

To Our Shareholders

It is my sincere hope that this report finds you prospering and in good health.

In fiscal 2017, the operating environment for the Konami Group was characterized by rapid yen appreciation stimulated by the United Kingdom's decision to leave the European Union and the slowdown in emerging economies, a trend that placed downward pressure on corporate earnings. This trend reversed its course as the yen weakened in the wake of the presidential election in the United States; however, this did not last long as the yen once again started to appreciate in light of the outlook for economic measures to be implemented by the new U.S. administration and the additional interest rate hikes instituted by the U.S. government. We were thus forced to conduct business in a highly volatile environment.

In the entertainment market, video game content has been growing more diverse in conjunction with the development of communications infrastructure and the ongoing improvement of the performances of various electronic devices, including mobile devices and video game consoles. In addition, the changing times have brought about a rise in consumption by people seeking to live more enriched daily lives filled with a wider range of experiences. The video game industry is therefore anticipated to contribute to addressing such demand in various venues by providing new experiences through customers' contact point—video game content.

The market for health and fitness has been witnessing a yearly rise in the proportion of individuals, particularly senior citizens and women, that devote their leisure time to improving their health and increasing their stamina. Moreover, needs in this market continue to diversify, with growing demand for exercise with a focus on improving physical appearance as well as a heightened interest in sports and health consciousness and preventing the need for nursing care that accompanies old age. Also, new markets for household health and fitness machines continue to expand thanks to lower prices for equipment, largely that produced by overseas manufacturers, and the launch of a wide range of new products.

The gaming business is enjoying the ongoing growth of the gaming market amid the development and openings of new



casino facilities as well as of integrated resorts that house casinos across the globe. At the same time, the gaming business is expected to benefit from an increased range of opportunities resulting from factors such as the legalization of slot machines that contain a skill element, which helps address the issue of young people trending away from playing slots.

The Konami Group has continued to define the foundation of its management strategy as responding accurately to the rapidly changing market environment, home to diversifying consumer tastes and business regulation reforms, and becoming a flexible and sustainable business organization.

Moving ahead, we will continue to furnish accurate responses to changes in the needs of the markets and in the users of our businesses while building frameworks for promoting flexible business development. We are committed to achieving competitive and ongoing growth and improving corporate value through these efforts. In closing, I would like to ask for the continued support and encouragement of our shareholders going forward.

Takuya Kozuki
President and Representative Director