

KONAMI

FY2020 3rd Quarter Financial Results

Nine months ended December 31, 2019

KONAMI HOLDINGS CORPORATION
January 30, 2020

Cautionary statement with respect to forward-looking statements

Statements made in this presentation with respect to KONAMI HOLDINGS' current plans, estimates, strategies and beliefs, including forecasts, are forward-looking statements about the future performance of the Company. These statements are based on management's assumptions and beliefs in light of information currently available to it and, therefore, you should not place undue reliance on them. A number of important factors could cause actual results to be materially different from and worse than those discussed in forward-looking statements. Such factors include, but are not limited to (1) Changes in economic conditions affecting our operations; (2) Fluctuations in foreign exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro; (3) the Company's ability to continue to win acceptance of our products, which are offered in highly competitive markets characterized by the continuous introduction of new products, rapid developments in technology and subjective and changing consumer preferences; (4) the Company's ability to successfully expand internationally with a focus on our Digital Entertainment business, Amusement business and Gaming & Systems business; (5) the Company's ability to successfully expand the scope of our business and broaden our customer base through our Sports business; (6) Regulatory developments and changes and our ability to respond and adapt to those changes; (7) the Company's expectations with regard to further acquisitions and the integration of any companies we may acquire; and (8) the outcome of contingencies.

- Financial information included herein is not audited by independent public accountants
- (1) Numbers included in this presentation material are;
 - a) in accordance with IFRS
 - b) rounded to the nearest one hundred million yen
- (2) Revenues of each segment include inter-segment sales

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Consolidated Financial Results

(Yen in Billions)

	FY2019 Q1-3	FY2020 Q1-3	FY2020 Guidance
	9 months ended December 2018	9 months ended December 2019	12 months ending March 2020
Revenue	192.6	193.1	270.0
Operating profit	39.4	24.0	47.0
Profit before income taxes	39.2	23.5	46.0
Profit for the period (attributable to owners of the parent)	27.2	16.3	30.0
Earnings per share (JPY)	201.25	120.60	221.84

Revenue by Business Segment

(Yen in Billions)

<u>Revenue</u>	FY2019 Q1-3 <small>9 months ended December 2018</small>	FY2020 Q1-3 <small>9 months ended December 2019</small>	YoY Change (Amount)	YoY Change (%)	FY2020 Guidance <small>12 months ending March 2020</small>
Digital Entertainment	105.8	108.7	2.9	+2.7%	144.0
Amusement	18.2	16.5	△ 1.7	△9.3%	29.0
Gaming & Systems	21.9	23.0	1.0	+4.7%	34.0
Sports	47.9	46.2	△ 1.7	△3.6%	64.5
Eliminations	△ 1.2	△ 1.2	△ 0.0	-	△ 1.5
Total	192.6	193.1	0.5	+0.2%	270.0

Profit by Business Segment

(Yen in Billions)

	FY2019 Q1-3 9 months ended December 2018	FY2020 Q1-3 9 months ended December 2019	YoY Change (Amount)	YoY Change (%)	FY2020 Guidance 12 months ending March 2020
<u>Segment profit (loss)</u>					
Digital Entertainment	32.3	29.1	△ 3.2	△10.0%	44.0
Amusement	5.2	3.8	△ 1.4	△27.4%	7.0
Gaming & Systems	3.1	2.4	△ 0.6	△20.6%	5.5
Sports	2.5	2.2	△ 0.3	△13.4%	4.0
Corporate expenses and eliminations	△ 2.8	△ 3.9	△ 1.1	-	△ 5.0
Total Segment profit (loss)	40.3	33.6	△ 6.7	△16.6%	55.5
Other income and other expenses	△ 0.8	△ 9.6	△ 8.8	-	△ 8.5
One-off relocation expense	0.0	△ 3.8	△ 3.8	-	△ 5.0
Sports business impairment charge	0.0	△ 6.2	△ 6.2	-	-
Other	△ 0.8	0.4	1.2	-	△ 3.5
Total Operating Profit	39.4	24.0	△ 15.5	△39.2%	47.0

