

**KONAMI**

# **Fiscal 2019 Konami Group Interim Report**

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April 1, 2018 – September 30, 2018

**KONAMI HOLDINGS CORPORATION**

# To Our Shareholders

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I sincerely hope that this interim report finds our shareholders in good health and happiness.

In the Japanese economy in which the Konami Group operates, corporate earnings and the employment environment continue to improve, and personal consumption is following a course of moderate recovery. Nonetheless, the future of the global economy remains uncertain, due in part to concerns about a worldwide economic slowdown resulting from trade friction between the United States and China and from growing instability in the Middle East.

In the entertainment market, game content continues to diversify, while mobile and other devices offer increasingly advanced functions. We are carefully tracking developments in the field of eSports, which brings the competitiveness of sports to games, as a part of our efforts to produce content that offers customers new ways to enjoy themselves.

In the amusement arcade market, efforts aimed at industry-wide market revitalization have led to the cultivation of new users. Moreover, the trend toward the spread and advancement of eSports has resulted in large numbers of eSports tournaments around the world. Players are enjoying games in a diversifying range of ways, and the market's fundamental trend is toward growth.

In the gaming business, the market recorded ongoing growth amid the global development and opening of new casino facilities as well as integrated resorts (IR) that house casinos. Moreover, the online gaming market also continues to expand. In this environment, initiatives to attract younger consumers are being implemented, such as the introduction of skill elements (player skill levels) in slot machines and the promotion of eSports betting.

In the sports market, targeting the realization of a society in which everyone plays sports, the national government is implementing measures to expand the number of people who participate in sports activities. Overall social awareness



of sports is increasing, and further market revitalization and growth is anticipated.

In these circumstances, Konami Group took steps to respond to diverse customer needs in an appropriate manner and worked to further increase its corporate value. As a result, we recorded favorable results in the period under review.

On March 21, 2019, KONAMI HOLDINGS CORPORATION will reach its 50th anniversary. Our ability to achieve continued growth up to this point is due to the support of our shareholders, and I would like to convey our heartfelt gratitude. To express our appreciation to our shareholders, in addition to the regular dividend for the fiscal year ending March 31, 2019, we will also implement a commemorative dividend to mark the 50th anniversary of founding.

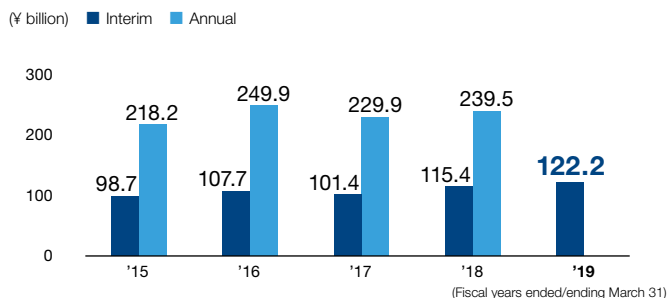
Moving forward, we would like to ask for the continued support of all our shareholders.

**Takuya Kozuki**  
President and Representative Director

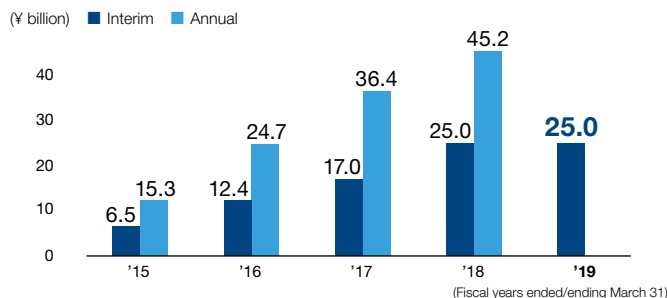
# Consolidated Financial Highlights

Note: Figures are in accordance with International Financial Reporting Standards (IFRS).

