

# **KONAMI HOLDINGS CORPORATION**

Quarterly Condensed Consolidated Financial Statements  
for the Nine Months Ended December 31, 2018

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the nine-month period ended December 31, 2018 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI HOLDINGS CORPORATION filed its Quarterly Securities Report for the nine-month period ended December 31, 2018 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 13, 2019. 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 December 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		¥154,485	¥149,451
Trade and other receivables		26,092	29,912
Inventories		6,840	8,845
Income tax receivables		714	285
Other current assets	10	7,541	7,590
<b>Total current assets</b>		<b>195,672</b>	<b>196,083</b>
<b>Non-current assets</b>			
Property, plant and equipment, net		79,077	78,670
Goodwill and intangible assets		36,870	39,274
Investments accounted for using the equity method		3,034	2,991
Other investments	10	1,313	1,222
Other financial assets	10	22,578	22,240
Deferred tax assets		21,951	20,516
Other non-current assets		2,613	2,312
<b>Total non-current assets</b>		<b>167,436</b>	<b>167,225</b>
<b>Total assets</b>		<b>363,108</b>	<b>363,308</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bonds and borrowings	6,10	11,903	11,657
Other financial liabilities	10	3,876	3,822
Trade and other payables		31,252	27,514
Income tax payables		7,599	371
Other current liabilities	5	14,660	18,117
<b>Total current liabilities</b>		<b>69,290</b>	<b>61,481</b>
<b>Non-current liabilities</b>			
Bonds and borrowings	6,10	14,744	9,790
Other financial liabilities	10	13,105	11,162
Provisions		9,109	9,182
Other non-current liabilities		2,321	2,341
<b>Total non-current liabilities</b>		<b>39,279</b>	<b>32,475</b>
<b>Total liabilities</b>		<b>108,569</b>	<b>93,956</b>
<b>Equity</b>			
Share capital		47,399	47,399
Share premium		74,426	74,426
Treasury shares		(21,321)	(21,324)
Other components of equity	7	610	1,524
Retained earnings		152,668	166,563
<b>Total equity attributable to owners of the parent</b>		<b>253,782</b>	<b>268,588</b>
Non-controlling interests		757	764
<b>Total equity</b>		<b>254,539</b>	<b>269,352</b>
<b>Total liabilities and equity</b>		<b>¥363,108</b>	<b>¥363,308</b>

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 Nine months ended December 31, 2017 and 2018

Millions of Yen			
	Note	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Revenue			
Product sales revenue		¥65,450	¥52,434
Service and other revenue		113,218	140,197
Total revenue	4,9	178,668	192,631
Cost of revenue			
Cost of product sales revenue		(30,258)	(25,288)
Cost of service and other revenue		(74,306)	(88,516)
Total cost of revenue		(104,564)	(113,804)
Gross profit		74,104	78,827
Selling, general and administrative expenses		(34,691)	(38,538)
Other income and other expenses, net		(881)	(849)
Operating profit		38,532	39,440
Finance income		177	332
Finance costs		(635)	(622)
Profit from investments accounted for using the equity method		59	36
Profit before income taxes		38,133	39,186
Income taxes		(12,090)	(11,964)
Profit for the period		26,043	27,222
Profit attributable to:			
Owners of the parent		26,034	27,215
Non-controlling interests		¥9	¥7

Yen			
	Note	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Earnings per share (attributable to owners of the parent)			
Basic	11	¥192.50	¥201.25
Diluted	11	¥189.60	¥198.17

### Three months ended December 31, 2017 and 2018

Millions of Yen			
	Note	Three months ended December 31, 2017	Three months ended December 31, 2018
Revenue			
Product sales revenue		¥24,844	¥21,363
Service and other revenue		38,468	49,100
Total revenue	4	63,312	70,463
Cost of revenue			
Cost of product sales revenue		(12,660)	(10,109)
Cost of service and other revenue		(25,211)	(31,267)
Total cost of revenue		(37,871)	(41,376)
Gross profit		25,441	29,087
Selling, general and administrative expenses		(11,403)	(13,871)
Other income and other expenses, net		(457)	(803)
Operating profit		13,581	14,413
Finance income		3	75
Finance costs		(229)	(261)
(Loss) profit from investments accounted for using the equity method		(58)	11
Profit before income taxes		13,297	14,238
Income taxes		(4,440)	(4,213)
Profit for the period		8,857	10,025
Profit attributable to:			
Owners of the parent		8,854	10,019
Non-controlling interests		¥3	¥6