Guidance Revision

(Yen in Billions)

	FY2019	FY2020 Initial Guidance	FY2020 Revised Guidance	Change vs. Initial Guidance	YoY Change
	12 months ended March 2019	12 months ending March 2020	12 months ending March 2020		
Revenue	262.5	270.0	263.5	△ 6.5 △2.4%	1.0 +0.4%
Operating profit	50.5	47.0	33.0	△ 14.0 △29.8%	△ 17.5 △34.7%
Profit before income taxes	50.3	46.0	32.0	△ 14.0 △30.4%	△ 18.3 △36.4%
Profit for the period (attributable to owners of the parent)	34.2	30.0	21.0	△ 9.0 △30.0%	△ 13.2 △38.6%
Earnings per share (JPY)	252.86	221.84	155.29	△ 66.55	△ 97.57

Guidance Revision by Business Segment - Revenue

(Yen in Billions)

<u>Revenue</u>	FY2019 12 months ended March 2019	FY2020 Initial Guidance 12 months ending March 2020	FY2020 Revised Guidance 12 months ending March 2020	Change vs. Initial Guidance	YoY Change
Digital Entertainment	141.7	144.0	148.0	4.0	6.3
Amusement	27.8	29.0	24.0	△ 5.0	△ 3.8
Gaming & Systems	31.2	34.0	31.5	△ 2.5	0.3
Sports	63.5	64.5	61.5	△ 3.0	△ 2.0
Eliminations	△ 1.6	△ 1.5	△ 1.5	0.0	0.1
Total	262.5	270.0	263.5	△ 6.5	1.0

Guidance Revision by Business Segment – Profit / Loss

(Yen in Billions)

	FY2019	FY2020 Initial Guidance	FY2020 Revised Guidance	Change vs. Initial Guidance	YoY Change
<u>Segment profit (loss)</u>	12 months ended March 2019	12 months ending March 2020	12 months ending March 2020		
Digital Entertainment	43.8	44.0	41.5	△ 2.5	△ 2.3
Amusement	8.4	7.0	5.0	△ 2.0	△ 3.4
Gaming & Systems	4.7	5.5	3.5	△ 2.0	△ 1.2
Sports	2.2	4.0	2.2	△ 1.8	0.0
Corporate expenses and eliminations	△ 4.7	△ 5.0	△ 6.0	△ 1.0	△ 1.3
Segment profit (loss)	54.6	55.5	46.2	△ 9.3	△ 8.3
Other income and other expenses	△ 4.0	△ 8.5	△ 13.2	△ 4.7	△ 9.2
One-off relocation expense	0.0	△ 5.0	△ 5.0	0.0	△ 5.0
Sports business impairment charge	0.0	0.0	△ 6.2	△ 6.2	△ 6.2
Other	△ 4.0	△ 3.5	△ 2.0	1.5	2.0
Total Operating Profit	50.5	47.0	33.0	△ 14.0	△ 17.5

Dividend Forecast (no change)

				(JPY)
	Regular	Commemorative	FY2019 dividend	FY2020 dividend forecast
			12 months ended March 2019	12 months ending March 2020
Interim dividend	35.50	25.00	60.50	38.00
Year-end dividend	40.50	25.00	65.50	38.00 (forecast)
Annual dividend	76.00	50.00	126.00	76.00 (forecast)

The payment of dividends for the year ending March 2020 will maintain the same level of regular dividends for the year ended March 2019 which was based on the record profits achieved for the year.

