information that should be provided initially by the

---

<sup>1</sup> Defined in Article 27-23(4) of the Financial Instruments and Exchange Act of Japan. This definition is applied throughout this document.

<sup>2</sup> Including persons described as a holder under Article 27-23(3) of the Financial Instruments and Exchange Act of Japan (including persons considered to fall under this provision by the board of directors of the Company). This definition is applied throughout this document.

<sup>3</sup> Defined in Article 27-23(1) of the Financial Instruments and Exchange Act of Japan. Unless otherwise provided for in this document, this definition is applied throughout this document.

<sup>4</sup> Defined in Article 27-2(6) of the Financial Instruments and Exchange Act of Japan. This definition is applied throughout this document.

<sup>5</sup> Defined in Article 27-2(8) of the Financial Instruments and Exchange Act of Japan. This definition is applied throughout this document.

<sup>6</sup> Defined in Article 27-2(7) of the Financial Instruments and Exchange Act of Japan (including persons considered to fall under this provision by the board of directors of the Company); provided, however, that persons provided for in Article 3(1) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7) (i) of the Securities and Exchange Act of Japan. This definition is applied throughout this document.

<sup>7</sup> Defined in Article 27-2(1) of the Securities and Exchange Act of Japan. This definition is applied in (b).

<sup>8</sup> Business day means the days other than the days defined in Article 1 (1) of the Act on Holidays of Administrative Organs. This definition is applied throughout this document.

Large-scale Acquirer. If the Company's board of directors determines that the information provided is insufficient, it may fix an appropriate deadline for response and request the Large-scale Acquirer to provide additional Large-scale Acquisition information after consulting to the Independent Committee as necessary. The fact that there is a proposal for a Large-scale Acquisition, as well as the information provided to the Company's board of directors, shall be disclosed in whole or in part at a time deemed appropriate if it is considered necessary for the shareholders' evaluation.

In outline, the Large-scale Acquisition information to be provided by the Large-scale Acquirer is as follows:

- (a) Details (specifically including name, capital structure, financial position, operating results, any previous legal violations and details thereof and details of previous deals similar to this Large-scale Acquisition by a Large-scale Acquirer) of the Large-scale Acquirer and its group (including joint holders<sup>9</sup>, persons having a special relationship and, in the case of funds, partners and other constituent members).
- (b) The purpose, method and terms of the Acquisition (including the price and type of the consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the feasibility of the Acquisition).
- (c) The basis for the calculation of the purchase price of the Acquisitions (including the underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, and the details and calculation base of any expected synergistic effect from any series of transactions relating to the Acquisition (including the synergistic effect that is to be shared with other shareholders) as employed in the calculation).
- (d) Financial support for the Acquisition (specifically including the name, financing methods and the terms of any related transactions of the funds providers for the Acquisition (including all indirect funds providers))
- (e) Post-Acquisition management policy, business plan, financial plan, capital and dividend policies for the Company and the Group.
- (f) Post-Acquisition policies dealing with the Company's and the Group's employees, trade unions, customers, business partners, local community and any other stakeholders.
- (g) Specific measures to avoid any conflict of interest with other shareholders in the Company
- (h) Items regarding compliance with the "Act on Prohibition of Private Monopolization and Maintenance of Fair Trade" and other laws.
- (i) Any other information that the Company's board of directors or the Independent Committee reasonably considers necessary

All the information provided, notice/contact to and negotiation with the Company's board of directors, including the Statement of Intention, only if in Japanese, shall be deemed to be valid.

---

<sup>9</sup> Joint holder means a joint holder defined in Article 27-23(5) of the Financial Instruments and Exchange Act of Japan, including persons who are deemed to be joint holders under Article 27-23(6) of the Act (including persons considered to fall under such by the board of directors of the Company). This definition is applied throughout this document.

