

**KONAMI**

# Fiscal 2017 Konami Group Report

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April 1, 2016 – March 31, 2017

**KONAMI HOLDINGS CORPORATION**

# To Our Shareholders

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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.

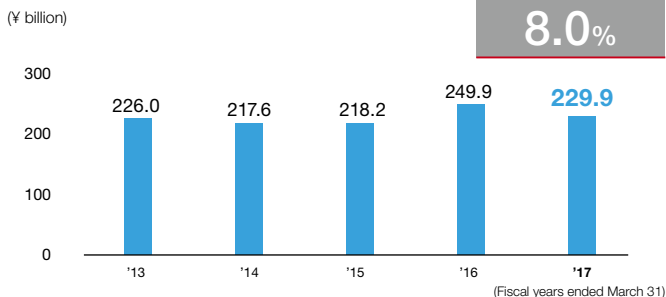
Moving ahead, we will continue to furnish accurate responses to changes in the needs of the markets and in the users of our businesses while building frameworks for promoting flexible business development. We are committed to achieving competitive and ongoing growth and improving corporate value through 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

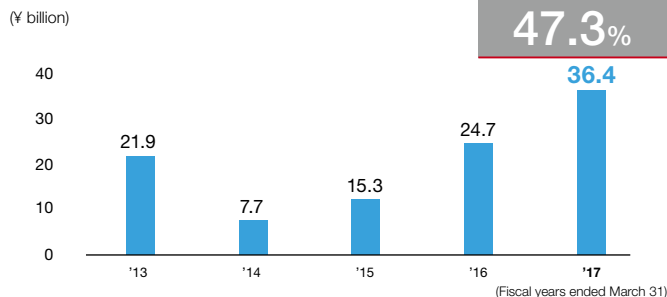
# Consolidated Financial Highlights

Figures indicated for fiscal 2013 and fiscal 2014 conform to U.S. GAAP; those from fiscal 2015 onward reflect International Financial Reporting Standards (IFRS).

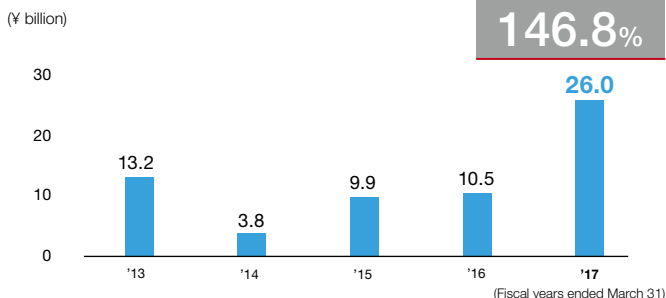
## Total Revenue



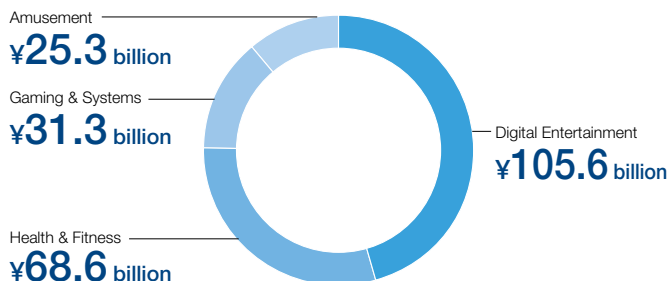
## Operating Profit



## Profit Attributable to Owners of the Parent



## Total Revenue by Business Segment



In terms of the consolidated results for the year ended March 31, 2017, total revenue amounted to ¥229,922 million (a year-on-year decrease of 8.0%), operating profit was ¥36,359 million (a year-on-year increase of 47.3%), profit before income taxes was ¥35,521 million (a year-on-year increase of 49.5%), and profit attributable to owners of the parent was ¥25,951 million (a year-on-year increase of 146.8%).

