

**Consolidated Financial Results
for the Three Months Ended June 30, 2018
(Prepared in Accordance with IFRS)**

July 31, 2018

KONAMI HOLDINGS CORPORATION

Address: 7-2, Akasaka 9-chome, Minato-ku, Tokyo, Japan
 Stock code number, TSE: 9766
 Ticker symbol, LSE: KNM
 URL: <https://www.konami.com/>
 Shares listed: Tokyo Stock Exchange and London Stock Exchange
 Representative: Takuya Kozuki, Representative Director, President
 Contact: Junichi Motobayashi, Corporate Officer, General Manager, Finance and Accounting
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 Beginning date of dividend payment: -

(Amounts are rounded to the nearest million, except percentages and per share amounts)

1. Consolidated Financial Results for the Three Months Ended June 30, 2018

(1) Consolidated Results of Operations

(Millions of Yen, except percentages and per share amounts)

	Revenue	Operating profit	Profit before income taxes	Profit for the period	Profit attributable to owners of the parent	Total comprehensive income for the period
Three months ended June 30, 2018	58,457	11,814	11,838	8,275	8,274	9,430
% change from previous year	4.9%	(3.1)%	(1.9)%	(2.8)%	(2.8)%	8.8%
Three months ended June 30, 2017	55,743	12,196	12,068	8,514	8,511	8,664
% change from previous year	12.8%	34.2%	43.3%	46.2%	46.4%	208.5%

	Basic earnings per share (attributable to owners of the parent) (yen)	Diluted earnings per share (attributable to owners of the parent) (yen)
Three months ended June 30, 2018	61.18	60.25
Three months ended June 30, 2017	62.94	61.99

(2) Consolidated Financial Position

(Millions of Yen, except percentages and per share amounts)

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
June 30, 2018	360,156	258,828	258,070	71.7%
March 31, 2018	363,108	254,539	253,782	69.9%

2. Cash Dividends

Record Date	Cash dividends per share (yen)				
	First quarter end	Second quarter end	Third quarter end	Year end	Annual
Year ended March 31, 2018	-	30.00	-	38.00	68.00
Year ending March 31, 2019	-				
Year ending March 31, 2019 (Forecast)					
Regular dividends	-	35.50	-	35.50	71.00
Commemorative dividends (note)	-	25.00	-	25.00	50.00
Total	-	60.50	-	60.50	121.00

Note) Recently announced change in dividend forecasts for the fiscal year ending March 31, 2019 during the three months ended June 30, 2018: No

To celebrate the 50th anniversary of its founding on March 21, 2019 (the 35th anniversary of its listing in the same year), KONAMI HOLDINGS CORPORATION intends to award commemorative dividends in addition to regular dividends for the year ending March 31, 2019. Please refer to "Notice on Commemorative Dividend for 50th Anniversary of Founding" announced on May 10, 2018, for further details.

3. Consolidated Earnings Forecast for the Year Ending March 31, 2019

(Millions of Yen, except percentages and per share data)

	Revenue	Operating profit	Profit before income taxes	Profit attributable to owners of the parent	Basic earnings per share (attributable to owners of the parent) (yen)
Year ending March 31, 2019	250,000	50,000	49,000	32,000	236.63
% change from previous year	4.4%	10.7%	9.6%	4.9%	

Note: Recently announced change in earnings forecasts for the fiscal year ending March 31, 2019 during the three months ended June 30, 2018: No

Noted Items

(1) Changes in significant consolidated subsidiaries during the period (status changes of subsidiaries due to changes in the scope of consolidation): None

(2) Changes in accounting policies and accounting estimate

- Changes in accounting policies required by IFRS: Yes
- Other changes: No
- Changes in accounting estimate: No

(3) Number of shares issued (Share capital)

- Number of shares issued: (Treasury shares included)

As of June 30, 2018	143,500,000 shares
As of March 31, 2018	143,500,000 shares
- Number of treasury shares:

As of June 30, 2018	8,266,609 shares
As of March 31, 2018	8,266,259 shares
- Average number of shares outstanding:

Three months ended June 30, 2018	135,233,542 shares
Three months ended June 30, 2017	135,236,131 shares

Earnings release (Kessan Tanshin) regarding these consolidated financial results is not subject to auditing procedures.