(3) Evaluation and Consideration of Acquisition terms

(i) Evaluation and Consideration by the Company's board of directors

The Company's board of directors shall, after the Large-scale Acquirer completes the provision of the Large-scale Acquisition information to the Company's board of directors, have the following period of time for evaluation, consideration, negotiation, opinion-making and preparation of an alternative proposal (hereinafter the "Evaluation Period for the Acquisition") in accordance with the relevant type of evaluation and consideration of the Large-scale Acquisition. The Large-scale Acquirer shall not be permitted to commence the Large-scale Acquisition until the Evaluation Period of Acquisition elapses.

- (a) In cases of acquisition of all of the Company's share certificates, etc. through a tender offer with the consideration being cash in Japanese Yen alone: 60 days
- (b) In all other Large-scale Acquisition cases: 90 days

During the Evaluation Period for the Acquisition, the Company's board of directors will fully evaluate the Large-scale Acquisition information provided while, as deemed necessary, receiving advice from outside experts (including financial advisors, certified public accountants, lawyers, consultants and other experts), and shall carefully prepare and publish the Company's opinion. Further, the Company's board of directors may negotiate the terms of the Acquisition with the Large-scale Acquirer as necessary and may present its own alternative plan to the shareholders.

(ii) The Independent Committee consideration and recommendation to the Company's board of directors

The Company's board of directors, in addition to the evaluation and consideration described in (i) above, upon taking receipt of the Large-scale Acquisition information from the Large-scale Acquirer, will consult the Independent Committee on consideration of the terms of Large-scale Acquisition, information gathering and comparative investigation regarding business plans of the Company's board of directors and the Large-scale Acquirer, and propriety of taking countermeasures.

The Independent Committee shall, during the Evaluation Period for the Acquisition, evaluate the terms of the Acquisition from the perspective of securing and improving the Company's corporate value and common interests of the shareholders and, in accordance with "Countermeasure Policy for Large-scale Acquisitions" described in chapter (4) below, make recommendations, including as to the propriety of taking countermeasures, to the Company's board of directors.

The Independent Committee may, as necessary, receive advice from outside experts with respect to the terms of Acquisition, or its recommendation to the board of directors etc. Additionally, if the Independent Committee, itself or through the Company's board of directors, requests that the Large-scale Acquirer provide materials for consideration or any other

information or discuss and negotiate with the Independent Committee, the Large-scale Acquirer shall promptly respond to such request.

In the event that the Independent Committee does not reach a recommendation for either the implementation or non-implementation of countermeasures by the expiry of the Evaluation Period for the Acquisition, the Independent Committee will, to the reasonable extent that is necessary for actions such as consideration of the terms of Large-scale Acquisition, negotiation with Large-scale Acquirer and preparation of alternative proposal, pass a resolution to extend the Evaluation Period of Acquisition. In that case, the Company shall promptly disclose the specific period of extension to the shareholders and the reason for such extension.

(4) Countermeasure policy in response to the Large-scale Acquisition

(i) In the case where a Large-scale Acquirer does not comply with the Large-scale Acquisition Rule

If a Large-scale Acquirer does not comply with the Large-scale Acquisition Rule (hereinafter the “Reason for Action 1”), regardless of the specific acquisition method, the board of directors may take the appropriate measures as countermeasures to the Large-scale Acquisition in order to protect the corporate value of the Company and the common interests of the shareholders. As one such measure, the Company may implement the gratis allotment of Stock Acquisition Rights asset out below at section 7, ‘Outline of Countermeasures’.

(ii) In the case where a Large-scale Acquirer complies with the Large-scale Acquisition Rule

If a Large-scale Acquirer complies with the Large-scale Acquisition Rule, the board of directors will not, in principle, trigger the countermeasures to the Large-scale Acquisition even if it opposes such Acquisition. However, the board of directors may express opposition to the Large-scale Acquisition, offer alternative proposals or persuade the shareholders not to accept such Acquisition. The shareholders will be required to determine whether to accept the acquisition proposal of the Large-scale Acquirer, taking into consideration the details of such proposal of Acquisition and the opinions of the Company’s board of directors with respect thereto and the alternative proposal presented by the Company.