Digital Entertainment

Revenue and segment profit

(Yen in Billions)

	FY2019 Q1-3 9 months ended December 2018	FY2020 Q1-3 9 months ended December 2019	YoY Change (Amount)	YoY Change (%)	FY2020 Initial Guidance 12 months ending March 2020	FY2020 Revised Guidance 12 months ending March 2020
Revenue	105.8	108.7	2.9	+2.7%	144.0	148.0
Segment profit	32.3	29.1	△ 3.2	△ 10.0%	44.0	41.5
Operating profit	31.5	29.1	△ 2.5	△ 7.9%	40.5	40.5
Margin	30%	27%			28%	27%

Note: Operating profit includes other expense of JPY 0.8 billion (FY2019)

FY2020 Q3 summary

- Mobile games driven by continued strong performance from “PROFESSIONAL BASEBALL SPIRITS A” and increased momentum from “eFootball Winning Eleven 2020 (eFootball PES 2020)” post the major update
- Announced the April release of “Yu-Gi-Oh! RUSH DUEL,” a new card game series from the upcoming new Yu-Gi-Oh! TV animation series
- The “myClub” mode from “eFootball Winning Eleven 2020 (eFootball PES 2020)” continues to deliver strong performance
- eSports initiatives: “eBASEBALL Pro League” 2019 season begins in cooperation with the Nippon Professional Baseball Organization. The Winning Eleven franchise kicks off its official eSports championship “eFootball League 2019-20 season”

Amusement

Revenue and segment profit

(Yen in Billions)

	FY2019 Q1-3 9 months ended December 2018	FY2020 Q1-3 9 months ended December 2019	YoY Change (Amount)	YoY Change (%)	FY2020 Initial Guidance 12 months ending March 2020	FY2020 Revised Guidance 12 months ending March 2020
Revenue	18.2	16.5	△ 1.7	△9.3%	29.0	24.0
Segment profit	5.2	3.8	△ 1.4	△27.4%	7.0	5.0
Operating profit	5.2	3.6	△ 1.6	△29.9%	7.0	5.0
Margin	29%	22%			24%	21%

Note: Operating profit includes other expense of JPY 0.2 billion (FY2020)

FY2020 Q3 summary

- Released “beatmania IIDX LIGHTNING MODEL,” a global standard cabinet for the “beatmania IIDX” series eSports championship, and card vending machine “CARDCONNECT” which offers a new experience through connections with various KONAMI games
- Launched “Magical Halloween 7,” a latest iteration from the Magical Halloween series

Gaming & Systems

Revenue and segment profit

(Yen in Billions)

	FY2019 Q1-3 9 months ended December 2018	FY2020 Q1-3 9 months ended December 2019	YoY Change (Amount)	YoY Change (%)	FY2020 Initial Guidance 12 months ending March 2020	FY2020 Revised Guidance 12 months ending March 2020
Revenue	21.9	23.0	1.0	+4.7%	34.0	31.5
Segment profit	3.1	2.4	△ 0.6	△20.6%	5.5	3.5
Operating profit	3.0	2.4	△ 0.6	△20.5%	5.5	3.5
Margin	14%	11%			16%	11%

* YoY impact from forex: revenue JPY △0.9 billion, operating profit JPY △0.2 billion

FY2020 Q3 summary

- The “KX 43” continues to drive sales while the Concerto series of cabinets including the “Concerto Opus” were sold across North America, Oceania, Latin America and European markets. Popular title “All Aboard” delivers strong performance in Oceania
- Announced a new cabinet featuring a J-curve display and a biometric player tracking solution for “SYNKROS” at the Global Gaming Expo 2019

Revenue and segment profit

(Yen in Billions)

	FY2019 Q1-3 9 months ended December 2018	FY2020 Q1-3 9 months ended December 2019	YoY Change (Amount)	YoY Change (%)	FY2020 Initial Guidance 12 months ending March 2020	FY2020 Revised Guidance 12 months ending March 2020
Revenue	47.9	46.2	△ 1.7	△3.6%	64.5	61.5
Segment profit	2.5	2.2	△ 0.3	△13.4%	4.0	2.2
Operating profit	2.5	△ 3.4	△ 5.9	-	4.0	△ 4.0
Margin	5%	△7%			6%	△7%

Note: Operating profit includes other expense of JPY 5.6billion (FY2020)