Yen			
	Note	Three months ended December 31, 2017	Three months ended December 31, 2018
Earnings per share (attributable to owners of the parent)			
Basic	11	¥65.47	¥74.09
Diluted	11	¥64.48	¥72.95

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

**Quarterly Condensed Consolidated Statements of Comprehensive Income**  
**Nine months ended December 31, 2017 and 2018**

		Millions of Yen	
	Note	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit for the period		¥26,043	¥27,222
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income		-	(66)
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		-	(66)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		759	980
Net change in fair values of available-for-sale financial assets		12	-
Share of other comprehensive income of entity accounted for using the equity method		(0)	-
Total items that may be reclassified to profit or loss		771	980
Total other comprehensive income		771	914
<b>Total comprehensive income for the period</b>		<b>26,814</b>	<b>28,136</b>
Comprehensive income attributable to:			
Owners of the parent		26,805	28,129
Non-controlling interests		¥9	¥7

### Three months ended December 31, 2017 and 2018

		Millions of Yen	
	Note	Three months ended December 31, 2017	Three months ended December 31, 2018
Profit for the period		¥8,857	¥10,025
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income		-	(52)
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		-	(52)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		121	(1,200)
Net change in fair values of available-for-sale financial assets		20	-
Share of other comprehensive income of entity accounted for using the equity method		0	-
Total items that may be reclassified to profit or loss		141	(1,200)
Total other comprehensive income		141	(1,252)
<b>Total comprehensive income for the period</b>		<b>8,998</b>	<b>8,773</b>
Comprehensive income attributable to:			
Owners of the parent		8,995	8,767
Non-controlling interests		¥3	¥6

### (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		
<b>Balance at April 1, 2017</b>		¥47,399	¥74,426	¥(21,304)	¥2,157	¥131,763	¥234,441	¥751	¥235,192
Profit for the period						26,034	26,034	9	26,043
Other comprehensive income					771		771		771
Total comprehensive income for the period		-	-	-	771	26,034	26,805	9	26,814
Purchase of treasury shares				(15)			(15)		(15)
Disposal of treasury shares			0	1			1		1
Dividends	8					(9,602)	(9,602)		(9,602)
Total transactions with the owners		-	0	(14)	-	(9,602)	(9,616)	-	(9,616)
<b>Balance at December 31, 2017</b>		¥47,399	¥74,426	¥(21,318)	¥2,928	¥148,195	¥251,630	¥760	¥252,390

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		
<b>Balance at April 1, 2018</b>		¥47,399	¥74,426	¥(21,321)	¥610	¥152,668	¥253,782	¥757	¥254,539
Profit for the period						27,215	27,215	7	27,222
Other comprehensive income					914		914	(0)	914
Total comprehensive income for the period		-	-	-	914	27,215	28,129	7	28,136
Purchase of treasury shares				(3)			(3)		(3)
Disposal of treasury shares			0	0			0		0
Dividends	8					(13,320)	(13,320)		(13,320)
Total transactions with the owners		-	0	(3)	-	(13,320)	(13,323)	-	(13,323)
<b>Balance at December 31, 2018</b>		¥47,399	¥74,426	¥(21,324)	¥1,524	¥166,563	¥268,588	¥764	¥269,352

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



#### (4) Quarterly Condensed Consolidated Statement of Cash Flows

		Millions of Yen	
	Note	Nine months ended December 31, 2017	Nine months ended December 31, 2018
<b><i>Operating activities</i></b>			
Profit for the period		¥26,043	¥27,222
Depreciation and amortization		9,216	10,693
Impairment losses		758	384
Interest and dividends income		(92)	(209)
Interest expense		618	606
Loss on sale or disposal of property, plant and equipment		40	413
Profit from investments accounted for using the equity method		(59)	(36)
Income taxes		12,090	11,964
Increase in trade and other receivables		(1,200)	(3,259)
Increase in inventories		(370)	(1,594)
Decrease in trade and other payables		(277)	(1,741)
Increase in prepaid expense		(575)	(878)
Increase in deferred revenue		2,873	-
Increase in contract liabilities		-	4,417
Other, net		(1,335)	(1,113)
Interest and dividends received		97	210
Interest paid		(587)	(545)
Income taxes paid		(8,624)	(17,317)
<b><i>Net cash provided by operating activities</i></b>		<b>38,616</b>	<b>29,217</b>
<b><i>Investing activities</i></b>			
Capital expenditures		(13,871)	(15,794)
Decrease in lease deposits, net		414	488
(Increase) decrease in term deposits, net		(981)	1,281
Other, net		15	(7)
<b><i>Net cash used in investing activities</i></b>		<b>(14,423)</b>	<b>(14,032)</b>
<b><i>Financing activities</i></b>			
Decrease in short-term (within 3 months) borrowings, net		(1,121)	-
Proceeds from short-term (more than 3 months) borrowings		6,755	7,814
Repayments of short-term (more than 3 months) borrowings		(5,634)	(8,372)
Redemption of bonds	6	(5,000)	(5,000)
Principal payments under capital lease and financing obligations		(1,399)	(2,025)
Dividends paid	8	(9,583)	(13,293)
Other, net		(15)	(3)
<b><i>Net cash used in financing activities</i></b>		<b>(15,997)</b>	<b>(20,879)</b>
Effect of exchange rate changes on cash and cash equivalents		694	660
Net increase (decrease) in cash and cash equivalents		8,890	(5,034)
Cash and cash equivalents at the beginning of the period		134,743	154,485
<b><i>Cash and cash equivalents at the end of the period</i></b>		<b>¥143,633</b>	<b>¥149,451</b>