However, even if the Large-scale Acquirer complies with the Large-scale Acquisition Rule, if it is deemed that the Large-scale Acquisition would have material adverse effect to the corporate value of the Company and the common interests of the shareholders (hereinafter the “Reason for Action 2”), the Company’s board of directors may take appropriate measures to protect the corporate value of the Company and the common interests of the shareholders as countermeasures to such Acquisition. As one such measure, the Company may implement the gratis allotment of Stock Acquisition Rights set out below in section (7), ‘Outline of Countermeasures’. This applies in the event that the Large-scale Acquisition falls under any of the items below and has a material adverse effect on the corporate value

of the Company and the common interests of the shareholders. If the Large-scale Acquisition does not fall under any of the items below or it is considered that it does not have any material adverse effect on the corporate value of the Company and the common interests of the shareholders, the Company will not trigger the countermeasures.

- (a) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company at an inflated price;
- (b) Management that achieves an advantage for the Large-scale Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets;
- (c) Diversion of the Company's assets to secure or repay debts of the Large-scale Acquirer or its group company;
- (d) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends;
- (e) Certain acquisitions that threaten to have the effect of forcing shareholders into selling share certificates, such as coercive two-tiered tender offers (meaning acquisitions of share certificates including tender offers that do not offer to acquire all shares in the initial acquisition, and set unfavorable acquisition terms for the second stage or do not set clear terms for the second stage);
- (f) Acquisitions whose terms (including amount and type of consideration, the acquisition schedule, the legality of the acquisition method, the probability of the acquisition being effected) are significantly inadequate or inappropriate in light of the Company's intrinsic value; or
- (g) Acquisitions that materially threaten to harm the corporate value of the Company and, in turn, the common interests of shareholders by destroying relations with stakeholders of the Company such as employees, customers, business partners and creditors, which are indispensable for continued increases in corporate value.

- (5) Resolutions of the Company's board of directors and holding of the shareholders' meeting
- In accordance with the countermeasure policy in section (4) above, the Company's board of directors will pass a resolution relating to the implementation or non-implementation of the countermeasures taking into consideration any opinions of external experts and respecting the recommendation of the Independent Committee to the maximum extent. For the board of directors resolution to implement the countermeasures, prior majority approval of the auditors shall be required. Promptly after passing such resolution, the Company's board of directors will disclose an outline of its resolution, an outline of recommendations of the Independent Committee, and any other matters that the board of directors considers appropriate. However, the Company's board of

directors may call a shareholders' meeting to confirm the shareholders' intention relating to the implementation of the countermeasures if (i) the Independent Committee recommends that the Company obtains the consent of the shareholders prior to implementation of the countermeasures, or (ii) there is a doubt as to whether the Reason for Action 2 defined in section (4)(ii) is applicable, and the Company's board of directors determines that, taking the time needed to hold a shareholders' meeting into account and in accordance with the Company's basic policy to ensure the corporate value of the Company and the common interests of the shareholders, it is appropriate to seek the approval of the shareholders.

(6) Suspension of the triggering of countermeasures

The board of directors may hold discussions or negotiations with the Large-scale Acquirer as necessary and, even after the board of directors has determined to proceed with the gratis allotment of Stock Acquisition Rights as a countermeasure, if the board of directors determines that it is not reasonable to trigger the countermeasure, including in cases where the Large-scale Acquirer offers a material change in the matters upon which the decision on the acquisition proposal was made, and the Large-scale Acquisition does not exist, in principle, it may suspend countermeasures such as the gratis allotment of Stock Acquisition Rights, but only before any determination of the rights of Shareholders arising from implementation of the countermeasures. With regard to the effects on the shareholders and investors in the case of such suspension of triggering countermeasures, please see section V. 2 set out below.