Cautionary statement with respect to forward-looking statements and other matters:

Statements made in this document with respect to our current plans, estimates, strategies and beliefs, including the above forecasts, are forward-looking statements about our future performance. 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: (i) changes in economic conditions affecting our operations; (ii) fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro; (iii) our 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; (iv) the timing of the release of new game titles and products, especially game titles and products that are part of historically popular series; (v) our ability to successfully expand internationally with a focus on our Digital Entertainment, Amusement businesses, and Gaming & Systems; (vi) our ability to successfully expand the scope of our business and broaden our customer base through our Health & Fitness business; (vii) regulatory developments and changes and our ability to respond and adapt to those changes; (viii) our expectations with regard to further acquisitions and the integration of any companies we may acquire; and (ix) the outcome of existing contingencies.

Please refer to page 9 to 12 for further information regarding our business forecasts.

KONAMI HOLDINGS CORPORATION (the "Company") disclosed the supplemental data for the consolidated financial statements via the Company's website on July 31, 2018.

1. Business Performance

(1) Analysis of Business Performance

(i) Business Overview

For the three months ended June 30, 2018, the Japanese economy has not been strong despite recovery in consumer spending due to improvements in corporate earnings and employment environment. Furthermore, the economies in western countries continued to face more uncertainty because of concerns about the declining global economy, including U.S.-China trade frictions and instability in the Middle East.

Under such market circumstances surrounding businesses that we operate the Digital Entertainment segment, Amusement segment, Gaming & Systems segment and Health & Fitness segment, we made efforts to provide products and services to respond to changes in the market, such as regarding consumer confidence and consumption behavior arising from economic trends in various countries and revision and abolition of various regulations.

For the three months ended June 30, 2018, total revenue of Konami Group continued well due to strongly performance of the latest title in the *JIKKYOU PAWAFURU PUROYAKYU* series of the computer and video games and the mobile games in the *Winning Eleven* series based on the stable sales of the existing top game machines and titles, and new products of the amusement machines launched into the market. On the other hand, the operating profit was almost same (slightly decreased) as the same period of the previous fiscal year mainly due to advance investments, including promotions to invite new users and researches and developments.

In terms of the consolidated results for the three months ended June 30, 2018, total revenue amounted to ¥58,457 million (a year-on-year increase of 4.9%), operating profit was ¥11,814 million (a year-on-year decrease of 3.1%), profit before income taxes was ¥11,838 million (a year-on-year decrease of 1.9%), and profit attributable to owners of the parent was ¥8,274 million (a year-on-year decrease of 2.8%).

(ii) Performance by Business Segment

Summary of total revenue by business segment:

	Millions of Yen, except percentages		
	Three months ended June 30, 2017	Three months ended June 30, 2018	% change
Total revenue:			
Digital Entertainment	¥28,914	¥30,066	4.0
Amusement	4,609	6,597	43.1
Gaming & Systems	6,479	6,360	(1.9)
Health & Fitness	16,079	15,818	(1.6)
Intersegment eliminations	(338)	(384)	-
Total revenue	¥55,743	¥58,457	4.9

Digital Entertainment

In the entertainment market, game contents continue to diversify along with functional enhancement of various devices, including mobile devices and video game consoles, and development of information and telecommunications infrastructure. In conjunction with the changing times, the preference for enriching daily life through full and abundant experiences in personal spending has been strengthened. In the game industry, efforts are accelerating to offer new experiences through game content in various ways, including eSports, which are regarded as a form of sports competition and are attracting more and more attention.

Under such circumstances, our mobile games in the Digital Entertainment segment performed strongly as *Winning Eleven 2018* (known overseas as *PRO EVOLUTION SOCCER 2018*) attracted much attention due to worldwide “soccer fever” during this first quarter. In the Chinese market, *Winning Eleven 2018* (known in China as 实况足球) and *Winning Eleven CARD COLLECTION* (known in China as 实况：王者集结), continued to be released through collaboration with local companies. Various titles also continued to perform stably, including *JIKKYOU PAWAFURU PUROYAKYU* and *PROFESSIONAL BASEBALL SPIRITS A (Ace)* in the domestic market and *Yu-Gi-Oh! DUEL LINKS* in the global market.

