

KONAMI HOLDINGS CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Three Months Ended June 30, 2018

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the three-month period ended June 30, 2018 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI HOLDINGS CORPORATION filed its Quarterly Securities Report for the three-month period ended June 30, 2018 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on August 13, 2018. The following is the outline of the Quarterly Securities Report.

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1. Quarterly Condensed Consolidated Financial Statements

(1) Quarterly Condensed Consolidated Statement of Financial Position

Millions of Yen

	Note	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	9	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	9	1,313	1,371
Other financial assets	9	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	9	11,903	12,184
Other financial liabilities	9	3,876	3,827
Trade and other payables		31,252	25,292
Income tax payables		7,599	749
Other current liabilities	5	14,660	20,192
Total current liabilities		69,290	62,244
Non-current liabilities			
Bonds and borrowings	9	14,744	14,758
Other financial liabilities	9	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	6	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

The accompanying notes are an integral part of these financial statements.

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

Quarterly Condensed Consolidated Statements of Profit or Loss Three months ended June 30, 2017 and 2018

Millions of Yen			
	Note	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	4,8	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			
	Note	Three months ended June 30, 2017	Three months ended June 30, 2018
Earnings per share (attributable to owners of the parent)			
Basic	10	¥62.94	¥61.18
Diluted	10	¥61.99	¥60.25

The accompanying notes are an integral part of these financial statements.

Quarterly Condensed Consolidated Statements of Comprehensive Income
Three months ended June 30, 2017 and 2018

		Millions of Yen	
	Note	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									
	Note	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	7					(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									
	Note	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	7					(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

The accompanying notes are an integral part of these financial statements.

(4) Quarterly Condensed Consolidated Statement of Cash Flows

	Millions of Yen	
Note	Three months ended June 30, 2017	Three months ended June 30, 2018
Operating activities		
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	-
Increase in contract liabilities	-	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)
Net cash provided by operating activities	9,837	6,542
Investing activities		
Capital expenditures	(5,141)	(7,129)
Decrease in lease deposits, net	747	148
Increase in term deposits, net	(224)	(1)
Other, net	4	(6)
Net cash used in investing activities	(4,614)	(6,988)
Financing activities		
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)
Net cash used in financing activities	(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
Cash and cash equivalents at the end of the period	¥134,225	¥149,175

The accompanying notes are an integral part of these financial statements.

Notes to Quarterly Condensed Consolidated Financial Statements

1. Reporting Entity

KONAMI HOLDINGS CORPORATION (the “Company”) is a public company located in Japan.

The accompanying quarterly consolidated financial statements consist of the Company and its consolidated subsidiaries (collectively, “Konami Group”) as well as equity interests in its associates.

Konami Group engages in the following four business operations: Digital Entertainment, Amusement, Gaming & Systems, and Health & Fitness businesses. The operations of each business segment are presented in Note 4 “Segment Information”.

2. Basis of Preparation

(1) Compliance with IFRS

The quarterly condensed consolidated financial statements meet the requirements set out under Article 1-2, Paragraph 1, Item 2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements under which the Company is qualified as a “specified company applied Designated International Accounting Standards” and duly adopted the provisions of Article 93 of the foregoing rules.

Therefore, the Company prepares such quarterly condensed consolidated financial statements in accordance with IAS 34 “Interim Financial Reporting”. Since the quarterly condensed consolidated financial statements do not contain all the information required in the consolidated financial statements for the fiscal year ended March 31, 2018, it should be read in combination with the annual consolidated financial statements.

(2) Use of estimates and judgments

In preparing quarterly condensed consolidated financial statements, management uses estimates and judgments. Judgments made by management, assumptions about the future and uncertainty in estimates may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of income and expenses as of the reporting date of the quarterly condensed consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. The impacts from revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods that are affected.

Information about estimates and judgments made by management that would have significant effects on the amounts recognized in the quarterly condensed consolidated financial statements is in the same manner of the consolidated financial statements for the fiscal year ended March 31, 2018.

3. Significant Accounting Policies

The 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

(1) 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.