In the Digital Entertainment Business of the Konami Group, we began distributing *Yu-Gi-Oh! DUEL LINKS* mobile game in approximately 150 countries and regions, and reception from customers has been highly favorable. In addition, we saw ongoing strong performance by titles including *JIKKYOU PAWAFURU PUROYAKYU*, *PROFESSIONAL BASEBALL SPIRITS A (Ace)*, and *Winning Eleven CLUB MANAGER* (known overseas as *PES CLUB MANAGER*). In card games, the globally available *Yu-Gi-Oh! TRADING CARD GAME* continued to enjoy stable popular support. As for computer and video games, sales remained firm for *JIKKYOU PAWAFURU PUROYAKYU 2016* and *Winning Eleven 2017* (known overseas as *PES 2017 - Pro Evolution Soccer -*), and we also launched *SUPER BOMBERMAN R* (known overseas as *Super Bomberman R*), a new game for the Nintendo Switch™.

In our Health & Fitness Business, we continued to develop our pricing and membership plans. These plans enable customers to select a pricing plan based on the

number of times they use our facilities and to use more than one facility. We intend to promote and spread the Konami Sports Club's services supporting the concept of "sustainable fitness." As for products related to health and fitness, we moved ahead with the development of new offerings with the aim of enhancing our degree of recognition and increasing our market share in the health and fitness equipment market. This market is expanding centered on household machines.

In our Gaming & Systems Business, we promoted sales of *Concerto*, a mainstay video slot machine, as well as the long-selling *Podium* series and *SYNKROS* casino management system mainly in the United States, Asia, and Oceania.

In our Amusement Business, our e-AMUSEMENT Participation system's titles of arcade games, centered on *MAH-JONG FIGHT CLUB ZERO* and music genre games, continued steady operations. In addition, we launched the new piano-themed music game *NOSTALGIA*, which has been receiving favorable reviews. In medal games, we commenced full-fledged operation of the new *MAGICAL SHOOTER* and *Treasure Shoot* games. As for pachislot and pachinko machines, we commenced sales of *SEVEN'S BEAT*, *METAL GEAR SOLID SNAKE EATER*, *MAH-JONG FIGHT CLUB 2*, *Boku-Shoujyo Lovekyure*, and *G1 Derby Club* pachislot machines.

For more detailed financial data, please visit the KONAMI website and go to the Financial Information page.

<https://www.konami.com/ir/en/>

## Digital Entertainment



### Downloads of Mobile Game *Yu-Gi-Oh! DUEL LINKS* Exceed 45 Million in Six Months

The number of downloads of *Yu-Gi-Oh! DUEL LINKS* mobile game exceeded 45 million over the roughly six months since the game was launched in November 2016 (as of June 1, 2017).

*Yu-Gi-Oh! DUEL LINKS* mobile game offers the same strategic depth of *Yu-Gi-Oh! TRADING CARD GAME*, which is loved by players worldwide, in an experience that has been optimized for smartphones. This game thus enables users to duel with their friends or players from around the world anytime, anywhere.

As a mobile game, *Yu-Gi-Oh! DUEL LINKS* is easy to pick up, and this ease combined with the title's widely known appeal has resulted in the game being downloaded by seasoned players of *Yu-Gi-Oh! TRADING CARD GAME* as well as by individuals that are new to the *Yu-Gi-Oh!* franchise. After the game's launch, it topped free game rankings in Japan, the United States, France, Germany, Taiwan, and 60 other countries and regions.

In distributing *Yu-Gi-Oh!* content going forward, KONAMI aims to provide high-quality products and services that will be enjoyed by customers worldwide.

## Health & Fitness



### Multiple Openings of Renovated Konami Sports Clubs with Enhanced Appeal

Konami Sports Club is moving forward with the renovation of clubs in order to cater to the diversifying needs of customers.

In December 2016, Konami Sports Club facilities were reopened after renovations at our Iidabashi, Ebisu, and Jiyugaoka ekimae locations. The facilities at these locations were enhanced with new training machines and expanded personal training spaces. In January 2017, the Yukarigaoka club was opened at its new location within a large-scale shopping mall, assuming the form of a new type of fitness club specializing in training machine areas and studios.

Moreover, the Yukarigaoka club offers a new training program developed proprietarily by Konami Sports Club that allows users to engage in thorough yet proper training in only a short period of time, making it easier to fit exercise into one's busy, everyday schedule.