As for card games, the *Yu-Gi-Oh! TRADING CARD GAME* series continued to develop in the global market. In the domestic market, we started the 20th-anniversary-year-project *Yu-Gi-Oh! TRADING CARD GAME* which celebrates its 20th anniversary once it goes on sale in February 2019. The various measures attracted much attention.

As for computer and video games, we released *JIKKYOU PAWAFURU PUROYAKYU 2018*, which was loaded new features including VR compatibility. Sales of the game got off to a favorable start. In addition, we released *SUPER BOMBERMAN R* for PlayStation[®] 4, Xbox One, and Steam (PC), which had been released for Nintendo Switch in 2017. Due to the recent global interest in soccer, an online mode in

Winning Eleven 2018 (known overseas as *PRO EVOLUTION SOCCER 2018*), *myClub*, continued to perform strongly.

Meanwhile, the segment profit decreased mainly due to advance investments, including promotions to gain more experience with our contents for potential users and researches and developments aimed at the future.

In terms of financial performance, total revenue for the three months ended June 30, 2018 in this segment amounted to ¥30,066 million (a year-on-year increase of 4.0%) and segment profit for the three months ended June 30, 2018 amounted to ¥9,096 million (a year-on-year decrease of 13.0%).

Amusement

There are signs of recovery in the amusement industry market owing to measures taken by the industry as a whole, including increases in users with families at arcade game areas in shopping malls and among senior users who play medal games as amusement facilities are becoming more recognized from a wide range of users as a place where anyone can play. Furthermore, following the spread and development of eSports in recent years, various experiences through amusement games are being offered, such as numerous tournaments held not only in Japan but also all over the world.

In regards to our video games, the new cabinet *MAH-JONG FIGHT CLUB Gouka Kenran* continued to perform strongly. The addition of this high-grade model cabinet was to celebrate the 15th anniversary of the online versus mah-jong game *MAH-JONG FIGHT CLUB*. In terms of music genre games, *beatmania IIDX 25 CANNON BALLERS* also continued to perform well. This features a new screen function that shows live video of the player's hands and face, as well as improved music and video quality. In addition, a battle-type video game which is loaded various mini-games, *BISHIBASHI CHANNEL*, started operation. In terms of medal games, we launched a newly pusher game, *MARBLE FEVER*, which offers unconventional fun consisting of a wide variety of physical roulettes with a glass ball that runs around in a glittering cabinet, and the latest title in the *Tsunaga Lotta* series, *Tsunaga Lotta: Anima to Niji no Hikyo*, which is a title that players across the country compete in to win a jackpot by sharing a single lottery machine. These games have received favorable reviews from a wide range of users, not only from original fans, but also from new players as well. Furthermore, we launched the latest title in the *MAGICAL HALLOWEEN* series, *MAGICAL HALLOWEEN 6*, which aimed at improving the game balance between playability and performance.

In addition, we started the sequential introduction of the *Thincaterminal* multi-electronic money payment system services for amusement facilities. Through this

service, we continue to promote building environments where amusement-facility users can enjoy games more easily to use electronic money that they already have.

In terms of financial performance, total revenue for the three months ended June 30, 2018 in this segment amounted to ¥6,597 million (a year-on-year increase of 43.1%) and segment profit for the three months ended June 30, 2018 amounted to ¥1,861 million (a year-on-year increase of 15.6%).

Gaming & Systems

The gaming market is continuing to see growth with the worldwide development and opening of new casino facilities and integrated resorts (IR) which include casinos. Furthermore, measures to revitalize the industry were implemented mainly targeting young people, including the introduction of slot machines designed to reflect players' skill levels, allowing them to increase their chances at winning, in addition eSports betting.

With respect to our slot machines, we expanded our *Concerto*[™] series in the North American, Asian and Oceanian markets, including new cabinets of *Concerto Crescent*[™], which utilizes KONAMI's first curved screen, and *Concerto Stack*[™], which utilizes a large-scale vertical screen. Sales of the long-selling *Podium*[®] series were also stable in the Central and South American markets. In addition, we developed in the North American and Asian markets to install a horserace betting station with a model track, *Fortune Cup*[™], which was leveraged our expertise and technology accumulated through Konami Group's amusement machines. In regards to participation agreements (in which profits are shared with casino operators), we expanded the lineup of game content, which created higher expectations and interest from players, including the *Concerto*[™] series and a new type of game, *Smash Smash Festival*[™], which increases the probability of hitting a jackpot using additional high-priced betting. The *SYNKROS*[®] casino management system performed well, which included the steady introduction into the introduction into large cruise ships in service overseas.