Konami Group has adopted IFRS 9 from the three-month period ended June 30, 2018 and revised the accounting policies as follows.

1. Financial assets
 - i. Initial recognition and measurement

Konami Group initially recognizes financial assets when it becomes a party to the contract, and classifies them into the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other

comprehensive income, and financial assets measured at fair value through profit or loss.

At initial recognition, all financial assets are measured at fair value. However, in the case of a financial asset that is not classified as a financial asset measured at fair value through profit or loss, it is measured at the fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(a) Financial assets measured at amortized cost

Of the financial assets held by Konami Group, those that meet both of the following conditions are classified as financial assets measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows.

(b) Financial assets measured at fair value through other comprehensive income

Equity instruments such as shares held mainly for the purpose of maintaining or strengthening business relationships with investees are designated at initial recognition as financial assets measured at fair value through other comprehensive income. Subsequent to initial recognition, the financial assets are measured at fair value and changes in the fair value are recognized in other comprehensive income. Debt instruments, which are held to achieve an objective by both collecting contractual cash flows and selling and those contractual cash flows represent solely payments of principal and interest, are designated as financial assets measured at fair value through other comprehensive income.

(c) Financial assets measured at fair value through profit or loss

Financial assets other than (a) and (b) as above are classified as financial assets measured at fair value through profit or loss.

ii. Subsequent measurement after initial recognition

Based on the classifications, subsequent measurement of financial assets after initial recognition are as follows.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method subsequent to the initial recognition.

(b) Financial assets measured at fair value through other comprehensive income

As for financial assets measured at fair value through other comprehensive income, changes in the fair value are recognized in other comprehensive income subsequent to the initial recognition. In the event of derecognition of equity instruments, the cumulative amount of gains or losses recognized through other comprehensive income is directly transferred to retained earnings. Dividends from the relevant financial asset are recognized in profit or loss for the reporting period. In the event of derecognition of debt instruments, the cumulative amount of gains or losses recognized through other comprehensive income is transferred to profit or loss.

(c) Financial assets measured at fair value through profit or loss

As for financial assets measured at fair value through profit or loss, changes in the fair value are recognized in profit or loss subsequent to the initial recognition. Dividends from the relevant financial asset are recognized in profit or loss for the reporting period.

iii. Impairment of financial assets

For financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income, Konami Group measures allowance for doubtful accounts for expected credit losses. Konami Group evaluates at the end of each reporting period whether there is a significant increase in credit risk of financial assets since initial recognition. When there is a significant increase in credit risk since initial recognition, the amount equal to expected credit losses for the remaining life of the financial assets are measured as allowance for doubtful accounts. When there is no significant increase in the credit risk since initial recognition, the amount equal to expected credit losses for 12 months are measured as allowance for doubtful accounts. For trade and other receivables, allowance for doubtful accounts are always measured at the amount equal to expected credit losses for the remaining life of the assets.

Expected credit losses are measured based on the present value of the difference between all contractual cash flows to be paid to Konami Group and all cash flows expected to be received by Konami Group, and are recognized in profit or loss. If the amount of impairment losses decreased due to any event that occurred after the initial recognition of the impairment losses, the previously recognized impairment losses are reversed and recognized in profit or loss.

If there is any objective evidence of credit impairment for financial assets such as significant financial difficulty of a debtor, and a contract violation, including a default or delinquency in payment, interest income is measured at the amount calculated by multiplying the carrying amount less the loss allowance by the effective interest rate. If the recovery of all or part of the contractual cash flows of a certain financial

asset cannot be reasonably estimated, the carrying amount is directly reduced in the total amount of financial assets.

iv. Derecognition of financial assets

Konami Group derecognizes a financial asset only if the contractual rights to the cash flows from the financial asset expire or if it transfers the contractual rights to receive the cash flows of the financial asset in a transaction where it transfers substantially all risks and rewards of ownership of the financial asset. If Konami Group continues to control the transferred assets, it recognizes retained interests in the financial assets and liabilities that might be payable in association therewith, to the extent of its continuing involvement in the financial assets.

