

KONAMI HOLDINGS CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Six Months Ended September 30, 2018

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

KONAMI HOLDINGS CORPORATION filed its Quarterly Securities Report for the six-month period ended September 30, 2018 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 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 September 30, 2018
Assets			
Current assets			
Cash and cash equivalents		¥154,485	¥151,646
Trade and other receivables		26,092	30,116
Inventories		6,840	10,454
Income tax receivables		714	641
Other current assets	10	7,541	7,543
Total current assets		195,672	200,400
Non-current assets			
Property, plant and equipment, net		79,077	78,759
Goodwill and intangible assets		36,870	39,387
Investments accounted for using the equity method		3,034	2,980
Other investments	10	1,313	1,298
Other financial assets	10	22,578	22,063
Deferred tax assets		21,951	21,184
Other non-current assets		2,613	2,423
Total non-current assets		167,436	168,094
Total assets		363,108	368,494
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	6,10	11,903	11,810
Other financial liabilities	10	3,876	3,764
Trade and other payables		31,252	27,576
Income tax payables		7,599	1,809
Other current liabilities	5	14,660	21,415
Total current liabilities		69,290	66,374
Non-current liabilities			
Bonds and borrowings	6,10	14,744	9,777
Other financial liabilities	10	13,105	11,907
Provisions		9,109	9,250
Other non-current liabilities		2,321	2,425
Total non-current liabilities		39,279	33,359
Total liabilities		108,569	99,733
Equity			
Share capital		47,399	47,399
Share premium		74,426	74,426
Treasury shares		(21,321)	(21,323)
Other components of equity	7	610	2,776
Retained earnings		152,668	164,725
Total equity attributable to owners of the parent		253,782	268,003
Non-controlling interests		757	758
Total equity		254,539	268,761
Total liabilities and equity		¥363,108	¥368,494

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 Six months ended September 30, 2017 and 2018

Millions of Yen			
	Note	Six months ended September 30, 2017	Six months ended September 30, 2018
Revenue			
Product sales revenue		¥40,606	¥31,071
Service and other revenue		74,750	91,097
Total revenue	4,9	115,356	122,168
Cost of revenue			
Cost of product sales revenue		(17,598)	(15,179)
Cost of service and other revenue		(49,095)	(57,249)
Total cost of revenue		(66,693)	(72,428)
Gross profit		48,663	49,740
Selling, general and administrative expenses		(23,288)	(24,667)
Other income and other expenses, net		(424)	(46)
Operating profit		24,951	25,027
Finance income		196	313
Finance costs		(428)	(417)
Profit from investments accounted for using the equity method		117	25
Profit before income taxes		24,836	24,948
Income taxes		(7,650)	(7,751)
Profit for the period		17,186	17,197
Profit attributable to:			
Owners of the parent		17,180	17,196
Non-controlling interests		¥6	¥1

Yen			
	Note	Six months ended September 30, 2017	Six months ended September 30, 2018
Earnings per share (attributable to owners of the parent)			
Basic	11	¥127.04	¥127.16
Diluted	11	¥125.12	¥125.22

Three months ended September 30, 2017 and 2018

Millions of Yen			
	Note	Three months ended September 30, 2017	Three months ended September 30, 2018
Revenue			
Product sales revenue		¥22,464	¥15,803
Service and other revenue		37,149	47,908
Total revenue	4	59,613	63,711
Cost of revenue			
Cost of product sales revenue		(10,223)	(8,062)
Cost of service and other revenue		(24,384)	(30,014)
Total cost of revenue		(34,607)	(38,076)
Gross profit		25,006	25,635
Selling, general and administrative expenses		(12,243)	(12,388)
Other income and other expenses, net		(8)	(34)
Operating profit		12,755	13,213
Finance income		116	150
Finance costs		(212)	(209)
Profit (loss) from investments accounted for using the equity method		109	(44)
Profit before income taxes		12,768	13,110
Income taxes		(4,096)	(4,188)
Profit for the period		8,672	8,922
Profit attributable to:			
Owners of the parent		8,669	8,922
Non-controlling interests		¥3	¥0

Yen			
	Note	Three months ended September 30, 2017	Three months ended September 30, 2018
Earnings per share (attributable to owners of the parent)			
Basic	11	¥64.10	¥65.98
Diluted	11	¥63.13	¥64.97