For the three months ended June 30, 2018, total revenue from this segment decreased because number of installation of new slot machines decreased and influence of the yen appreciation against the US dollar exchange rate.

In terms of financial performance, total revenue for the three months ended June 30, 2018 in this segment amounted to ¥6,360 million (a year-on-year decrease of 1.9%) and segment profit for the three months ended June 30, 2018 amounted to ¥868 million (a year-on-year increase of 7.9%).

Health & Fitness

In connection with the health and fitness industry, we continue to see growing the market with supported by a growing health consciousness throughout society. This includes the government continues to take measures to combat lifestyle diseases since Japan's population continuing age as well as to develop new plans for boosting sports clubs and other aspects of the healthy prolonged life industry as part of the governmental growth strategy.

With respect to the management of facilities that we operate directly, we continued to make efforts to improve services that offered a comfortable and fit lifestyle for customers. In addition to the introduction of pricing plans that customers can select based on their frequency of use, we enhanced our in-house development programs *Hip Cross* and *Boulder Fit* using our knowhow about operating sports clubs which we have accumulated over many years and improved our facilities with renovations. As for development of the sports club facilities, we opened three XAX facilities, XAX Akabane (Kita-ku, Tokyo), XAX Shiki (Shiki City, Saitama Prefecture) and XAX Nakamozu (Sakai City, Osaka Prefecture), to invite new members. This XAX sports club is branded as a compact facility specializing in machines and studios with the goal of creating a space where members can focus easily, even for just short amounts of time, providing comfortable local sports spots. Furthermore, we commenced management of additional facilities outsourced to Konami Group, Nagoya City Naka Sports Center (Nagoya City, Aichi Prefecture), Saitama City Memorial Gymnasium (Saitama City, Saitama Prefecture) and Kurume Arena (Kurume City, Fukuoka Prefecture), since April 2018.

As for products relating to health and fitness, we continued to expand our specially selected lineup of "Konami Sports Club Selection" brand products as well as our "Konami Sports Club Original" Konami Sports Club brand products and redesigned our online shop to improve usability and service.

For the three months ended June 30, 2018, though sales from this business decreased mainly due to closing of the facilities operated directly and outsourced to us, the segment profit increased compared with those for the same period of the previous fiscal year. This is due to a moderation in costs, including improvement of business efficiency and energy conservation.

In terms of financial performance, total revenue for the three months ended June 30, 2018 in this segment amounted to ¥15,818 million (a year-on-year decrease of 1.6%) and segment profit for the three months ended June 30, 2018 amounted to ¥967 million (a year-on-year increase of 67.3%).

Please refer to "(1) Quarterly Condensed Consolidated Statement of Financial Position" and "(4) Quarterly Condensed Consolidated Statement of Cash Flows" in

“2. Quarterly Condensed Consolidated Financial Statements and Notes” regarding the financial position and cash flows.

(2) Outlook for the Fiscal Year Ending March 31, 2019

Digital Entertainment

With the spread of entertainment offered through networks, the available means of providing games continue to diversify. Opportunities to reach an even greater audience for games are increasing. Against this background, we intend to develop ways of playing games that match the characteristics of each device.

As for mobile games, the latest title in the *LOVEPLUS series*, *LOVEPLUS EVERY*, is intended to be released. The preview trailer, which was revealed recently, received favorable reviews from many fans, and the number of pre-registrations has steadily increased. In addition, a new title, *Weekly Shonen Jump: Jikkyou Janjan Stadium*, is intended to be released.

As for card games, *Yu-Gi-Oh! TRADING CARD GAME* will celebrate its 20th anniversary once it goes on sale in February 2019. To celebrate this milestone, we designated the year starting from February 2018 as the 20th anniversary year. We also developed various measures which have received favorable reviews, so we will continue to revitalize the content through appropriate measures for the 20th anniversary. As part of our continued active efforts in eSports in 2018, we intend to host “Yu-Gi-Oh! World Championship 2018,” the eSports World Championship which will decide who is number one in the *Yu-Gi-Oh!* series.