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 ¥4,345 million, respectively, for the nine months ended December 31, 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, ¥20,691 million of revenue whose performance obligations satisfied over the time is recorded as “Service and other revenue” for the nine months ended December 31, 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 sports classes, 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 nine months ended December 31, 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 nine months ended December 31, 2017 and 2018

	Millions of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
<b>Revenue:</b>		
Digital Entertainment –		
External customers	¥89,136	¥105,274
Intersegment	519	532
Total	¥89,655	¥105,806
Amusement –		
External customers	¥19,401	¥17,731
Intersegment	399	448
Total	¥19,800	¥18,179
Gaming & Systems –		
External customers	¥20,658	¥21,946
Intersegment	-	-
Total	¥20,658	¥21,946
Sports –		
External customers	¥49,473	¥47,680
Intersegment	235	232
Total	¥49,708	¥47,912
Intersegment eliminations	¥(1,153)	¥(1,212)
Consolidated	¥178,668	¥192,631

Revenue for the three months ended December 31, 2017 and 2018

	Millions of Yen	
	Three months ended December 31, 2017	Three months ended December 31, 2018
<b>Revenue:</b>		
Digital Entertainment –		
External customers	¥31,763	¥38,816
Intersegment	127	174
Total	¥31,890	¥38,990
Amusement –		
External customers	¥7,068	¥6,689
Intersegment	179	148
Total	¥7,247	¥6,837
Gaming & Systems –		
External customers	¥8,017	¥9,148
Intersegment	-	-
Total	¥8,017	¥9,148
Sports –		
External customers	¥16,464	¥15,810
Intersegment	227	78
Total	¥16,691	¥15,888
Intersegment eliminations	¥(533)	¥(400)
Consolidated	¥63,312	¥70,463

Segment profit (loss) for the nine months ended December 31, 2017 and 2018

	Millions of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
<b>Segment profit (loss):</b>		
Digital Entertainment	¥29,747	¥32,286
Amusement	6,507	5,186
Gaming & Systems	2,663	3,051
Sports	3,019	2,543
Total segment profit and loss, net	41,936	43,066
Corporate expenses and eliminations	(2,523)	(2,777)
Other income and other expenses, net	(881)	(849)
Finance income and finance costs, net	(458)	(290)
Profit from investments accounted for using the equity method	59	36
Profit before income taxes	¥38,133	¥39,186

Segment profit (loss) for the three months ended December 31, 2017 and 2018

	Millions of Yen	
	Three months ended December 31, 2017	Three months ended December 31, 2018
<b>Segment profit (loss):</b>		
Digital Entertainment	¥10,495	¥11,863
Amusement	1,894	2,111
Gaming & Systems	1,427	1,464
Sports	1,205	678
Total segment profit and loss, net	15,021	16,116
Corporate expenses and eliminations	(983)	(900)
Other income and other expenses, net	(457)	(803)
Finance income and finance costs, net	(226)	(186)
(Loss) profit from investments accounted for using the equity method	(58)	11
Profit before income taxes	¥13,297	¥14,238

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 nine months ended December 31, 2017 and 2018

	Millions of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
<b>Revenue:</b>		
Japan	¥138,829	¥147,760
United States	26,708	29,440
Europe	7,682	10,072
Asia/Oceania	5,449	5,359
Consolidated	¥178,668	¥192,631

Revenue from external customers for the three months ended December 31, 2017 and 2018

	Millions of Yen	
	Three months ended December 31, 2017	Three months ended December 31, 2018
<b>Revenue:</b>		
Japan	¥47,927	¥52,149
United States	10,234	11,770
Europe	3,263	4,161
Asia/Oceania	1,888	2,383
Consolidated	¥63,312	¥70,463

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 December 31, 2018.