For our *Undo-juku* sports lesson program series for children, we established a new children's gymnasium for this program at the Futakotamagawa club and increased the number of classes on the high-demand days of Saturday and Sunday. On top of this, we doubled the number of children that can be enrolled in the program. These moves made it possible for even more children to take part in this program.

Konami Sports Clubs will continue to improve the quality of its various services and deploy sports clubs across Japan with the aim of contributing to further community development.

## Gaming & Systems



### KONAMI Products Recognized in U.S. Casino Journal's Top 20 Most Innovative Gaming Technology Products Awards

Two KONAMI products were recognized in Top 20 Most Innovative Gaming Technology Products Awards 2016 program of Casino Journal\* of the United States.

The products recognized for their innovation were *SYNKROS* casino management system and *Beat Square* skill-based game.

*Beat Square* is a new product that utilizes the music game development techniques KONAMI has cultivated while creating arcade games. In this game, players try to achieve a high score by touching markers displayed on panels in conjunction with music in time with the rhythm. Casino operators have praised this unprecedented game as a next-generation product and expressed their high expectations for it.

KONAMI remains committed to developing appealing new products and proposing new types of play well into the future.

\* Casino Journal is a source for gambling industry news and information on trends, research, technologies, and business analyses with a history dating back more than three decades. Information on the global casino industry is delivered via the Internet and monthly publications.

## Amusement



### NOSTALGIA—Latest Music Game in BEMANI Series Delivering Joy of Piano Performance

*NOSTALGIA* is a new, piano-themed music game that delivers the joy and tactile pleasure of performing piano pieces. Each touch of the keyboard is met with the appropriate sound, authentically recreating the experience of piano performance while also giving rise to a unique, nostalgic atmosphere cultivated through the blend of elegant yet wistful piano notes and beautiful visuals reminiscent of a bygone era.

Moreover, with an assortment of pieces that exemplify the illustrious nature of piano melodies and a keyboard device that is the same size as an actual piano keyboard, *NOSTALGIA* lets players experience the true joy of caressing the “ivory” keys.

In addition to a score counter, *NOSTALGIA* features a cat paw meter that fills in response to masterful performances and diminishes when mistakes are made. This feature is integral to the further enjoyment of *NOSTALGIA*, which also allows users to engage in an original story.

At KONAMI, we wanted to create a game that leaves a resounding sensation lingering after play, leading us to develop *NOSTALGIA*. We hope you will look forward to new innovations from KONAMI.

# Corporate Social Responsibility (CSR) Activities

## Certified as an Excellent Health and Productivity Management Corporation in 2017—White 500



KONAMI HOLDINGS CORPORATION has been recognized as a company that cooperates with insurance payers to practice superior health and productivity management and was thus included in the 2017 Excellent Enterprise of Health and Productivity Management—White 500 list compiled jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

The White 500 program is a new initiative launched this year by the Ministry of Economy, Trade and Industry in coordination with Nippon Kenko Kaigi, an organization comprising the leaders of businesses, medical institutions, and municipal government agencies. The program aims to increase the number of companies that practice health and productivity management by recognizing large-scale companies that exhibit excellence in coordinating with insurance payers to advance health and productivity management initiatives. In this first year of the program, a total of 235 companies were included in the White 500 list of large-scale companies.

The Konami Group is committed to forming a relationship with its employees that allows for mutual growth by cultivating a workplace environment in which every employee is able to fully exercise their talents. To this end, we have established the Health Management Center within the Company through which we coordinate with occupational physicians in order to provide employees with an easy-to-use venue for health consultations and thereby support them in managing and improving their health. In addition, we are promoting good work-life balance and advancing various other measures to help employees maintain and improve their health.

The Konami Group will continue to cultivate a workplace environment that allows employees to go about their job in an energized manner while actively supporting them in maintaining their physical and mental health.

### Certified Konami Group Companies Alongside KONAMI HOLDINGS CORPORATION

Konami Digital Entertainment Co., Ltd.  
Internet Revolution, Inc.  
Konami Business Expert Co., Ltd.  
Konami Amusement Co., Ltd.

KPE, Inc.  
Konami Real Estate, Inc.  
Konami Gaming, Inc. (Asia Branch)  
Konami Sports Life Co., Ltd.