FY2020 Q3 summary

- Booked impairment charges of goodwill (JPY 2.4B) and tangible fixed assets (JPY 3.8B) looking to strengthen the profit structure midst the increasingly competitive environment
- Announced launch of private training program “BEST CORE” and initiated introduction of “Club Style,” a studio with dark lighting environment for workout programs
- Leveraging on the strength of operating full-service gyms nation-wide – Started receiving orders for swimming lesson programs for kindergarten, elementary and junior high schools in light of offering solutions for local governments and schools with facility maintenance and work style reform issues

Titles Released in Oct - Dec 2019 / Pipeline(1)

Title	Platform	Geography	Release Date	Business Segment (※1)
LOVEPLUS EVERY	App Store Google Play	Japan	Oct '19	DE
beatmania II DX ULTIMATE MOBILE	App Store Google Play	Japan	Dec '19	DE
PC Engine mini N. America: TurboGrafx-16 mini Europe: PC Engine Core Grafx mini	-	Japan N. America Europe	Mar '20	DE
Yu-Gi-Oh! RUSH DUEL	Card Game	Japan	Apr '20	DE
eFootball Winning Eleven 2020 (*UEFA EURO 2020 Mode)	PS4 / Xbox One PC	Global	Spring '20 (※2)	DE
Yu-Gi-Oh! Legacy of the Duelist: Link Evolution	PS4 / Xbox One PC	Global	2020	DE
Momotaro Dentetsu - Showa Heisei Reiwa mo teiban! -	Nintendo Switch™	Japan	2020	DE
SOUND VOLTEX ULTIMATE MOBILE	App Store Google Play	Japan	TBD	DE
DanceDanceRevolution ULTIMATE MOBILE	App Store Google Play	Japan	TBD	DE
Yu-Gi-Oh! DUEL LINKS Chinese title: "游戏王:决斗链接"	App Store Android	China	TBD	DE

※1 DE: Digital Entertainment

※2 "UEFA EURO 2020" mode planned for distribution

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eFootball Winning Eleven 2020



beatmania II DX
ULTIMATE MOBILE



PC Engine mini



Momotaro Dentetsu
- Showa Heisei Reiwa mo teiban! -



Yu-Gi-Oh! Legacy of the Duelist:
Link Evolution



Yu-Gi-Oh! RUSH DUEL

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Titles Released in Oct - Dec 2019 / Pipeline(2)

Title	Platform	Geography	Release Date	Business Segment (※)
DRAGONWHEEL	Amusement machine	Japan	Oct '19	AM
Magical Halloween 7	Amusement machine	Japan	Dec '19	AM
beatmania IIDX 27 LIGHTNING MODEL	Amusement machine	Japan	Dec '19	AM
CARDCONNECT	Amusement machine	Japan	Dec '19	AM
Million Venus	Amusement machine	Japan	Dec '19	AM
SKYGIRLS -Zero no Tsubasa-	Amusement machine	Japan	Jan '20	AM
SMASH STADIUM	Amusement machine	Japan	Feb '20	AM
Color CoLotta Mezase! Yumeno Takarajima	Amusement machine	Japan	Feb '20	AM
Pachinko GiDerby Club	Amusement machine	Japan	Mar '20	AM
FEATURE PREMIUM MAH-JONG FIGHT CLUB 3	Amusement machine	Japan	Spring '20	AM
Dimension 49J	Gaming machine	North America	TBD	GS
SYNK Vision	Gaming system	North America	TBD	GS

※ AM: Amusement GS: Gaming & Systems



beatmania IIDX LIGHTNING MODEL



CARDCONNECT



SMASH STADIUM



Color CoLotta
Mezase! Yumeno Takarajima



FEATURE Premium
MAH-JONG FIGHT CLUB 3



Dimension 49J

Consolidated Business Performance

(Yen in Billions)

