

Consolidated Financial Results for the Three Months Ended June 30, 2019 (Prepared in Accordance with IFRS)

August 1, 2019

KONAMI HOLDINGS CORPORATION

Address: 7-2, Akasaka 9-chome, Minato-ku, Tokyo, Japan
 Stock code number, TSE: 9766
 Ticker symbol, LSE: KNM
 URL: <https://www.konami.com/>
 Shares listed: Tokyo Stock Exchange and London Stock Exchange
 Representative: Takuya Kozuki, Representative Director, President
 Contact: Junichi Motobayashi, Corporate Officer, General Manager, Finance and Accounting
 (Phone: +81-3-5771-0222)
 Beginning date of dividend payment: -

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2019

(1) Consolidated Results of Operations

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

	Revenue	Operating profit	Profit before income taxes	Profit for the period	Profit attributable to owners of the parent	Total comprehensive income for the period
Three months ended June 30, 2019	56,459	10,015	9,708	7,281	7,280	5,967
% change from previous year	(3.4)%	(15.2)%	(18.0)%	(12.0)%	(12.0)%	(36.7)%
Three months ended June 30, 2018	58,457	11,814	11,838	8,275	8,274	9,430
% change from previous year	4.9%	(3.1)%	(1.9)%	(2.8)%	(2.8)%	8.8%

	Basic earnings per share (attributable to owners of the parent) (yen)	Diluted earnings per share (attributable to owners of the parent) (yen)
Three months ended June 30, 2019	53.83	53.00
Three months ended June 30, 2018	61.18	60.25

(2) Consolidated Financial Position

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

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
June 30, 2019	402,475	268,333	267,555	66.5%
March 31, 2019	378,037	276,404	275,627	72.9%

2. Cash Dividends

Record Date	Cash dividends per share (yen)				
	First quarter end	Second quarter end	Third quarter end	Year end	Annual
Year ended March 31, 2019					
Regular dividends	-	35.50	-	40.50	76.00
Commemorative dividends	-	25.00	-	25.00	50.00
Total	-	60.50	-	65.50	126.00
Year ending March 31, 2020	-				
Year ending March 31, 2020 (Forecast)		38.00	-	38.00	76.00

Note) Recently announced change in dividend forecasts for the fiscal year ending March 31, 2020 during the three months ended June 30, 2019: No

3. Consolidated Earnings Forecast for the Year Ending March 31, 2020

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

	Revenue	Operating profit	Profit before income taxes	Profit attributable to owners of the parent	Basic earnings per share (attributable to owners of the parent) (yen)
Year ending March 31, 2020	270,000	47,000	46,000	30,000	221.84
% change from previous year	2.8%	(7.0)%	(8.6)%	(12.3)%	

Note) Recently announced change in earnings forecasts for the fiscal year ending March 31, 2020 during the three months ended June 30, 2019: No

Noted Items

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

(2) Changes in accounting policies and accounting estimate

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

(3) Number of shares issued (Share capital)

- Number of shares issued: (Treasury shares included)

As of June 30, 2019	143,500,000 shares
As of March 31, 2019	143,500,000 shares
- Number of treasury shares:

As of June 30, 2019	8,267,101 shares
As of March 31, 2019	8,266,959 shares
- Average number of shares outstanding:

Three months ended June 30, 2019	135,233,004 shares
Three months ended June 30, 2018	135,233,542 shares

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

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

Statements made in this document with respect to our current plans, estimates, strategies and beliefs, including the above forecasts, are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of information currently available to it and, therefore, you should not place undue reliance on them. A number of important factors could cause actual results to be materially different from and worse than those discussed in forward-looking statements. Such factors include, but are not limited to: (i) changes in economic conditions affecting our operations; (ii) fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro; (iii) our ability to continue to win acceptance of our products, which are offered in highly competitive markets characterized by the continuous introduction of new products, rapid developments in technology and subjective and changing consumer preferences; (iv) the timing of the release of new game titles and products, especially game titles and products that are part of historically popular series; (v) our ability to successfully expand internationally with a focus on our Digital Entertainment, Amusement, and Gaming & Systems businesses; (vi) our ability to successfully expand the scope of our business and broaden our customer base through our Sports business; (vii) regulatory developments and changes and our ability to respond and adapt to those changes; (viii) our expectations with regard to further acquisitions and the integration of any companies we may acquire; and (ix) the outcome of existing contingencies.

Please refer to page 9 to 11 for further information regarding our business forecasts.

KONAMI HOLDINGS CORPORATION (the "Company") disclosed the supplemental data for the consolidated financial statements via the Company's website on August 1, 2019.

1. Business Performance

(1) Analysis of Business Performance

(i) Business Overview

For the three months ended June 30, 2019, the Japanese economy has been gradually recovering with continuing improvements in corporate earnings, employment and income environment. On the other hand, the global economy continues to remain uncertain due to concerns about the declining global economy, including U.S.-China trade frictions, instability in the Middle East, and the Brexit impasse.