With enthusiasm for soccer at a fever pitch all over the world in 2018, we hosted the final match at the eSports Global Championship “PES LEAGUE WORLD TOUR 2018” for the computer and video game, *Winning Eleven 2018* (known overseas as *PRO EVOLUTION SOCCER 2018*). The latest title, *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*), is intended to be released to continue this excitement. Furthermore, *ANUBIS ZONE OF THE ENDERS: M∀R S*, is expected to be released. The remastered version of *ANUBIS ZONE OF THE ENDERS*, released in 2003, has 4K and VR compatibility for the full game. We are eagerly working on it so that we can offer unprecedented experience. As for baseball contents, along with Nippon Professional Baseball (NPB), we will host “eBASEBALL PAWAPURO Pro League”, a professional baseball eSports league, whose competition titles include *JIKKYOU PAWAFURU PUROYAKYU 2018* released in April 2018.

As the preference for enriching daily life through full and abundant experiences has strengthened in the entertainment market, we continue to make efforts to create and provide “Valuable Time” to customers through game contents.

Amusement

As for arcade games, Konami Group intends to work to revitalize the amusement arcade industry by providing new entertainment that can be enjoyed only at an amusement facility through person-to-person communication using the *e-AMUSEMENT* system and developing eSports tournament. With the goal of improving customer convenience, we also intend to make efforts to improve the infrastructure environment to contribute to the development of the industry, including the promotion of the unification of IC card specifications for arcade games.

In regard to video games, we intend to launch a full-scale professional baseball card game, *BASEBALL COLLECTION*, which uses a large, 32-inch monitor, enabling more ways to play, including managing teams and training players. As for the medal games, we released *BOMBERMAN THE MEDAL*, which is based on the popular computer and video game series, *BOMBERMAN*. This title allows up to eight players of all ages to play simultaneously. In addition, as for mah-jong content, we further developed the *MAH-JONG FIGHT CLUB* brand, where we strive to deliver new and fun entertainment for game and mah-jong fans by participating in the professional mah-jong league that will open in October 2018.

In addition, the local subsidiary in the Kingdom of Thailand started its full operation in April 2018, which was established with aiming to develop a sales structure for the Southeast Asian region where the economy is growing rapidly. Moving forward, we will strive to strengthen its business development in the global market, by expanding sales and service operations of Konami Group products, including amusement machines.

Gaming & Systems

As for slot machines, we continue to make efforts to enhance our sales focusing on the *Concerto*[™] series, a key product in our video slot machine series, as well as enhance product range, including introduction of the latest cabinet, *Concerto Opus*[™], which features a large, 65-inch display. In addition, we will develop products leveraged our expertise through Konami Group's amusement machines, including introduction of multi-station machines, such as *Fortune Cup*[™], a horserace betting station with a model track and new entertainment elements, and *Crystal Cyclone*[™], a ball-drawing game, and *Beat Square*, a slot machine based on *jubeat* from the *BEMANI* series which is one of our music genre game series for amusement machines. *Beat Square* includes features that reflect player skill levels. We continue to focus on developing new products and services by leveraging our expertise and technology accumulated through Konami Group's amusement machines.

As for the *SYNKROS*[®] casino management system, we provide a variety of functions which have received positive reviews, including the business intelligence function *SYNKROS Dashboards*[™] and *SYNKROS Offers Management*, which offers privileges and customer-friendly information to customers. We continue to make efforts to enhance product appeal, including actively expansion of the sales and the development of new functions.

Health & Fitness

With respect to the management of facilities that we operate directly, we offer various kinds of school programs for infants to seniors by utilizing our expertise in providing guidance, such as for visualizing the actions needed to make progress, which we have accumulated over many years. In July 2018, we launched the first table tennis and trampoline school programs in general sports clubs in Japan. We will continue to increase the number of facilities that can participate in these programs in the future.

As for development of the sports club facilities, we intend to open new facilities under our operation directly focusing on development of *XAX* brand, such as the *XAX Umeda X-STUDIO* (Kita-ku, Osaka Prefecture) opened in July 2018, which specialize in studio programs and aim at creating a new style of fitness space. In addition, we intend to continue taking full advantage of our strengths as one of the largest operators of many sports facilities in Japan by leveraging our expertise in operations and guidance for not only our directly operated facilities, but also franchise facilities and those outsourced to us.