(7) Outline of countermeasures (gratis allotment of the Stock Acquisition Rights)

An outline of the gratis allotment of the Stock Acquisition Rights as a countermeasure to the Large-scale Acquisition in the Plan follows below:

(i) Shareholders eligible for allotment and number of the Stock Acquisition Rights

The Company will implement a gratis allotment of the Stock Acquisition Rights to those shareholders other than the Company who are recorded in the Company's final register of shareholders on a certain date determined by the Company's board of directors (the "Record Date of Allotment"), at a ratio of one Stock Acquisition Right for every share held.

(ii) Effective date of gratis allotment of the Stock Acquisition Rights

The Company's board of directors will determine the effective date of the gratis allotment of the Stock Acquisition Rights in the gratis allotment resolution.

(iii) Type and number of shares to be acquired upon exercise of the Stock Acquisition Rights

The type of shares to be acquired upon exercise of Stock Acquisition Rights shall be common stock of the Company, and the number of shares in the Company to be acquired upon exercise of each Stock Acquisition Right shall be the number determined by the board of directors, which shall be less than one share per Stock Acquisition Right; provided, however, that if the

Company conducts a stock split or reverse stock split, it shall make the necessary adjustments.

(iv) Total number of the Stock Acquisition Rights for allotment

The total number of Stock Acquisition Rights for allotment will be the number determined by the board of directors, which shall be less than or equal to the number of issued shares of the Company on the Record Date of Allotment (excluding the number of treasury shares held by the Company held at that time).

(v) The amount to be contributed upon exercise of the Stock Acquisition Rights

The amount to be contributed upon exercise of each Stock Acquisition Right shall be the amount determined by the board of directors, which shall be no less than one (1) Japanese Yen per share.

(vi) Restriction of assignment of the Stock Acquisition Rights

Any acquisition of Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.

(vii) Exercise period of the Stock Acquisition Rights

The commencement date will be a date determined by the Company's board of directors in the gratis allotment resolution, and the period for exercise will be one to three months in duration as determined by the Company's board of directors.

(viii) Conditions for Exercise of Stock Acquisition Rights

Principally, the following parties (a) through (d) below (the "Nonqualified Persons") may not exercise the Stock Acquisition Rights:

- (a) the Large-scale Acquirer(s);
- (b) joint holders of the Large-scale Acquirer(s);
- (c) persons having a special relationship with the Large-scale Acquirer(s); or
- (d) any affiliated party of any party falling under (a) through (c) (a person that substantially controls, or is controlled by, or is under common control with such party, or a party deemed by the Company's board of directors to act in concert with such party).

In addition, nonresidents who are required to comply with specified procedures under applicable foreign laws upon exercise of the Stock Acquisition Rights may not, in principle, exercise the Stock Acquisition Rights (however, the Stock Acquisition Rights retained by nonresidents are subject to the Acquisition in exchange of the Company's shares as described in (ix) below).

(ix) Acquisition of the Stock Acquisition Rights by the Company

The Company may set conditions of acquisition which provide that the Company may

acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to a date determined by the Company's board of directors, insofar as such rights are held by parties other than Nonqualified Persons and that, in exchange, the Company shall deliver to such parties one share of the Company per Stock Acquisition Right sp acquired. If, after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any party holding the Stock Acquisition Rights other than the Nonqualified Persons, the Company may, on a day falling on a date determined by the Company's board of directors after the date upon which the acquisition by the Company takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to a date separately determined by the Company's board of directors (if any) and, in exchange, deliver shares of the Company in the number of the applicable Number of Shares for every Stock Acquisition Right. The same will apply thereafter.

In addition, the Company will not deliver any economic profit such as purchasing of Stock Acquisition Rights by money etc. to the Nonqualified Persons in exercising the Plan.