Under such circumstances, in terms of the business results of Konami Group for the three months ended June 30, 2019, while the Digital Entertainment business continued to perform strongly, both total revenue and operating profit decreased from those for the same period of the previous fiscal year mainly because there was the timing difference of product launches in other business.

In terms of the consolidated results for the three months ended June 30, 2019, total revenue amounted to ¥56,459 million (a year-on-year decrease of 3.4%), operating profit was ¥10,015 million (a year-on-year decrease of 15.2%), profit before income taxes was ¥9,708 million (a year-on-year decrease of 18.0%), and profit attributable to owners of the parent was ¥7,280 million (a year-on-year decrease of 12.0%).

(ii) Performance by Business Segment

Summary of total revenue by business segment:

	Millions of Yen, except percentages		
	Three months ended June 30, 2018	Three months ended June 30, 2019	% change
Total revenue:			
Digital Entertainment	¥30,066	¥31,504	4.8
Amusement	6,597	3,261	(50.6)
Gaming & Systems	6,360	6,825	7.3
Sports	15,818	15,228	(3.7)
Intersegment eliminations	(384)	(359)	-
Total revenue	¥58,457	¥56,459	(3.4)

Digital Entertainment

In the entertainment market, future development of game contents is expected through the functional enhancement of various devices, including mobile devices and video game consoles, and the standardization of next generation communication systems. 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, new experiences through game content are being offered in various ways, including eSports, which is regarded as a form of sports competition and is becoming well-known to a wide range of users and attracting more and more fans.

Under such circumstances, as for mobile games in the Digital Entertainment segment *Yu-Gi-Oh! DUEL LINKS* has led our revenue in the global market. In addition, *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*), which has surpassed 200 million downloads around the world, continued to perform strongly. In the domestic market, *PROFESSIONAL BASEBALL SPIRITS A (Ace)* has continued to perform well and various other titles such as *JIKKYOU PAWAFURU PUROYAKYU* also continued to perform strongly. Furthermore, our new titles, *DANKIRA!!! – Boys, be DANCING!* and *J.League Club Championship* were released in this quarter. As part of our continued active efforts in eSports, we hosted the “eJ.LEAGUE Winning Eleven 2019 Season” in cooperation with the Japan Professional Football League (J.LEAGUE) with our mobile game *Winning Eleven 2019* as the competition title.

As for card games, we hosted the qualifying rounds to decide the representatives in various regions for “Yu-Gi-Oh! World Championship 2019,” the eSports world championship which decides who the best players are in the *Yu-Gi-Oh!* series. Therefore, we continued to revitalize the contents.

As for computer and video games, the three titles of *ANNIVERSARY COLLECTION* series were released to celebrate the 50th anniversary of Konami Group’s founding. In addition, the match-type card game, *Yu-Gi-Oh! Duel Monsters Legacy of the*

Duelist: Link Evolution, was released in Japan and it has continued to perform strongly. As for the baseball titles, the latest title in the *JIKKYOU PAWAFURU PUROYAKYU* series, which marks 25th anniversary, was released for the Nintendo Switch and it has received favorable reviews from many players. As for the existing titles, *myClub*, the online mode of *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*), has also continued to receive favorable reviews. As part of our continued active efforts in eSports, we hosted the final round for the world championship “PES LEAGUE WORLD TOUR 2019” for *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*). Furthermore, an outline on the “eBASEBALL Pro League” season in 2019 was disclosed and is attracting a lot of attention.

In terms of financial performance, total revenue for the three months ended June 30, 2019 in this segment amounted to ¥31,504 million (a year-on-year increase of 4.8%) and segment profit for the three months ended June 30, 2019 amounted to ¥9,696 million (a year-on-year increase of 6.6%).

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 regard to our video games, the latest title of the online versus mah-jong game *MAH-JONG FIGHT CLUB* series, *MAH-JONG FIGHT CLUB GRAND MASTER*, continued to perform strongly. *BOMBERGIRL*, which is based on 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, *DanceDanceRevolution 20th anniversary model* in celebration of the 20th anniversary of *DanceDanceRevolution* has been launched sequentially.

For the three months ended June 30, 2019, total revenue and profit from this business decreased due to the timing difference of product launches.

In terms of financial performance, total revenue for the three months ended June 30, 2019 in this segment amounted to ¥3,261 million (a year-on-year decrease of

50.6%) and segment profit for the three months ended June 30, 2019 amounted to ¥539 million (a year-on-year decrease of 71.1%).

Gaming & Systems

The gaming market is continuing to see growth with the worldwide development mainly in Europe 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.