As for health and fitness related products, will continue to develop a variety of products for the Konami Sports Club brand as well as our existing *AEROBIKE* and *POWERFUL GEAR* products. We also intend to enhance their appeal to customers through e-commerce site and Konami Sports Clubs to expand our market share.

In some facilities that suffered major damage due to the Northern Osaka Earthquake, we will strive to restore the operations.

Projected consolidated results for the fiscal year ending March 31, 2019 are as follows: total revenue of ¥250,000 million; operating profit of ¥50,000 million; profit before income tax of ¥49,000 million; and profit attributable to owners of the parent of ¥32,000 million. Thus, there is no change from the forecast figures released in the “Consolidated Financial Results for the Year Ended March 31, 2018” dated May 10, 2018.

Special Note:

This document contains “forward-looking statements,” or statements related to future events that are based on management’s assumptions and beliefs in light of information currently available. These statements are subject to various risks and uncertainties.

When relying on forward-looking statements to make investments, you should not place undue reliance on such forward-looking statements. Actual results may be affected by a number of important factors and may be materially different from those discussed in forward-looking statements. Such factors include, but are not limited to, changes in economic conditions affecting our operations, market trends and fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro.

2. Quarterly Condensed Consolidated Financial Statements and Notes

(1) Quarterly Condensed Consolidated Statement of Financial Position

	Millions of Yen	
	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	¥154,485	¥149,175
Trade and other receivables	26,092	25,421
Inventories	6,840	8,384
Income tax receivables	714	679
Other current assets	7,541	8,629
Total current assets	195,672	192,288
Non-current assets		
Property, plant and equipment, net	79,077	78,886
Goodwill and intangible assets	36,870	38,095
Investments accounted for using the equity method	3,034	3,024
Other investments	1,313	1,371
Other financial assets	22,578	22,485
Deferred tax assets	21,951	21,518
Other non-current assets	2,613	2,489
Total non-current assets	167,436	167,868
Total assets	363,108	360,156
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	11,903	12,184
Other financial liabilities	3,876	3,827
Trade and other payables	31,252	25,292
Income tax payables	7,599	749
Other current liabilities	14,660	20,192
Total current liabilities	69,290	62,244
Non-current liabilities		
Bonds and borrowings	14,744	14,758
Other financial liabilities	13,105	12,677
Provisions	9,109	9,136
Other non-current liabilities	2,321	2,513
Total non-current liabilities	39,279	39,084
Total liabilities	108,569	101,328
Equity		
Share capital	47,399	47,399
Share premium	74,426	74,426
Treasury shares	(21,321)	(21,323)
Other components of equity	610	1,765
Retained earnings	152,668	155,803
Total equity attributable to owners of the parent	253,782	258,070
Non-controlling interests	757	758
Total equity	254,539	258,828
Total liabilities and equity	¥363,108	¥360,156

(2) Quarterly Condensed Consolidated Statements of Profit or Loss and Comprehensive Income

Quarterly Condensed Consolidated Statement of Profit or Loss

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue		
Product sales revenue	¥18,142	¥15,268
Service and other revenue	37,601	43,189
Total revenue	55,743	58,457
Cost of revenue		
Cost of product sales revenue	(7,375)	(7,117)
Cost of service and other revenue	(24,711)	(27,235)
Total cost of revenue	(32,086)	(34,352)
Gross profit	23,657	24,105
Selling, general and administrative expenses	(11,045)	(12,279)
Other income and other expenses, net	(416)	(12)
Operating profit	12,196	11,814
Finance income	80	163
Finance costs	(216)	(208)
Profit from investments accounted for using the equity method	8	69
Profit before income taxes	12,068	11,838
Income taxes	(3,554)	(3,563)
Profit for the period	8,514	8,275
Profit attributable to:		
Owners of the parent	8,511	8,274
Non-controlling interests	¥3	¥1

	Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Earnings per share (attributable to owners of the parent)		
Basic	¥62.94	¥61.18
Diluted	¥61.99	¥60.25