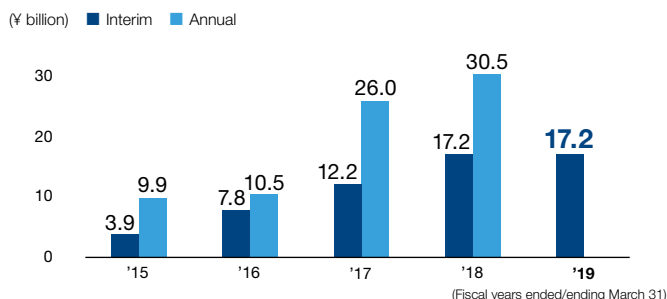
## Total Revenue



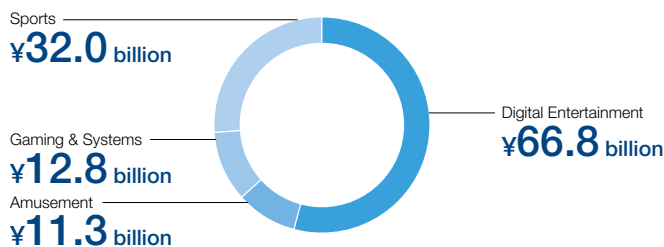
## Operating Profit



## Profit Attributable to Owners of the Parent



## Total Revenue by Business Segment



Note: On October 31, 2018, the name of the Health & Fitness Business segment was changed to the Sports Business segment.

Looking at the Company's consolidated results in the six-month period ended September 30, 2018, total revenue amounted to ¥122,168 million (a year-on-year increase of 5.9%), operating profit was ¥25,027 million (a year-on-year increase of 0.3%), profit before income taxes was ¥24,948 million (a year-on-year increase of 0.5%), and profit attributable to owners of the parent was ¥17,196 million (a year-on-year increase of 0.1%).

In the Digital Entertainment Business, mobile games continued to perform favorably in Japan and overseas, including *Winning Eleven 2018* (known overseas as *PRO EVOLUTION SOCCER 2018*), *Yu-Gi-Oh! DUEL LINKS*, *JIKKYOU PAWAFURU PUROYAKYU*, and *PROFESSIONAL BASEBALL SPIRITS A (Ace)*.

In eSports, we sponsored the Yu-Gi-Oh! World Championship 2018, and *Winning Eleven 2018* was selected as a demonstration event at the 18th Asian Games Jakarta-Palembang 2018. In these ways, KONAMI's eSports initiatives are fostering considerable excitement.

In our Amusement Business, *MAH-JONG FIGHT CLUB Gouka Kenran*,

*BOMBERGIRL*, *BASEBALL COLLECTION*, and other video games maintained steady operations. Additionally, we started operation of such medal games as *BOMBERMAN THE MEDAL* and *ColorCoLotta; The Sun and the Secret Island*. Moreover, *MAGICAL HALLOWEEN 6* also recorded steady operations.

In our Gaming & Systems Business, we promoted sales of the *Concerto™* series of video slot machines, focused on markets in North America, Asia, and Oceania. The *SYNKROS®* casino management system continued to record favorable installations in the casino facilities on large-scale cruise ships.

In the Sports Business, we continued to enhance our pricing plans and membership programs to enable customers to select a pricing plan based on how frequently they use our facilities. In addition, we enhanced our exercise schools with the introduction of table tennis and children's trampoline schools. We took steps to increase our market share in sports-related products, such as expanding Konami Sports Club original products and redesigning our online shop.

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

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

## Digital Entertainment



### Introducing Many of the Latest Titles in Popular Series Exhibiting at Tokyo Game Show 2018

In September, KONAMI exhibited at Tokyo Game Show 2018, one of the largest game shows in Japan. We introduced a large number of titles that are representative of our lineup.

In addition to global content, such as *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*), the latest title in the *Winning Eleven* series, and *Hyper Sports R*, we offered a playable version of *LOVEPLUS EVERY*, a mobile game in the *LOVEPLUS* series of dating simulation games. Customers were very enthusiastic about the opportunity to experience games before their launch.