	FY2019 Q1-3	percentile	FY2020 Q1-3	percentile	YoY Change (Amount)	YoY Change (%)
Revenue	192.6	100.0%	193.1	100.0%	0.5	0.2%
Total cost of revenue	△ 113.8	59.1%	△ 118.3	61.3%	△ 4.5	
SG&A	△ 38.5	20.0%	△ 41.2	21.3%	△ 2.7	
Other income and other expenses	△ 0.8	0.4%	△ 9.6	5.0%	△ 8.8	
Operating profit	39.4	20.5%	24.0	12.4%	△ 15.5	-39.2%
Finance income	0.3		0.2		△ 0.1	
Finance costs	△ 0.6		△ 0.8		△ 0.2	
Profit from investments accounted for using the equity method	0.0		0.1		0.1	
Profit before income taxes	39.2	20.3%	23.5	12.2%	△ 15.7	-40.0%
Income taxes	△ 12.0	6.2%	△ 7.2	3.7%	4.8	
Profit for the period	27.2	14.1%	16.3	8.4%	△ 10.9	-40.1%
Profit attributable to:						
Owners of the parent	27.2	14.1%	16.3	8.4%	△ 10.9	-40.1%
Non-controlling interests	0.0	0.0%	0.0	0.0%	△ 0.0	

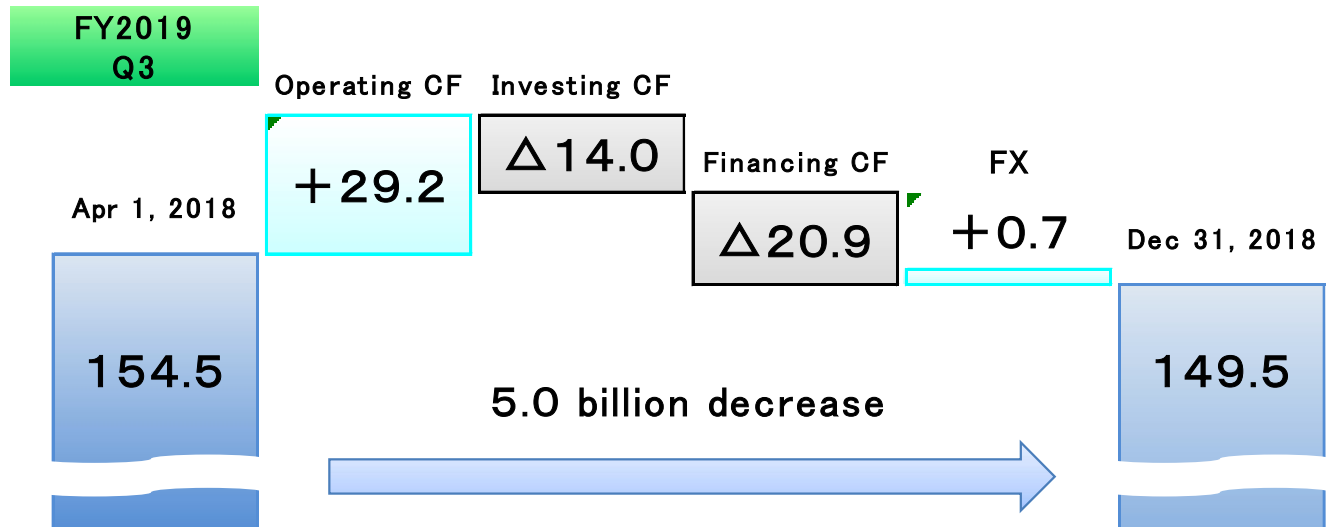
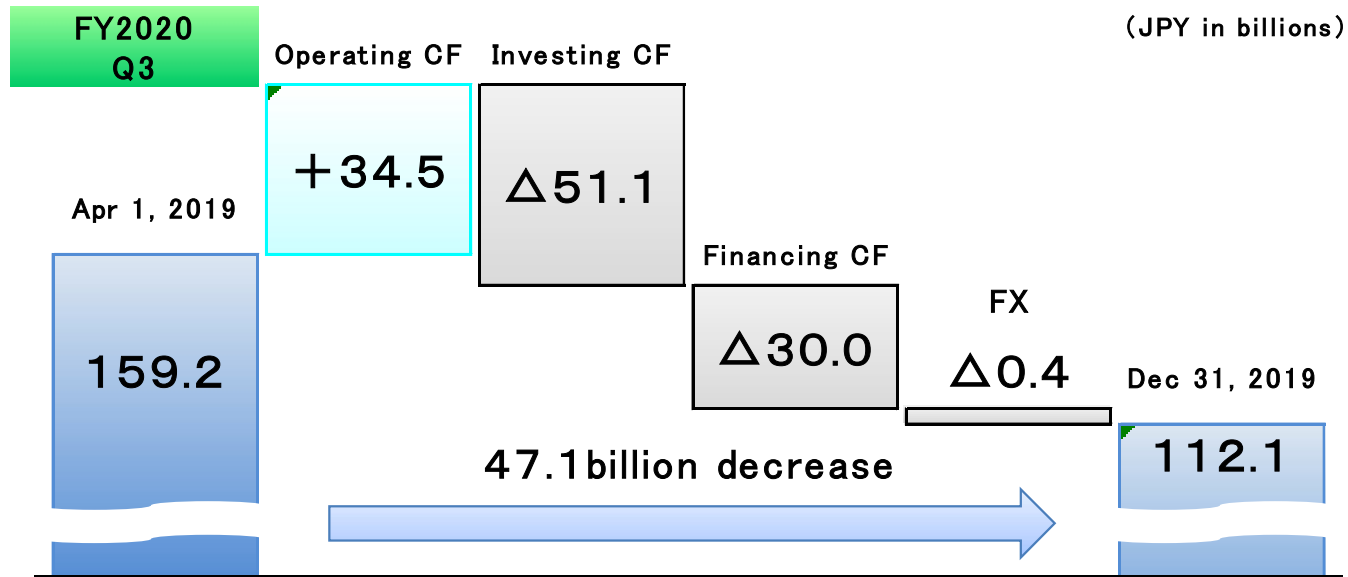
Consolidated Financial Position