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

Quarterly Condensed Consolidated Statements of Comprehensive Income
Six months ended September 30, 2017 and 2018

		Millions of Yen	
	Note	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit for the period		¥17,186	¥17,197
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income		-	(14)
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		-	(14)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		638	2,180
Net change in fair values of available-for-sale financial assets		(8)	-
Share of other comprehensive income of entity accounted for using the equity method		(0)	-
Total items that may be reclassified to profit or loss		630	2,180
Total other comprehensive income		630	2,166
Total comprehensive income for the period		17,816	19,363
Comprehensive income attributable to:			
Owners of the parent		17,810	19,362
Non-controlling interests		¥6	¥1

Three months ended September 30, 2017 and 2018

		Millions of Yen	
	Note	Three months ended September 30, 2017	Three months ended September 30, 2018
Profit for the period		¥8,672	¥8,922
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income		-	(50)
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		-	(50)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		493	1,061
Net change in fair values of available-for-sale financial assets		(13)	-
Share of other comprehensive income of entity accounted for using the equity method		(0)	-
Total items that may be reclassified to profit or loss		480	1,061
Total other comprehensive income		480	1,011
Total comprehensive income for the period		9,152	9,933
Comprehensive income attributable to:			
Owners of the parent		9,149	9,933
Non-controlling interests		¥3	¥0

(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						17,180	17,180	6	17,186
Other comprehensive income					630		630		630
Total comprehensive income for the period		-	-	-	630	17,180	17,810	6	17,816
Purchase of treasury shares				(10)			(10)		(10)
Disposal of treasury shares			0	0			0		0
Dividends	8					(5,545)	(5,545)		(5,545)
Total transactions with the owners		-	0	(10)	-	(5,545)	(5,555)	-	(5,555)
Balance at September 30, 2017		¥47,399	¥74,426	¥(21,314)	¥2,787	¥143,398	¥246,696	¥757	¥247,453

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						17,196	17,196	1	17,197
Other comprehensive income					2,166		2,166	0	2,166
Total comprehensive income for the period		-	-	-	2,166	17,196	19,362	1	19,363
Purchase of treasury shares				(2)			(2)		(2)
Disposal of treasury shares			0	0			0		0
Dividends	8					(5,139)	(5,139)		(5,139)
Total transactions with the owners		-	0	(2)	-	(5,139)	(5,141)	-	(5,141)
Balance at September 30, 2018		¥47,399	¥74,426	¥(21,323)	¥2,776	¥164,725	¥268,003	¥758	¥268,761

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

(4) Quarterly Condensed Consolidated Statement of Cash Flows

	Millions of Yen	
Note	Six months ended September 30, 2017	Six months ended September 30, 2018
Operating activities		
Profit for the period	¥17,186	¥17,197
Depreciation and amortization	5,341	6,905
Impairment losses	325	-
Interest and dividends income	(90)	(134)
Interest expense	418	407
Loss on sale or disposal of property, plant and equipment	16	22
Profit from investments accounted for using the equity method	(117)	(25)
Income taxes	7,650	7,751
Increase in trade and other receivables	(3,399)	(2,909)
Increase in inventories	(2,245)	(3,215)
Decrease in trade and other payables	(812)	(2,343)
Increase in prepaid expense	(542)	(823)
Increase in deferred revenue	5,325	-
Increase in contract liabilities	-	4,011
Other, net	(190)	2,792
Interest and dividends received	100	136
Interest paid	(418)	(393)
Income taxes paid	(6,377)	(12,662)
Net cash provided by operating activities	22,171	16,717
Investing activities		
Capital expenditures	(8,493)	(10,724)
Decrease in lease deposits, net	607	427
(Increase) decrease in term deposits, net	(1,205)	1,280
Other, net	7	(7)
Net cash used in investing activities	(9,084)	(9,024)
Financing activities		
Decrease in short-term (within 3 months) borrowings, net	(1,121)	-
Proceeds from short-term (more than 3 months) borrowings	5,623	6,680
Repayments of short-term (more than 3 months) borrowings	(4,502)	(7,239)
Redemption of bonds	6	(5,000)
Principal payments under capital lease and financing obligations	(901)	(1,264)
Dividends paid	8	(5,133)
Other, net	(10)	(2)
Net cash used in financing activities	(11,447)	(11,958)
Effect of exchange rate changes on cash and cash equivalents	564	1,426
Net increase (decrease) in cash and cash equivalents	2,204	(2,839)
Cash and cash equivalents at the beginning of the period	134,743	154,485
Cash and cash equivalents at the end of the period	¥136,947	¥151,646

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 Sports 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.