2. Financial liabilities

i. Initial recognition and measurement

Konami Group initially classifies financial liabilities into either a financial liability measured at amortized cost or a financial liability measured at fair value through profit or loss. This classification is determined at initial recognition of the financial liabilities.

While financial liabilities measured at fair value through profit or loss are measured at fair value at initial recognition, financial liabilities measured at amortized cost are measured at the amount less directly attributable transaction costs.

ii. Subsequent measurement after initial recognition

Based on the classifications, subsequent measurement of financial liabilities after initial recognition are as follows.

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method subsequent to the initial recognition.

Amortization by the effective interest method, as well as gains and losses associated with the derecognition shall be measured in profit or loss for the reporting period as a part of finance costs.

(b) Financial liabilities measured at fair value through profit or loss

As for financial liabilities measured at fair value through profit or loss, changes in the fair value are recognized in profit or loss or the reporting period subsequent to the initial recognition.

iii. Derecognition of financial liabilities

Konami Group derecognizes a financial liability when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expires.

3. Offsetting financial assets and liabilities

Financial assets and liabilities are offset, with the net amount presented in the consolidated statements of financial position, only if Konami Group holds a legal right to set off the balance, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4. Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and are subsequently remeasured to their fair value at the end of each reporting period.

Konami Group uses derivatives such as forward exchange contracts to determine cash flows related to recognized financial assets and liabilities and the future transactions. Interest rate swaps have also agreed with as hedging instruments against foreign exchange risk and interest rate risk.

Hedge accounting is not applied to the above derivatives.

(2) 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.

Konami Group set the revenue recognition criteria for each of the major categories of revenue in the segments as follows:

1. Digital Entertainment segment

In the Digital Entertainment segment, Konami Group mainly delivers mobile games and sells card games and computer and video games.

With respect to products that we determine the performance obligations are satisfied at the time when they are delivered to customers, we recognize the revenue at a point in time.

In terms of games with online functionality, the revenue is recognized on a fixed basis over the estimated usage period because the performance obligations such as online play functions are continuously provided after sales.

Revenue from the sale of virtual goods within games is recognized at the time they are consumed or over the estimated usage period of the item, with depending on the nature of the item, that is determined when the performance obligation has been completed.

2. Amusement segment

With respect to amusement machines, we determine that performance obligations are satisfied at the time when the product bodies are delivered to customers, and we recognize the revenue at a point in time.

In addition, Konami Group renders a service which connects amusement machines and multiple amusement arcades by online and another service which shares user playing fees with customers (amusement facility operators). As these performance obligations are satisfied at the time when the user plays the game, the revenue is recognized at a point in time.

3. Gaming & Systems segment

With respect to the sale of gaming machines, we determine that performance obligations are satisfied at the time when the product bodies are delivered to customers, and we recognize the revenue at a point in time.

In addition, Konami Group renders a service which shares user playing fees with customers (casino facility operators). As this performance obligation is satisfied at the time when the user plays the game, the revenue is recognized at a point in time.

4. Health & Fitness segment

In the Health & Fitness segment, Konami Group operates health and fitness club and sales health and fitness related goods.

Revenue from health and fitness club membership is derived primarily from monthly membership fees received from club members, and is recognized in the periods over the services are rendered.

In terms of health and fitness related goods, we determine that the performance obligations are satisfied at the time when they are delivered to customers, and we recognize the revenue at a point in time.

Konami Group recognizes revenues whose performance obligations satisfied at a point in time are mainly recorded as "Product sales revenue" in revenue and revenues whose performance obligations satisfied over the time are mainly recorded as "Service and other revenue" in revenue.

In addition to the above changes, Konami Group reviewed the performance obligation in the case where other concerned parties are involved in providing goods or services to customers under the newly stipulated application guidelines in accordance with the adoption of IFRS 15. This review included whether the nature of an entity's promise represents a performance obligation of providing specified goods or services to customers by the entity itself (that is, the entity is a principal) or a performance obligation of making arrangements for these goods or services to be provided by the other concerned parties (that is, the entity is an agent). Based on the review, recognition of revenue for some transactions has been changed from "net base" to "gross base." As a result, "Revenue" and "Cost of revenue" increased by ¥925 million, respectively, for the three months ended June 30, 2018 in the Quarterly Condensed Consolidated Statement of Profit or Loss with compared to figures would be applied under the prior accounting standards.