	Millions of Yen	
	As of March 31, 2018	As of December 31, 2018
Deferred revenue	¥7,753	-
Contract liabilities	-	¥12,170
Others	6,907	5,947
Total	¥14,660	¥18,117

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 nine months ended December 31, 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 nine months ended December 31, 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	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
<b><i>Exchange differences on translation of foreign operations</i></b>		
Balance at the beginning of the period	¥2,044	¥432
Net change during the period	759	980
Transfer to retained earnings	-	-
Balance at the end of the period	¥2,803	¥1,412
<b><i>Available-for-sale financial assets</i></b>		
Balance at the beginning of the period	¥112	¥178
Effect of changes in accounting standards	-	(178)
Net change during the period	12	-
Transfer to retained earnings	-	-
Balance at the end of the period	¥124	-
<b><i>Financial assets measured at fair value through other comprehensive income</i></b>		
Balance at the beginning of the period	-	-
Effect of changes in accounting standards	-	¥178
Net change during the period	-	(66)
Balance at the end of the period	-	¥112
<b><i>Share of other comprehensive income of entity accounted for using the equity method</i></b>		
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 71.00 yen per share and the total amount of ¥9,602 million for the nine months ended December 31, 2017.

The Company paid dividends 98.50 yen per share and the total amount of ¥13,320 million for the nine months ended December 31, 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 nine months ended December 31, 2018

	Millions of Yen				
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥82,611	¥10,080	¥10,072	¥2,511	¥105,274
Amusement	17,469	-	-	262	17,731
Gaming & Systems	-	19,360	-	2,586	21,946
Sports	47,680	-	-	-	47,680
Total revenue	¥147,760	¥29,440	¥10,072	¥5,359	¥192,631

## 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 included in other investments 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 December 31, 2018.

Millions of Yen

	As of March 31, 2018		As of December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>				
Financial assets measured at amortized cost				
Lease deposit	¥21,955	¥22,145	¥21,920	¥22,101
Other financial assets	1,702	1,721	1,406	1,422
Financial assets measured at fair value through other comprehensive income				
Securities	-	-	1,129	1,129
Other investments	-	-	73	73
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Available-for-sale financial assets				
Securities	1,227	1,227	-	-
Other investments	86	86	-	-
<b>Financial liabilities:</b>				
Financial liabilities measured at amortized cost				
Bonds and borrowings	¥26,647	¥26,407	¥21,447	¥21,265
Capital lease and financing obligations	14,894	16,956	12,851	14,703
Other financial liabilities	2,087	2,087	2,133	2,133

**(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 December 31, 2018.

Millions of Yen				
<b>Balance at March 31, 2018</b>	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Available-for-sale financial assets				
Securities	¥650	-	¥577	¥1,227
Other investments	-	-	86	86
Total	¥650	-	¥663	¥1,313

Millions of Yen				
<b>Balance at December 31, 2018</b>	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Financial assets measured at fair value through other comprehensive income				
Securities	¥552	-	¥577	¥1,129
Other investments	-	-	73	73
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Total	¥552	-	¥670	¥1,222

Securities and other investments, which are classified as Level 3, have no significant changes for the nine months ended December 31, 2018.

## 11. Earnings per Share

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the nine months ended December 31, 2017 and 2018 is as follows:

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit attributable to owners of the parent	26,034 million yen	27,215 million yen
Adjustments for profit used in the calculation of diluted earnings per share	27 million yen	27 million yen
Profit used in the calculation of diluted earnings per share	26,061 million yen	27,242 million yen
Basic weighted average ordinary shares outstanding	135,235,259 shares	135,233,376 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	137,450,638 shares	137,467,164 shares
Earnings per share attributable to owners of the parent for the period		
Basic	192.50 yen	201.25 yen
Diluted	189.60 yen	198.17 yen

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended December 31, 2017 and 2018 is as follows:

	Three months ended December 31, 2017	Three months ended December 31, 2018
Profit attributable to owners of the parent	8,854 million yen	10,019 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	8,863 million yen	10,028 million yen
Basic weighted average ordinary shares outstanding	135,234,518 shares	135,233,257 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	137,449,897 shares	137,467,045 shares
Earnings per share attributable to owners of the parent for the period		
Basic	65.47 yen	74.09 yen
Diluted	64.48 yen	72.95 yen

## **12. Subsequent Events**

There have been no events after December 31, 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 February 8, 2019.