(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. Sports segment

In the Sports segment, Konami Group operates fitness activities and exercise schools and sales sports related goods.

Revenue from fitness activities and exercise schools is derived primarily from membership fees received from members, and is recognized in the periods over the services are rendered.

In terms of sports 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 are satisfied at a point in time are mainly recorded as "Product sales revenue" in revenue and revenues whose performance obligations are 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 ¥2,510 million, respectively, for the six months ended September 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, ¥13,061 million of revenue whose performance obligations satisfied over the time is recorded as "Service and other revenue" for the six months ended September 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) Sports:	Operation of fitness activities and exercise schools, including swimming, gymnastics, dance, soccer, tennis, and golf, and production and sale of sports 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 six months ended September 30, 2018.

Starting from the three-month period ended September 30, 2018, the name of a reporting segment previously stated as “Health & Fitness” business has been

changed to “Sports” business. This change is limited to the name only, hence there is no impact to its segment information.

(1) Operating segment information

Revenue for the six months ended September 30, 2017 and 2018

	Millions of Yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Revenue:		
Digital Entertainment –		
External customers	¥57,373	¥66,458
Intersegment	392	358
Total	¥57,765	¥66,816
Amusement –		
External customers	¥12,333	¥11,042
Intersegment	220	300
Total	¥12,553	¥11,342
Gaming & Systems –		
External customers	¥12,641	¥12,798
Intersegment	-	-
Total	¥12,641	¥12,798
Sports –		
External customers	¥33,009	¥31,870
Intersegment	8	154
Total	¥33,017	¥32,024
Intersegment eliminations	¥(620)	¥(812)
Consolidated	¥115,356	¥122,168

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

	Millions of Yen	
	Three months ended September 30, 2017	Three months ended September 30, 2018
Revenue:		
Digital Entertainment –		
External customers	¥28,656	¥36,569
Intersegment	195	181
Total	¥28,851	¥36,750
Amusement –		
External customers	¥7,861	¥4,574
Intersegment	83	171
Total	¥7,944	¥4,745
Gaming & Systems –		
External customers	¥6,162	¥6,438
Intersegment	-	-
Total	¥6,162	¥6,438
Sports –		
External customers	¥16,934	¥16,130
Intersegment	4	76
Total	¥16,938	¥16,206
Intersegment eliminations	¥(282)	¥(428)
Consolidated	¥59,613	¥63,711

Segment profit (loss) for the six months ended September 30, 2017 and 2018

	Millions of Yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Segment profit (loss):		
Digital Entertainment	¥19,252	¥20,423
Amusement	4,613	3,075
Gaming & Systems	1,236	1,587
Sports	1,814	1,865
Total segment profit and loss, net	26,915	26,950
Corporate expenses and eliminations	(1,540)	(1,877)
Other income and other expenses, net	(424)	(46)
Finance income and finance costs, net	(232)	(104)
Profit from investments accounted for using the equity method	117	25
Profit before income taxes	¥24,836	¥24,948

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

	Millions of Yen	
	Three months ended September 30, 2017	Three months ended September 30, 2018
Segment profit (loss):		
Digital Entertainment	¥8,803	¥11,327
Amusement	3,003	1,214
Gaming & Systems	432	719
Sports	1,236	898
Total segment profit and loss, net	13,474	14,158
Corporate expenses and eliminations	(711)	(911)
Other income and other expenses, net	(8)	(34)
Finance income and finance costs, net	(96)	(59)
Profit (loss) from investments accounted for using the equity method	109	(44)
Profit before income taxes	¥12,768	¥13,110

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 six months ended September 30, 2017 and 2018

	Millions of Yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Revenue:		
Japan	¥90,902	¥95,611
United States	16,474	17,670
Europe	4,419	5,911
Asia/Oceania	3,561	2,976
Consolidated	¥115,356	¥122,168

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

	Millions of Yen	
	Three months ended September 30, 2017	Three months ended September 30, 2018
Revenue:		
Japan	¥46,781	¥49,010
United States	8,326	9,316
Europe	2,613	3,532
Asia/Oceania	1,893	1,853
Consolidated	¥59,613	¥63,711

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 September 30, 2018.