As a result of reviewing the classification of the revenue based on the term that is satisfied the performance obligation under the newly stipulated application guidelines by IFRS 15, ¥4,991 million of revenue whose performance obligations satisfied over the time is recorded as "Service and other revenue" for the three months ended June 30, 2018, which was included in "Product sales revenue" under the prior classification.

4. Segment Information

Konami Group's reportable segments constitute units of the Konami Group for which separate financial information is available. The Chief Operating Decision

Maker regularly conducts deliberations to determine the allocation of management resources and to assess performance of each segment.

Operating segments are components of business activities from which Konami Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The operating segments are managed separately as each segment represents a strategic business unit that offers different products and serves different markets.

Konami Group operates on a worldwide basis principally with the following four operating 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.

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. Corporate expenses primarily consist of administrative expenses not directly associated with specific segments. Intersegment eliminations primarily consist of eliminations of intercompany sales.

Intersegment sales and revenues are generally recognized at values that represent arm’s-length fair value.

Neither Konami Group nor any of its segments depended on any single customer for more than 10% of Konami Group's revenues for the three months ended June 30, 2018.

(1) Operating segment information

Revenue for the three months ended June 30, 2017 and 2018

	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

Segment profit (loss) for the three months ended June 30, 2017 and 2018

	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

Corporate expenses primarily consist of personnel costs, advertising expenses and rental expenses, which substantially relate to our administrative department.

(2) Geographic information

Revenue from external customers for the three months ended June 30, 2017 and 2018

	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

For the purpose of presenting its 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.

5. Other Current Liabilities

The following is a breakdown of other current liabilities as of March 31, 2018 and June 30, 2018.

	Millions of Yen	
	As of March 31, 2018	As of June 30, 2018
Deferred revenue	¥7,753	-
Contract liabilities	-	¥9,366
Others	6,907	10,826
Total	¥14,660	¥20,192

6. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
<i>Exchange differences on translation of foreign operations</i>		
Balance at the beginning of the period	¥2,044	¥432
Net change during the period	145	1,119
Transfer to retained earnings	-	-
Balance at the end of the period	¥2,189	¥1,551
<i>Available-for-sale financial assets</i>		
Balance at the beginning of the period	¥112	¥178
Effect of changes in accounting standards	-	(178)
Net change during the period	5	-
Transfer to retained earnings	-	-
Balance at the end of the period	¥117	-
<i>Financial assets measured at fair value through other comprehensive income</i>		
Balance at the beginning of the period	-	-
Effect of changes in accounting standards	-	¥178
Net change during the period	-	36
Balance at the end of the period	-	¥214
<i>Share of other comprehensive income of entity accounted for using the equity method</i>		
Balance at the beginning of the period	¥1	¥(0)
Net change during the period	(0)	0
Transfer to retained earnings	-	-
Balance at the end of the period	¥1	¥(0)

7. Dividends

The Company paid dividends 41.00 yen per share and the total amount of ¥5,545 million for the three months ended June 30, 2017.

The Company paid dividends 38.00 yen per share and the total amount of ¥5,139 million for the three months ended June 30, 2018.

8. Revenue

The following is a breakdown of the reportable segments attributes revenues from external customers to individual countries in each area based on where Konami Group sold products or rendered services.

For the three months ended June 30, 2018

	Millions of Yen				
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥24,498	¥2,625	¥2,379	¥387	¥29,889
Amusement	6,363	-	-	105	6,468
Gaming & Systems	-	5,729	-	631	6,360
Health & Fitness	15,740	-	-	-	15,740
Total revenue	¥46,601	¥8,354	¥2,379	¥1,123	¥58,457

9. Fair Value of Financial Instruments

(1) Measuring fair value of financial instruments

Methods for measuring the fair value of financial assets and liabilities are as follows:

1. Financial assets and liabilities measured at amortized cost

The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts because they have short term maturities.