#### **4. Effective period and amendment and abolition of the Plan**

The Plan will become effective upon approval by majority of voting rights of the shareholders present at the 38<sup>th</sup> Ordinary General Meeting of Shareholders to be held on June 29, 2010. If the Plan is approved at the meeting, its shall be effective for a period of three (3) years from the end of such meeting to the end of the ordinary general meeting of shareholders for the fiscal year ending March 2013. However, if the board of directors passes a resolution to abolish the Plan, even during the effective period of the Plan, based on the recommendation of the Independent Committee or the board of directors' own decision, the Plan will be abolished at that time. In addition, even during the effective period of the Plan, if the resolution concerning the amendment or abolition the Plan passed at the general meeting of shareholders, the Plan will be amended or abolished at that time in accordance with such resolution.

Furthermore, even during the effective period of the Plan, if any need arises for revision or modification of the Plan due to the enactment of new laws and regulations or amendment to or abolition of existing laws and regulations, or some typographical error or omission, the board of directors may revise or modify the Plan with the approval of the Independent Committee.

If the Plan is abolished or amended, the Company will promptly disclose relevant facts including the fact that such abolition or amendment has taken place, and (in the event of an amendment) the details of the amendment and any other matters.

#### **IV. The Plan complies with the basic policy, does not adversely affect the common interests of the shareholders, and does not aim to maintain the position of the directors or officers of the Company**

For the following reasons, the board of directors believes that the Plan reflects the basic policy, and does not adversely affect the corporate value and the common interests of the shareholders, nor aims to maintain the position of the directors or officers of the Company.

(1) Establishment of the Independent Committee

In order to eliminate arbitrary triggering of the countermeasures by the board of directors of the Company and to ensure the fairness and reasonableness of the procedures and decisions, the Company will establish the Independent Committee which consists of outside directors, etc. who are independent from the directors and officers of the Company. The Independent Committee, as an advisory body to the board of directors, will check whether the Large-scale Acquisition Rule is complied with, consider details of acquisition and countermeasures and recommend to the board of directors whether the countermeasures should be triggered.

(2) Emphasis on the intention of shareholders

The Plan will be introduced subject to approval by the shareholders at the Ordinary General Meeting of Shareholders, in order to reflect the opinions of shareholders with respect to the Plan. Since the Plan includes a sunset clause which, in this case, specifies an effective period of three (3) years, even after the approval at the said Ordinary General Meeting of Shareholders, or before expiration of the effective period of such clause, all shareholders may indicate their intention with respect to the Plan through the selection of board members. If a resolution to amend or abolish the Plan passes at a subsequent General Meeting of Shareholders of the Company, the Plan will be amended or abolished in accordance with such resolutions.

In addition, the Company's board of directors may, in certain cases, convene a meeting of shareholders and confirm the intent of shareholders as to whether the Plan should be triggered.

(3) Advice of outside experts

The board of directors, auditors and the Independent Committee of the Company may obtain advice from independent experts such as financial advisors, certified public accountants, lawyers, consultants, etc. in order to enhance the fairness and reasonableness of the considerations and decisions by the board of directors, auditors and the Independent Committee.

(4) Establishment of reasonable objective requirements

The countermeasures under the Plan are designed such that they will not be triggered unless certain predetermined reasonable objective requirements have been satisfied and that maximum value shall be placed on the recommendation of the Independent Committee, and ensure that a system is in place to prevent arbitrary triggering by the board of directors of the Company.

(5) Fulfillment of the requirements of the Guidelines Regarding Takeover Defense

The Plan fulfils the three principles set out in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the

Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 (the “Principle of Securing and Enhancement in the Corporate Value and the Common Interests of the Shareholders”, “Principle of Prior Disclosure and Shareholders’ Will” and “Principle of Need and Reasonableness”) and it has been developed in line with the report entitled “Takeover Defense Measures in Light of Recent Environmental Changes”, released by the Corporate Value Study Group on June 30, 2008.

Also, the Plan has been developed in line with the rules and regulations on introduction of the Takeover Defense stipulated by the Tokyo Stock Exchange.