Quarterly Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit for the period	¥8,514	¥8,275
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets at fair value through other comprehensive income	-	36
Share of other comprehensive income of entity accounted for using the equity method	-	0
Total items that will not be reclassified to profit or loss	-	36
Items that may be reclassified to profit or loss:		
Exchange differences on foreign operations	145	1,119
Net change in fair values of available-for-sale financial assets	5	-
Share of other comprehensive income of entity accounted for using the equity method	(0)	-
Total items that may be reclassified to profit or loss	150	1,119
Total other comprehensive income	150	1,155
Total comprehensive income for the period	8,664	9,430
Comprehensive income attributable to:		
Owners of the parent	8,661	9,429
Non-controlling interests	¥3	¥1

(3) Quarterly Condensed Consolidated Statement of Changes in Equity

Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2017	¥47,399	¥74,426	¥(21,304)	¥2,157	¥131,763	¥234,441	¥751	¥235,192
Profit for the period					8,511	8,511	3	8,514
Other comprehensive income				150		150		150
Total comprehensive income for the period	-	-	-	150	8,511	8,661	3	8,664
Purchase of treasury shares			(7)			(7)		(7)
Dividends					(5,545)	(5,545)		(5,545)
Total transactions with the owners	-	-	(7)	-	(5,545)	(5,552)	-	(5,552)
Balance at June 30, 2017	¥47,399	¥74,426	¥(21,311)	¥2,307	¥134,729	¥237,550	¥754	¥238,304

Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2018	¥47,399	¥74,426	¥(21,321)	¥610	¥152,668	¥253,782	¥757	¥254,539
Profit for the period					8,274	8,274	1	8,275
Other comprehensive income				1,155		1,155	0	1,155
Total comprehensive income for the period	-	-	-	1,155	8,274	9,429	1	9,430
Purchase of treasury shares			(2)			(2)		(2)
Disposal of treasury shares		0	0			0		0
Dividends					(5,139)	(5,139)		(5,139)
Total transactions with the owners	-	0	(2)	-	(5,139)	(5,141)	-	(5,141)
Balance at June 30, 2018	¥47,399	¥74,426	¥(21,323)	¥1,765	¥155,803	¥258,070	¥758	¥258,828

(4) Quarterly Condensed Consolidated Statement of Cash Flows

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
<i>Operating activities</i>		
Profit for the period	¥8,514	¥8,275
Depreciation and amortization	2,334	3,358
Impairment losses	325	-
Interest and dividends income	(49)	(63)
Interest expense	211	203
Loss on sale or disposal of property, plant and equipment	8	8
Profit from investments accounted for using the equity method	(8)	(69)
Income taxes	3,554	3,563
Decrease in trade and other receivables	4,068	1,239
Increase in inventories	(482)	(1,328)
Decrease in trade and other payables	(4,087)	(3,341)
Increase in prepaid expense	(702)	(956)
Increase in deferred revenue	572	1,614
Other, net	1,031	4,071
Interest and dividends received	47	63
Interest paid	(194)	(158)
Income taxes paid	(5,305)	(9,937)
<i>Net cash provided by operating activities</i>	9,837	6,542
<i>Investing activities</i>		
Capital expenditures	(5,141)	(7,129)
Decrease in lease deposits, net	747	148
Increase in term deposits, net	(224)	(1)
Other, net	4	(6)
<i>Net cash used in investing activities</i>	(4,614)	(6,988)
<i>Financing activities</i>		
Decrease in short-term (within 3 months) borrowings, net	(1,121)	-
Proceeds from short-term (more than 3 months) borrowings	1,121	1,099
Repayments of short-term (more than 3 months) borrowings	-	(1,099)
Principal payments under capital lease and financing obligations	(470)	(473)
Dividends paid	(5,500)	(5,103)
Other, net	(7)	(1)
<i>Net cash used in financing activities</i>	(5,977)	(5,577)
Effect of exchange rate changes on cash and cash equivalents	236	713
Net decrease in cash and cash equivalents	(518)	(5,310)
Cash and cash equivalents at the beginning of the period	134,743	154,485
<i>Cash and cash equivalents at the end of the period</i>	¥134,225	¥149,175

(5) Going Concern Assumption

None

(6) Changes in Accounting Policies

Significant accounting policies adopted for these quarterly condensed consolidated financial statements are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2018 with the exception of the changes in accounting policies described hereunder.