	Millions of Yen	
	As of March 31, 2018	As of September 30, 2018
Deferred revenue	¥7,753	-
Contract liabilities	-	¥11,766
Others	6,907	9,649
Total	¥14,660	¥21,415

In accordance with the adoption of IFRS 15, the prior “Deferred revenue” is recorded as “Contract liabilities” from the three-month period ended June 30, 2018.

6. Bonds

For the six months ended September 30, 2017, there was a redemption of unsecured bonds of ¥5,000 million (interest 0.46%, due September 2017). There was no issuance of bonds.

For the six months ended September 30, 2018, there was a redemption of unsecured bonds of ¥5,000 million (interest 0.53%, due September 2018). There was no issuance of bonds.

7. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Six months ended September 30, 2017	Six months ended September 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	638	2,180
Transfer to retained earnings	-	-
Balance at the end of the period	¥2,682	¥2,612
<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	(8)	-
Transfer to retained earnings	-	-
Balance at the end of the period	¥104	-
<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	-	(14)
Balance at the end of the period	-	¥164
<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)

8. Dividends

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

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

The board of directors' meeting held on October 31, 2018 resolved a cash dividend of 60.50 yen per share and the total amount of ¥8,182 million will be paid for shareholders on record as of September 30, 2018. The cash dividend per share includes a commemorative dividend for the 50th anniversary of the Company's founding of 25.00 yen.

9. 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 six months ended September 30, 2018

	Millions of Yen				
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥52,863	¥6,393	¥5,911	¥1,291	¥66,458
Amusement	10,878	-	-	164	11,042
Gaming & Systems	-	11,277	-	1,521	12,798
Sports	31,870	-	-	-	31,870
Total revenue	¥95,611	¥17,670	¥5,911	¥2,976	¥122,168

10. 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 September 30, 2018.

	Millions of Yen			
	As of March 31, 2018		As of September 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Lease deposit	¥21,955	¥22,145	¥21,820	¥21,908
Other financial assets	1,702	1,721	1,236	1,257
Financial assets measured at fair value through other comprehensive income				
Securities	-	-	1,205	1,205
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	¥21,587	¥21,383
Capital lease and financing obligations	14,894	16,956	13,599	15,743
Other financial liabilities	2,087	2,087	2,056	2,056
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities	-	-	16	16

(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 September 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 September 30, 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income				
Securities	¥628	-	¥577	¥1,205
Other investments	-	-	73	73
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Total	¥628	-	¥670	¥1,298

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

11. Earnings per Share

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

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit attributable to owners of the parent	17,180 million yen	17,196 million yen
Adjustments for profit used in the calculation of diluted earnings per share	18 million yen	18 million yen
Profit used in the calculation of diluted earnings per share	17,198 million yen	17,214 million yen
Basic weighted average ordinary shares outstanding	135,235,621 shares	135,233,431 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	137,451,000 shares	137,467,219 shares
Earnings per share attributable to owners of the parent for the period		
Basic	127.04 yen	127.16 yen
Diluted	125.12 yen	125.22 yen

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

	Three months ended September 30, 2017	Three months ended September 30, 2018
Profit attributable to owners of the parent	8,669 million yen	8,922 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	8,678 million yen	8,931 million yen
Basic weighted average ordinary shares outstanding	135,235,026 shares	135,233,309 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	137,450,405 shares	137,467,097 shares
Earnings per share attributable to owners of the parent for the period		
Basic	64.10 yen	65.98 yen
Diluted	63.13 yen	64.97 yen

12. Subsequent Events

There have been no events after September 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.

13. Approval of Quarterly Condensed Consolidated Financial Statements

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

2. Business Review

(1) Business Overview

For the six months ended September 30, 2018, the Japanese economy has been gradually recovering with continuing improvements in corporate earnings and employment environment. On the other hand, the global economy continues to remain uncertainty because of concerns about the declining global economy, including U.S.-China trade frictions and instability in the Middle East.

Under such circumstances, in terms of the business results of Konami Group for the six months ended September 30, 2018, both total revenue and operating profit exceeded those for the same period of the previous fiscal year because its leading titles, including *JIKKYOU PAWAFURU PUROYAKYU* series and *Winning Eleven* series, continued to perform strongly with encouragement of its efforts towards eSports, while the Amusement business was weaker compared with its healthy sales for the same period of the previous fiscal year.