(6) No dead-hand or slow-hand takeover defense measures

The Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped) due to the fact that the Large-scale Acquirer may elect, at a General Meeting of Shareholders of the Company, directors nominated by that person and, through a resolution of the board of directors of the Company attended by the so-elected directors, that person may abolish the Plan.

Also, the Company has not adopted a staggered board and nor is the Plan a slow-hand takeover defense measure (a takeover defense measure in which triggering takes more time to stop due to the fact that the directors cannot be replaced all at once).

## **V. Impact on shareholders and investors**

### **1. Impact at the time of introduction of the Plan**

At the time of introduction of the Plan, the Plan will have no direct or specific impact on shareholders, since no actual allotment of Stock Acquisition Rights without contribution will be made.

The purpose of the Large-scale Acquisition Rule is to provide shareholders with the information necessary to make a decision as to whether or not to accept the Large-scale Acquisition proposal and to provide shareholders with the opinion of the Company’s board of directors that is actually engaging in the management of the Company, to ensure that the shareholders of the Company have the opportunity to be presented with an alternative proposal. This enables the shareholders to make a proper decision on whether or not to accept the proposal of the Large-scale Acquisition with sufficient information, which we believe will contribute to the protection of the corporate value of the Company and the common interest of shareholders. Based on the above, we believe that the establishment of the Large-scale Acquisition Rule will be the basis for the shareholders of the Company and the investors to make a proper investment decision and contributes to the interests of the shareholders of the Company and the investors. As stated in Part III.3.(4) above, since the response of the Company may change depending upon whether the Large-scale Share Acquirer complies with the Large-scale Acquisition Rule or not, the shareholders of the Company and the investors should pay attention to the actions of the Large-scale Share Acquirer.

## **2. Impact at the time of the gratis allotment and exertion of Stock Acquisition Rights**

If the board of directors of the Company resolves to implement a gratis allotment of Stock Acquisition Rights, the Record Date of Allotment is to be determined by such resolution by the directors and there shall be public notice thereof. In such case, the Company will implement a gratis allotment of Stock Acquisition Rights to all registered shareholders of the Company as of the Record Date of Allotment at a ratio of one Stock Acquisition Right per share.

If the shareholders do not comply with any required payment for the allotment and procedures for the exercise of Stock Acquisition Rights detailed in Section 3 “Necessary procedures for shareholders upon the allotment of Stock Acquisition Rights without contribution” (1) below, within the rights exercise period, the shares they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders. However, it is possible that the Company may acquire the Stock Acquisition Rights of all shareholders other than Nonqualified Persons and, in exchange, deliver shares in the Company, in accordance with the procedures set out in Section 3 “Necessary procedures for shareholders upon the allotment of Stock Acquisition Rights without contribution” (2) below. If the Company carries out such an acquisition procedures, all shareholders other than Nonqualified Persons will receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price, and no dilution of the value of the aggregate shares in the Company they hold will result (only dilution of the value per share of shares in the Company they hold will result).

Furthermore, in certain events, such as withdrawal of the Large-scale Acquisition by the Large-scale Acquirer, the Company may cancel its allotment of Stock Acquisition Rights without contribution after the Record Date of Allotment or the effective date of the allotment of Stock Acquisition Rights without contribution, or acquire Stock Acquisition Rights before the commencement date of the exercise period of the Stock Acquisition Rights without consideration and without delivering shares to the holders of Stock Acquisition Rights. In such event, since no dilution of the value per share of the shares in the Company will occur, those shareholders who sold or purchased the shares in the Company based on the assumption that dilution of the value per share of the shares in the Company will occur might suffer damage commensurate with and due to fluctuations in the value of the shares.