The fair values of lease deposits and other financial assets are calculated as the present value of the total principal and interest discounted at interest rates reflecting the credit risks estimated by Konami Group, and categorized as Level 2.

The fair values of bonds and borrowings, capital lease and financing obligations, and other financial liabilities are calculated as the present value of the total principal and interest, discounted at interest rates that would be applied to new borrowings of Konami Group with similar terms and the same remaining maturity, and categorized as Level 2.

2. Financial assets measured at fair value through other comprehensive income

With regards to equity instruments included in other investments, the fair values of marketable securities are measured based on quoted market prices on equity markets of identical assets, and categorized as Level 1. The fair values of unlisted securities are determined based on an approach using observable inputs such as the comparable company's share prices and unobservable inputs, and categorized as Level 3.

3. Financial assets and liabilities measured at fair value through profit or loss

The fair values of foreign exchange contracts are measured using valuation provided by financial institutions based on observable market data at the end of each reporting period, and categorized as Level 2. The fair values of debt instruments, which are included in other investments but are not financial assets measured at fair value through other comprehensive income, are determined based on an approach using observable inputs such as the comparable company's share prices and unobservable inputs, and categorized as Level 3.

(2) Fair value hierarchy

Fair values are categorized within the fair value hierarchy as follows:

- Level 1: Fair values measured at a price quoted in an active market.
- Level 2: Fair values calculated directly or indirectly using an observable price except for level 1.
- Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data.

(3) Fair value of financial instruments

The table is a breakdown of financial instruments showing carrying amounts and fair values as of March 31, 2018 and June 30, 2018.

	Millions of Yen			
	As of March 31, 2018		As of June 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Lease deposit	¥21,955	¥22,145	¥22,057	¥22,252
Other financial assets	1,702	1,721	1,579	1,598
Financial assets measured at fair value through other comprehensive income				
Securities	-	-	1,278	1,278
Other investments	-	-	73	73
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Financial assets measured at fair value				
Securities	1,227	1,227	-	-
Other investments	86	86	-	-
Financial liabilities:				
Financial liabilities measured at amortized cost				
Bonds and borrowings	¥26,647	¥26,407	¥26,942	¥26,735
Capital lease and financing obligations	14,894	16,956	14,421	16,361
Other financial liabilities	2,087	2,087	2,083	2,083

(4) Fair values measured and disclosed on the quarterly condensed consolidated statements of financial position

The following is a breakdown of financial assets that are measured at fair value on a recurring basis as of March 31, 2018 and June 30, 2018.

Millions of Yen				
Balance at March 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value				
Securities	¥650	-	¥577	¥1,227
Other investments	-	-	86	86
Total	¥650	-	¥663	¥1,313

Millions of Yen				
Balance at June 30, 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income				
Securities	¥701	-	¥577	¥1,278
Other investments	-	-	73	73
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Total	¥701	-	¥670	¥1,371

Securities and other investments, which are classified as Level 3, have no significant changes for the three months ended June 30, 2018.

10. Earnings per Share

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended June 30, 2017 and 2018 is as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit attributable to owners of the parent	8,511 million yen	8,274 million yen
Adjustments for profit used in the calculation of diluted earnings per share	9 million yen	9 million yen
Profit used in the calculation of diluted earnings per share	8,520 million yen	8,283 million yen
Basic weighted average ordinary shares outstanding	135,236,131 shares	135,233,542 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,215,379 shares	2,233,788 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	137,451,510 shares	137,467,330 shares
Earnings per share attributable to owners of the parent for the period		
Basic	62.94 yen	61.18 yen
Diluted	61.99 yen	60.25 yen

11. Subsequent Events

There have been no events after June 30, 2018 that would require adjustments to the quarterly condensed consolidated financial statements or disclosures in the notes to the quarterly condensed consolidated financial statements.

12. Approval of Quarterly Condensed Consolidated Financial Statements

The quarterly condensed consolidated financial statements were approved by Representative Director, President, Takuya Kozuki, on August 9, 2018.