In terms of the consolidated results for the six months ended September 30, 2018, total revenue amounted to ¥122,168 million (a year-on-year increase of 5.9%), operating profit was ¥25,027 million (a year-on-year increase of 0.3%), profit before income taxes was ¥24,948 million (a year-on-year increase of 0.5%), and profit attributable to owners of the parent was ¥17,196 million (a year-on-year increase of 0.1%).

Starting from the three-month period ended September 30, 2018, the name of a reporting segment previously stated as “Health & Fitness” business has been changed to “Sports” business. This change is limited to the name only, hence there is no impact to its segment information.

(2) Performance by Business Segment

Summary of total revenue by business segment:

	Millions of Yen, except percentages		
	Six months ended September 30, 2017	Six months ended September 30, 2018	% change
Total revenue:			
Digital Entertainment	¥57,765	¥66,816	15.7
Amusement	12,553	11,342	(9.6)
Gaming & Systems	12,641	12,798	1.2
Sports	33,017	32,024	(3.0)
Intersegment eliminations	(620)	(812)	-
Total revenue	¥115,356	¥122,168	5.9

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, as for mobile games in the Digital Entertainment segment, *Winning Eleven 2018* (known overseas as *PRO EVOLUTION SOCCER 2018*) performed strongly in the global market following the first quarter with supported by worldwide “soccer fever.” *Yu-Gi-Oh! DUEL LINKS* was implemented a large-scale update and continue to increase the number of users. In the domestic market, various titles also continued to perform stably, including *JIKKYOU PAWAFURU PUROYAKYU* and *PROFESSIONAL BASEBALL SPIRITS A (Ace)*.

As for card games, we continue to revitalize the *Yu-Gi-Oh! TRADING CARD GAME* series through developing various measures to celebrate its milestone, including the 20th-anniversary-year-project *Yu-Gi-Oh! TRADING CARD GAME* which celebrates its 20th anniversary once it goes on sale in February 2019 as well as the hosting of “Yu-Gi-Oh! World Championship 2018,” the eSports World Championship which decides who is number one in the *Yu-Gi-Oh!* series.

As for computer and video games, we released the latest title in the *Winning Eleven* series, *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*). Due to the recent global interest in soccer, it has received favorable reviews, including the online mode, *myClub*. As part of our continued active efforts in eSports, *Winning Eleven 2018* (known overseas as *PRO EVOLUTION SOCCER 2018*) was selected as a demonstration competition for the “18th Asian Games Jakarta-Palembang 2018” and attracted much attention. In addition, the selection of *Winning Eleven 2019* as a title to be used for competition of the Culture Program at the 74th

National Sports Festival, “Iki Iki Ibaraki Yume Kokutai,” was announced. A competition was also held at the “Ibaraki Pre-Tournament” to celebrate one year until the big tournament is held. In regard to baseball content, the *JIKKYOU PAWAFURU PUROYAKYU* series was also selected as a competition title for the Culture Program at the 73rd National Sports Festival, “Fukui Shiawase Genki Kokutai,” and the “eBASEBALL PAWAPURO Pro League” was decided to be held along with Nippon Professional Baseball (NPB). This is a PUROYAKYU (professional baseball) eSports league whose competition title is *JIKKYOU PAWAFURU PUROYAKYU 2018*. The e-draft conference also decided the teams for 36 PUROYAKYU eBASEBALL players.

In terms of financial performance, total revenue for the six months ended September 30, 2018 in this segment amounted to ¥66,816 million (a year-on-year increase of 15.7%) and segment profit for the six months ended September 30, 2018 amounted to ¥20,423 million (a year-on-year increase of 6.1%).

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 senior users who play medal games since 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.

Under such circumstances, in regards to our video games, the new cabinet *MAH-JONG FIGHT CLUB Gouka Kenran* and 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. BOMBER GIRL*, which is based on basic game features from the popular video game series *Bomberman*, has also continued to perform well. This title features fun online battles with added team-battle elements where teams try to occupy the home bases of their opponents. Furthermore, we have launched sequentially a full-scale professional baseball card game, *BASEBALL COLLECTION*, which uses a large-scale monitor and enables more ways to play, including managing teams and training players. As for the medal games, we launched *BOMBERMAN THE MEDAL*, which is based on *Bomberman* and allows up to eight players of all ages to play simultaneously. In addition, *ColorCoLotta: The Sun and the Secret Island* was released. This latest title in the *ColorCoLotta* series, a lottery medal game utilizing a colored roulette and multiple ball, has received favorable reviews not only from fans of the series, but also from players new to medal games. Furthermore, the latest title in the *MAGICAL HALLOWEEN* series, *MAGICAL HALLOWEEN 6*, performed well.