## **3. Necessary procedures for shareholders upon the allotment of Stock Acquisition Rights without contribution**

### **(1) Procedures for exercising Stock Acquisition Rights**

The Company will, as a general rule, deliver an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company) and other documents necessary for the exercise of the Stock Acquisition Rights to all shareholders registered or recorded on the most recent register of shareholders of the Company as of the Record Date of Allotment. After the allotment of Stock Acquisition Rights without contribution, the shareholders will be issued such number of shares (not more than one) in the Company as determined by the

Company's board of directors per Stock Acquisition Right, by submitting such required documents and paying to the place handling such payments the amount of property to be paid for the exercise of Stock Acquisition Rights during the exercise period. In addition, the common stock of the Company delivered as a result of exercising of the Stock Acquisition Rights may not be entered in a special account under the Act on Transfer of Bonds and Shares, etc., and, as such, if the shareholders exercise the Stock Acquisition Rights, they will be required to open a transfer account such as securities account, etc.

(2) Procedures for the acquisition of Stock Acquisition Rights by the Company

If the Company's board of directors resolves to acquire Stock Acquisition Rights, the Company will acquire Stock Acquisition Rights in accordance with the statutory procedures on the day that falls on a date to be separately determined by resolution of the Company's board of directors. When the Company is to deliver shares in the Company to shareholders in exchange for the acquisition of Stock Acquisition Rights, it shall do so promptly. Further, in such case, the shareholders concerned are not required to take procedures for exercising Stock Acquisition Rights prescribed in (1) above, including payments, but will be separately requested to submit, in a form prescribed by the Company, representations and warranties regarding matters such as the fact that they are not Nonqualified Persons, indemnity clauses and other covenants. In addition to the above, the Company will disclose information or notify all of its shareholders with respect to the particulars of the allotment method, method of procedures for entry of name change, exercise method and method for acquisition by the Company after any resolution of the board of directors of the Company in relation to an allotment of Stock Acquisition Rights without contribution. Shareholders are requested to check these details at that time.

## Exhibit 1

### Outline of the Rules of the Independent Committee

#### 1. Constitution

- The Independent Committee shall possess a high degree of discernment and expertise with respect to business management. It shall consist of outside directors of the Company, outside statutory auditors of the Company and outside experts who are independent from the directors and officers that conduct the execution of the business of the Company. As a general rule, the Independent Committee shall have no less than three (3) members.
- Members of the Independent Committee shall be elected by a resolution of the board of directors of the Company.

#### 2. Term of Office

The term of office of members of the Independent Committee shall be until the end of meeting of the board of directors of the Company held immediately after the ordinary general meeting of shareholders relating to the final term of the fiscal year ending within a year the members have been elected, and the re-appointment of such members shall be permissible. Unless otherwise determined by a resolution of the board of directors that the term of office of members is expired, they shall be deemed to be reappointed by such board of directors of the Company. Provided, however, that if any member who is an outside director of the Company or outside statutory auditor of the Company ceases to be an outside director of the Company or outside statutory auditor of the Company, the term of office of any member of the Independent Committee shall end at the same time.

#### 3. Authority and Responsibility

- (1) The Independent Committee shall comply with the advice of the board of directors, consider and resolve the particulars mentioned below, and submit recommendations to the board of directors of the Company containing the details of and reasons for the recommendation.
  - (a) Determination whether the Large-scale Acquisition Rule is complied with
  - (b) Determination whether the Large-scale Acquisition that is subject to the Plan seriously undermine the corporate value of the Company or the common interest of those shareholders
  - (c) Determination whether information that the Large-scale Acquirer provides is necessary and adequate
  - (d) Determination whether the extension of the Evaluation Period of Acquisition is necessary
  - (e) Necessity of implementation of countermeasures
  - (f) Necessity of cancellation of a countermeasure
  - (g) Necessity of approval at the general meeting of shareholders relating to the implementation of the countermeasure