In addition, great interest was garnered by *eBASEBALL PAWAPURO PRO LEAGUE* exhibition matches, a live dancing event that used the augmented reality (AR) functions of the new mobile game *DANKIRA!!! – Boys, be DANCING!*, and the announcement of the latest video game title in the *PROFESSIONAL BASEBALL SPIRITS* series.

Going forward, KONAMI will continue to provide opportunities for players to enjoy new ways of playing games on a variety of devices.

## Amusement



### BOMBERGIRL, BASEBALL COLLECTION Favorable Operations at Amusement Facilities around the Country

*BOMBERGIRL*, an action game that started operation in August, is popular with a large number of customers. Team battle elements have been added to the simple gameplay of *Bombberman*, in which bombs are used to destroy obstacles. The appeal of online battles to capture the enemy's base and the fun of eSports are enjoyed by a wide range of customers.

Moreover, *BASEBALL COLLECTION* started operation in September. In this game, players become the managers of 12 actual baseball teams, and they assemble teams of their favorites while collecting athlete cards and developing the athletes. It is a full-fledged professional baseball card game in which players aim for victory.

In addition, the game content includes elements that satisfy even professional baseball fans, such as giving them the opportunity to physically acquire the latest athlete cards on a continuous basis. In these ways, we are aiming to invigorate amusement facilities by encouraging visits from a wide range of customers.

Moving forward, KONAMI will continue to put forth new ideas to deliver fun and excitement to even more players.

## Gaming & Systems



### Introducing the Latest 4K Video Slot Cabinet and Customer Loyalty Products Exhibiting at Global Gaming Expo 2018

KONAMI introduced its latest lineup at Global Gaming Expo 2018 in Las Vegas, one of the gaming industry's largest expositions.

The KX 43™ video slot cabinet, which features a 4K resolution monitor and a slim design, was introduced for the first time anywhere in the world and drew considerable attention at the venue. In addition, we introduced a variety of products, such as *Strike Zone*™ and *Reels Up*™, which incorporate appealing gameplay and innovative technologies. These products were well received by large numbers of customers.

For the SYNKROS® casino management system, we introduced *SynkConnect*™, which received an award at the Gaming & Technology Awards. This product offers substantial enhancement of player convenience. It incorporates near-field communications, and in addition to the conventional player cards, players can also display and manage their accounts through mobile devices.

Moving forward, KONAMI will continue to develop innovative products to open up the future of the gaming industry and to provide new forms of entertainment and “valuable time” to players around the world.

## Sports



### Further Enhancing Konami Sports Clubs Actively Rolling Out *Undo-jyuku* and Exercise Schools

KONAMI continues taking steps to aggressively develop its lineup of *Undo-jyuku*, sports schools for children, and exercise schools, including the opening of table tennis and children's trampoline schools.

The table tennis school offers an original multi-stage instruction program and high-quality lessons provided by experienced instructors. This program has been well received by a wide range of customers, ranging from children to adults.

The children's trampoline school utilizes an instruction method that leverages the know-how cultivated over many years in our *Undo-jyuku*. As a result, children can acquire skills in a safe and effective manner, and also cultivate spatial orientation capabilities that will be useful in a wide range of sports.

We are also taking steps to advance health in a variety of ways. For example, we opened XAX Umeda X-STUDIO, which offers a new style of fitness space, and we began to provide *BeautyHip*, a personal program developed in-house.

Moving forward, as a total health partner, KONAMI will continue to support the realization of daily lifestyles replete with health in body and mind.

## Targeting Further Growth

# eSports Development Leveraging KONAMI Content

eSports brings the competitiveness of sports to games, and this field is growing rapidly, especially in the U.S. and Asia. The numbers of tournament spectators and viewers have shown sustained growth and have reached the scale of major sports. KONAMI has sponsored world championships for the *Winning Eleven* series since 2001 and the *Yu-Gi-Oh! TRADING CARD GAME* since 2003, as well as a Japan championship for *JIKKYOU PAWAFURU PUROYAKYU* from 2016. In these ways, we are working to expand and invigorate the base of fans.