Standards	Title	Overview of new/revised Standards
IFRS 9	Financial Instruments	Revisions relating to classification and measurement of financial instruments, impairment and hedge accounting
IFRS 15	Revenue from Contracts with Customers	Revisions of accounting procedures relating to recognition of revenue

(i) Adoption of IFRS 9 “Financial Instruments”

Konami Group has adopted IFRS 9 “Financial Instruments” from the three-month-period ended June 30, 2018. The new standard replaces IAS 39 “Financial Instruments: Recognition and Measurement”. The standard deals with the classification, recognition and measurement (including impairment) of financial instruments. Konami Group takes advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement changes.

There is no material impact on Konami Group’s quarterly condensed consolidated financial statements from the application of IFRS 9.

(ii) Adoption of IFRS 15 “Revenue from Contracts with Customers”

Konami Group has adopted IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (collectively, “IFRS 15”) from the three-month-period ended June 30, 2018. Konami Group recognizes the cumulative effect of applying the new standard at the date of initial application, with no restatement of the comparative periods presented.

Konami Group recognizes revenue from contracts with customers based on the following five step approach, (excluding interest, dividend and other such income from financial instruments recognized in accordance with IFRS 9 and insurance revenues recognized in accordance with IFRS 4.)

Step 1: Identify the contract (s) with a customer

- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized at the amount of consideration after deduction of returned goods, trade discounts, and rebates.

There is no material impact on Konami Group's quarterly condensed consolidated financial statements from the application of IFRS 15.

(7) Segment Information

(i) Operating Segment Information

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue:		
Digital Entertainment –		
External customers	¥28,717	¥29,889
Intersegment	197	177
Total	¥28,914	¥30,066
Amusement –		
External customers	¥4,472	¥6,468
Intersegment	137	129
Total	¥4,609	¥6,597
Gaming & Systems –		
External customers	¥6,479	¥6,360
Intersegment	-	-
Total	¥6,479	¥6,360
Health & Fitness –		
External customers	¥16,075	¥15,740
Intersegment	4	78
Total	¥16,079	¥15,818
Intersegment eliminations	¥(338)	¥(384)
Consolidated	¥55,743	¥58,457

Millions of Yen		
	Three months ended June 30, 2017	Three months ended June 30, 2018
Segment profit (loss):		
Digital Entertainment	¥10,449	¥9,096
Amusement	1,610	1,861
Gaming & Systems	804	868
Health & Fitness	578	967
Total segment profit and loss, net	13,441	12,792
Corporate expenses and eliminations	(829)	(966)
Other income and other expenses, net	(416)	(12)
Finance income and finance costs, net	(136)	(45)
Profit from investments accounted for using the equity method	8	69
Profit before income taxes	¥12,068	¥11,838

(Notes)

1. Konami Group operates on a worldwide basis principally with the following four business segments:

a) Digital Entertainment:	Production, manufacture and sale of digital content and related products including mobile games, card games and computer and video games.
b) Amusement:	Production, manufacture and sale of amusement machines.
c) Gaming & Systems:	Production, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
d) Health & Fitness:	Operation of health and fitness clubs, and production, manufacture and sale of health and fitness related goods.

2. Segment profit (loss) is determined by deducting “cost of revenue” and “selling, general and administrative expenses” from “revenue.” This does not include corporate expenses, finance income and finance costs, and certain non-regular expenses associated with each segment such as impairment losses on property, plant and equipment, goodwill and intangible assets.
3. Corporate expenses primarily consist of administrative expenses not directly associated with specific segments.
4. Intersegment eliminations primarily consist of eliminations of intercompany sales.

5. Other income and other expenses, net include impairment losses on property, plant and equipment and goodwill and intangible assets and profit or loss of sales and disposal on property, plant and equipment.

(ii) Geographic Information

Revenue from external customers

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue:		
Japan	¥44,121	¥46,601
United States	8,148	8,354
Europe	1,806	2,379
Asia/Oceania	1,668	1,123
Consolidated	¥55,743	¥58,457

(Note)

For the purpose of presenting operations in the geographic areas above, Konami Group attributes revenues from external customers to individual countries in each area based on where Konami Group sold products or rendered services.