- (h) Necessity of abolition or amendment of the Plan.
- (2) In addition to the matters prescribed above, the Independent Committee may conduct the matters listed below complying with the advice of and request from the board of directors.
  - (a) Determining the information that the Large-scale Acquirer and board of directors of the Company should provide to the Independent Committee, and the deadline for the provision of that information.
  - (b) Examination and consideration of the terms of the Large-scale Acquisition by the Large-scale Acquirer.
  - (c) Negotiation and discussion with the Large-scale Acquirer
  - (d) Request for an alternative proposal and consideration of the alternative proposal to the board of directors of the Company.
- (3) If the Independent Committee decides that the information of the Large-scale Acquisition is inadequate or insufficient, it shall request the Large-scale Acquirer to submit additional information. Further, if the Independent Committee receives from the Large-scale Acquirer the information of the Large-scale Acquisition and any additional information that it requests, it may request the board of directors of the Company to provide within a certain period an opinion on the terms of the Large-scale Acquisition by the Large-scale Acquirer and materials supporting that opinion, alternative proposal, and any other information that the Independent Committee may consider necessary from time to time.
- (4) In order to collect the necessary information, the Independent Committee may request the attendance of a director, statutory auditor or employee of the Company, or any other party that the Independent Committee considers necessary, and may require explanation of any matter it requests.
- (5) The Independent Committee may, at the Company's expense, obtain the advice of independent outside experts (including financial advisors, certified public accountants, lawyers, consultants and other experts) and conduct similar actions.
- (6) The Independent Committee must make decisions with a view to securing and improving the corporate value of the Company and, in turn, the common interest of its shareholders, and each member must not serve the purpose of its own interests or those of third parties including the management of the Company.
- (7) Respecting recommendations by the Independent Committee, the board of directors of the Company shall make resolution concerning the implementation of countermeasures and other matters.

#### 4. Resolution

Resolution of meeting of the Independent Committee shall, as a general rule, pass with a majority when all the members except for the specially related parties are in attendance. However, if any member is unable to attend due to an accident or other unavoidable circumstances, a resolution may pass with a majority of the members present provided that the members present consist of the majority of all members.

## Exhibit 2

### Names and Career Summary of Members of the Independent Committee

Tomokazu Godai	Born on October 6, 1939
June 1975	Appointed as President, Maya Shoji Co., Ltd. (current MAYATEC Co., Ltd.)
May 1992	Appointed as External Director of the Company (to present)
June 2006	Appointed as Representative Director and Chairman of the Board, MAYATEC Co., Ltd. (to present)
June 2009	Appointed as External Director, HUDSON SOFT CO., LTD.
Hiroyuki Mizuno	Born on April 20, 1929
June 1990	Appointed Vice President, Matsushita Electric Industrial Co., Ltd. (current Panasonic Corporation)
August 1994	Appointed as Adjunct Professor, Stanford University
April 1998	Appointed as Director, Hiroshima Prefectural Institute of Industrial Science and Technology (to present)
June 2001	Appointed as External Director of the Company (to present)
June 2002	Appointed as Director, MegaChips Corporation (to present)
Noboru Onuma	Born on January 1, 1948
April 1970	Joined Mitsui Bank, Limited (current Sumitomo Mitsui Banking Corporation)
April 1998	Appointed as General Manager, Fukuoka Branch of the said bank
April 1999	Appointed as Director of said bank
June 1999	Appointed as External Auditor of the Company (to present)

### Exhibit 3

#### Major Shareholders

Major shareholders as of March 31, 2010:

Name	Number of Shares (thousands)	Shareholding Ratio (%)
Kozuki Foundation For Sports and Education	14,700	11.01
Kozuki Holding	13,530	10.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,724	8.04
Japan Trustee Services Bank, Ltd. (Trust Account)	8,207	6.15
Kozuki Capital Corporation	7,036	5.27
Sumitomo Mitsui Banking Corporation	4,135	3.10
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,790	2.84
JPMorgan Securities Japan Co., Ltd.	3,000	2.25
CBNY- UMB FUNDS	1,791	1.34
Mitsubishi UFJ Securities Co., Ltd.	1,521	1.14

Note: The above shareholding ratios are calculated after deduction of treasury stock (10,039 thousand shares).