	Mar 31, 2019	Dec 31, 2019	change		Mar 31, 2019	Sep 30, 2019	change
Current assets				Current liabilities			
Cash and cash equivalents	159.2	112.1	△ 47.1	Bonds and borrowings	10.5	4.4	△ 6.2
Trade and other receivables	32.5	30.6	△ 1.8	Trade and other payables	31.5	28.9	△ 2.7
Inventories	8.3	11.2	2.8	Other current liabilities	28.8	35.2	6.5
Other current assets	7.7	14.9	7.2	Total current liabilities	70.8	68.5	△ 2.3
Total current assets	207.7	168.8	△ 38.9	Non-current liabilities			
	54.9%	42.6%		Bonds and borrowings	9.8	9.8	0.0
Non-current assets				Other non-current liabilities	21.0	44.3	23.3
Property, plant and equipment, net	82.2	111.0	28.8	Total non-current liabilities	30.8	54.2	23.4
Goodwill and intangible assets	38.1	36.9	△ 1.2	Total liabilities	101.6	122.7	21.1
Investment Property	0.0	32.5	32.5	Total equity attributable to owners of the parent	275.6	272.3	△ 3.3
Deferred tax assets	21.1	22.2	1.1		72.9%	68.8%	
Other non-current assets	25.6	24.3	△ 4.5	(per share: JPY)	2,038.16	2,013.59	△ 24.6
Total non-current assets	170.3	227.0	56.7	Non-controlling interests	0.8	0.8	0.0
	45.1%	57.4%		Total equity	276.4	273.1	△ 3.3
Total assets	378.0	395.8	17.8	Total liabilities and equity	378.0	395.8	17.8

Impact from adoption of IFRS16 lease accounting (as of December 31, 2019)

Property, plant and equipment, net	+27.5	Other current liabilities	+9.8
		Other non-current liabilities	+26.9
		Total equity attributable to owners of the parent	△5.2

Consolidated Cash Flows



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THANK YOU

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