Meanwhile, the business results of the Amusement business for the six months ended September 30, 2018 was affected by decrease in orders, compared with the healthy repeat sales of *GI Derby Club* in the same period of the previous fiscal year.

In terms of financial performance, total revenue for the six months ended September 30, 2018 in this segment amounted to ¥11,342 million (a year-on-year decrease of 9.6%) and segment profit for the six months ended September 30, 2018 amounted to ¥3,075 million (a year-on-year decrease of 33.3%).

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 tournament.

Under such circumstances, with respect to our slot machines, we expanded our *Concerto*[™] series focusing on the North American, Asian and Oceanian markets, including *Concerto Crescent*[™] and *Concerto Stack*[™]. In addition, we promoted market revitalization by providing new entertainments with the installation of *Fortune Cup*[™], which is a horserace betting station with a model track and 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 our lineup of game content, including a key product, the *Concerto*[™] series, a premium linked progressive machine, *Smash Smash Festival*[™], and titles for a new game rule, *Strike Zone*, which increases the probability of credit bonuses, wheel bonuses, and hitting jackpots using additional high-priced betting. The *SYNKROS*[®] casino management system continued to be introduced steadily into casinos at large cruise ships in service overseas.

In terms of financial performance, total revenue for the six months ended September 30, 2018 in this segment amounted to ¥12,798 million (a year-on-year increase of 1.2%) and segment profit for the six months ended September 30, 2018 amounted to ¥1,587 million (a year-on-year increase of 28.4%).

Sports

In connection with the sports industry, we continue to see a growing awareness of sports throughout society, including the government's efforts to achieve a "sports society of all 100 million citizens," which aims to increase the number of people that participate in sports, by formulating the second phase of their "Basic Sports Plan."

With the holding of the world's largest sports event, further activation and growth of the sports market is also expected.

Under such circumstances, in our Sports segment, we have promoted to increase usage of facilities through the introduction of pricing plans that customers can select based on their frequency of use. In addition, we continued to make efforts to improve services that offer a comfortable and fit lifestyle for customers, including enhancement of our new in-house development program, *BeautyHip*, which aims to respond to the needs of women who “want more beautiful curves, from the buttocks to the back side of the thighs,” and improvement of facility environments through renovations. As for school programs, we have moved forward with the expansion of our exercise schools. For example, we held a sprint racing lesson class for children called *Learn to run! Kakekko Class* incorporating running methods developed by Dai Tamesue, who participated in the Olympic Games, as well as introduced new programs for a *Table Tennis School* and *Trampoline School*. In July 2018, we opened a new style of fitness area, *XAX Umeda X-STUDIO* (Kita-ku, Osaka Prefecture), with a new service style for the *XAX* sports club brand, to strongly support creating a “fulfilling life” as the key characteristic before health. This is one of our measures to invite new members.

As for products relating to sports, 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 six months ended September 30, 2018, total revenue from this business decreased mainly due to closing of the facilities, though there were some new openings and renovations.

In terms of financial performance, total revenue for the six months ended September 30, 2018 in this segment amounted to ¥32,024 million (a year-on-year decrease of 3.0%) and segment profit for the six months ended September 30, 2018 amounted to ¥1,865 million (a year-on-year increase of 2.8%).

3. Risk Factors

For the six-month period ended September 30, 2018, there is no significant change in risk factors which were described on the Annual Report for the year ended March 31, 2018.

Responsibility Statement

The following responsibility statement is made solely to comply with the requirements of DTR 4.1.12 of the United Kingdom Financial Conduct Authority's Disclosure Rules and Transparency Rules, in relation to KONAMI HOLDINGS CORPORATION as an issuer whose financial instruments are admitted to trading on the London Stock Exchange.

Takuya Kozuki, Representative Director, President, confirms that:

- to the best of his knowledge, the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of KONAMI HOLDINGS CORPORATION and the undertakings included in the consolidation taken as a whole; and
- to the best of his knowledge, this annual financial information includes a fair review of the development and performance of the business and the position of KONAMI HOLDINGS CORPORATION and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.