In May 2018, KONAMI's *Winning Eleven* was the only title from a Japanese company to be selected as an eSports demonstration event at the 18th Asian Games Jakarta-Palembang 2018. On September 1, the day of the tournament, eight regional

representatives who had been successful in the Asia region preliminary matches vied to become the first Asian champion, and the competition was fierce. Two players from Japan, Naoki Sugimura and Tsubasa Aihara, who both work as KONAMI *Winning Eleven* eSports Ambassadors, competed together skillfully and took the gold medal. The intense battle, which pitted country against country in a competition for national pride, opened the curtains on a new era for eSports.

At the Tokyo Game Show 2018, there was an exhibition match between the representatives of countries/regions that were among the best performers at the 18th Asian Games. The fierce competition among Asia's top players highlighted KONAMI's eSports initiatives, which are being rolled out



Players representing Japan were excited about their victory at the 18th Asian Games Jakarta-Palembang 2018.



Demonstration match at the 18th Asian Games Jakarta-Palembang 2018.

# Opening of eBASEBALL PAWAPURO PRO LEAGUE



The eBASEBALL PAWAPURO PRO LEAGUE is an official league of NPB and KONAMI.

globally, as well as the appeal of eSports itself.

In addition, *Winning Eleven 2019*, the latest title in the series, has been officially selected as a competition title in the culture program at the 74th National Sports Festival (*Iki Iki Ibaraki Yume Kokutai 2019*). This has generated a significant level of attention, and KONAMI soccer content is playing a key role in accelerating the development of eSports.

In baseball content, together with the Nippon Professional Baseball Organization (NPB), KONAMI has sponsored eBASEBALL PAWAPURO PRO LEAGUE, a professional baseball eSports league. This league uses *JIKKYOU PAWAFURU PUROYAKYU 2018* for competition, the latest title in KONAMI's popular *JIKKYOU PAWAFURU PUROYAKYU* series.

Our decision to move ahead with this initiative reflects the alignment of the objectives of NPB and KONAMI—providing a new way to enjoy baseball through eSports and increasing



eDraft meeting for eBASEBALL PAWAPURO PRO LEAGUE 2018.

baseball fans. For each of 12 professional baseball teams overseen by the NPB—6 in the Central League and 6 in the Pacific League—three eSports players are selected in the eDraft and registered, and then the pennant race gets under way. The pennant race was started on November 10, and the competition is currently heating up. On January 12, 2019, we plan to sponsor the Nippon Series to determine the Japan champion. The results of games are already drawing considerable attention.

Moving forward, KONAMI will continue to broadly communicate the appeal of content and deliver fun and excitement to customers through these types of eSports initiatives.

## Corporate Data (As of September 30, 2018)

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
Number of employees (consolidated)	10,345 (Including temporary employees, converted at 160 hours per month.)
Website	<a href="https://www.konami.com/">https://www.konami.com/</a>

## Stock Information (As of September 30, 2018)

Common Stock	
Authorized	450,000,000 shares
Outstanding	143,500,000 shares (including 8,266,718 treasury shares)
Number of Shareholders	31,488

### The 10 Largest Shareholders

Shareholder	Shares (Thousands)	% of Total
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,391	17.30
Kozuki Foundation	16,900	12.50
Kozuki Holding	15,700	11.61
Japan Trustee Services Bank, Ltd. (Trust Account)	9,992	7.39
Kozuki Capital Corporation	7,048	5.21
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,721	2.01
Sumitomo Mitsui Banking Corporation	2,017	1.49
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,563	1.16
STATE STREET BANK WEST CLIENT – TREATY 505234	1,524	1.13
JP MORGAN CHASE BANK 385151	1,384	1.02

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.

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
URL	<a href="https://smtb.jp/tools/english">https://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. 383 Madison Avenue, Floor 11, New York, NY10179, 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.
URL	Visit <a href="https://www.adr.com">https://www.adr.com</a> and go to the "INVESTORS" section, then click on "Access My Account" to go to the Shareholder Services page.
Mail for Regular Correspondence	P.O. Box 64504, St. Paul, MN 55164-0504, U.S.A.