# KONAMI's eSports Activities



KONAMI is promoting eSports activities to foster and expand upon communication with customers through video games.

As part of *PAWAPURO Festival 2016* held at Tokyo Big Sight, we held championship tournaments for *JIKKYOU PAWAFURU PUROYAKYU* series video games. The event drew enthusiastic crowds, with an aggregate total of 6,600 people attending.

In addition, the PES League Road to Cardiff, a tournament for the video game *Winning Eleven 2017* (known overseas as *PES 2017 - Pro Evolution Soccer -*), was held over the period from December 2016 to June 2017. This event was considered

an official eSports tournament of the UEFA Champions League, a competition through which the No. 1 soccer club in Europe is crowned champion.

Competitors that rose up from preliminary tournaments held in countries and regions across the globe assembled at the world finals at London's Emirates Stadium. The champion of this video game tournament was crowned at the Millennium Stadium in Cardiff, Wales, the site of the finals of the UEFA Champions League.

KONAMI aims to deliver the thrill of eSports to people around the world through its ongoing activities in this area.

## Corporate Data (As of March 31, 2017)

Company Name	KONAMI HOLDINGS CORPORATION
Headquarters	9-7-2, Akasaka, Minato-ku, Tokyo 107-8323, Japan Tel: 81-3-5770-0573 Fax: 81-3-5412-3300
Founded	March 21, 1969
Incorporated	March 19, 1973
Paid-in Capital	¥47,398 million
Employees	Consolidated: 4,606
Website	<a href="https://www.konami.com">https://www.konami.com</a>

## Stock Information (As of March 31, 2017)

Common Stock	
Authorized	450,000,000 shares
Outstanding	143,500,000 shares (including 8,263,356 treasury shares)
Number of Shareholders	32,251

### The 10 Largest Shareholders

Shareholder	Shares (Thousands)	% of Total
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,531	14.44
Kozuki Foundation	16,750	12.39
Kozuki Holding	15,700	11.61
Japan Trustee Services Bank, Ltd. (Trust Account)	9,767	7.22
Kozuki Capital Corporation	7,048	5.21
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,252	2.40
Sumitomo Mitsui Banking Corporation	2,017	1.49
Goldman Sachs Japan Co. Ltd.	2,000	1.48
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,637	1.21
BNP Paribas Securities (Japan) Ltd.	1,572	1.16

Note: The above shareholding ratios are calculated after the deduction of treasury shares.

### Guide to Investor Relations (IR) Site

Our website includes an IR section that provides easy access to our latest financial information, news releases, and other relevant IR information.

Internet URL: <https://www.konami.com/ir/en/>

## Shareholder Information

Fiscal Year-End	March 31
Ordinary General Meeting of Shareholders	June
Record Dates for Shareholders	Annual shareholders' meeting: March 31 Year-end dividend: March 31 Interim dividend: September 30 Other (when necessary): As announced in advance
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Location of Transfer Agent Handling Office	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Mailing Address	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan
Internet URL	<a href="http://smtb.jp/tools/english">http://smtb.jp/tools/english</a>
Public Notices	Shown on the Company's website: <a href="https://www.konami.com/ir/en/">https://www.konami.com/ir/en/</a>
Stock Exchange Listings	Tokyo and London

## For ADR Holders

Depository and Transfer Agent for American Depositary Receipts	JPMorgan Chase Bank, N.A. 4 New York Plaza, Floor 12, New York, NY 10004, U.S.A.
ADR Holder Contact	JPMorgan Service Center
Telephone Inquiries	Toll-free U.S.A. & Canada: 1-800-990-1135 Outside U.S.A.: 1-651-453-2128 An automated IVR system is available 24 hours a day/7 days a week. Representatives are available from 8:00 am to 8:00 pm EST on weekdays.
Internet URL	Visit <a href="http://www.adr.com">http://www.adr.com</a> and go to the Shareholder Services page by clicking on "Access My Account" in the "INVESTORS" section.
Mail for Regular Correspondence	P.O. Box 64504, St. Paul, MN 55164-0504, U.S.A.