Under such circumstances, with respect to our slot machines, the sales of latest cabinet in the *Concerto*[™] series, including *Concerto Crescent*[™] and *Concerto Stack*[™], as well as *Concerto Opus*[™], which features a 4K Ultra HD 65-inch display, were mainly enhanced in North American market as well as newly in Central, South American and European market. In addition, we enhanced the product range by introduction of the new upright cabinet, *KX 43*[™]. In Oceanian market, *All Aboard*, which was introduced in the last fiscal year, continued to perform well and strongly.

In regard to participation agreements (in which profits are shared with casino operators), we expanded our lineup of game content, including, the *Concerto Opus*[™], *Treasure Ball*[™] and *Triple Sparkle* linked progressive machine with mystery trigger, which are compatible with any video game platform. As a result, the number of installation is steadily increasing. The *SYNKROS*[®] casino management system continued to be introduced steadily into major casino operators, including casinos at large cruise ships in service around the world.

For the three months ended June 30, 2019, there was an year-over-year absence of large delivery of a high-margin product, as well as increased cost from growing number of install base of slot machines under participation agreements.

In terms of financial performance, total revenue for the three months ended June 30, 2019 in this segment amounted to ¥6,825 million (a year-on-year increase of 7.3%) and segment profit for the three months ended June 30, 2019 amounted to ¥159 million (a year-on-year decrease of 81.7%).

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, as for fitness programs, “Membership Promotion Plan,” a plan to propose the best ways to use our fitness services to new customers by supporting, counseling, and measuring their training, has received favorable reviews. In addition, we made efforts to improve our services that offer a more comfortable and fit lifestyle for customers through activities to enhance our support for sustainable fitness and make it easier to experience our personal programs.

As for the operation of school programs, we opened a “*Small Group Swimming School*” at two facilities in Tokyo. At the school, swimming coaches, who are former members of Japan’s national swimming team, provide individual instruction to children based on their needs to help them improve their swimming skills. The “*Konami Sports Club: My Best Challenge Support Program*” was certified as a “beyond2020 My Best Support Program,” a certification system promoted by the Cabinet Secretariat Headquarters of Japan for the Promotion of the Tokyo Olympic and Paralympic Games. Therefore, we intend to support each other’s goals to achieve personal bests in swimming, table tennis, and golf using our know-how accumulated through sports club operation over many years and guidance provided by instructors who have plenty of knowledge.

As for the operation of outsourced facilities, we started the operation of new outsourced facilities such as the Machida City Gymnasium (Machida City, Tokyo), Oita Prefectural Budo Sports Center (Oita City, Oita Prefecture), and Kusatsu City Arena (Kusatsu City, Shiga).

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.

For the three months ended June 30, 2019, total revenue and profit from this business decreased due to closing of the directly-managed facilities.

In terms of financial performance, total revenue for the three months ended June 30, 2019 in this segment amounted to ¥15,228 million (a year-on-year decrease of 3.7%) and segment profit for the three months ended June 30, 2019 amounted to ¥552 million (a year-on-year decrease of 42.9%).

Please refer to “(1) Quarterly Condensed Consolidated Statement of Financial Position” and “(4) Quarterly Condensed Consolidated Statement of Cash Flows” in “2. Quarterly Condensed Consolidated Financial Statements and Notes” regarding the financial position and cash flows.

(2) Outlook for the Fiscal Year Ending March 31, 2020

Digital Entertainment

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

As for mobile games, we are eagerly working on the release of *LOVEPLUS EVERY*, the latest title in the *LOVEPLUS* series, based on customer feedback we received during closed testing. In addition, we would be co-hosting the tournament with all 40 clubs in J1 and J2 leagues, “eJ.LEAGUE Winning Eleven 2019 season,” whose competition title is the mobile game, *WINNING ELEVEN 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*), that we organize in cooperation with the Japan Professional Football League (J.LEAGUE).

As for card games, we will continue to expand *Yu-Gi-Oh! TRADING CARD GAME* around the world. Furthermore, we will host the final round in Germany for “Yu-Gi-Oh! World Championship 2019,” the eSports world championship which decides who the best players are in the *Yu-Gi-Oh!* series.

As for computer and video games, we will release the latest title in the *PROFESSIONAL BASEBALL SPIRITS* series, *PROFESSIONAL BASEBALL SPIRITS 2019*, for the first time in four years and also *Yu-Gi-Oh! Duel Monsters Legacy of the Duelist: Link Evolution* for the regions in Europe, America and Asia. In addition, *eFootball Winning Eleven 2020* (known overseas as *eFootball PES 2020*), the latest title in the *Winning Eleven* series as well as *CONTRA ROGUE CORPS*, the latest title in the *Contra* series, and *PC Engine mini* are intended to be released. As part of our continued active efforts in eSports, the *Winning Eleven* series were selected as a Culture Program at the 74th national Sports Festival, “Iki Iki Ibaraki Yume Kokutai.” Now the representatives in each prefecture was decided, and the final round is held. As for the “eBASEBALL Pro League”, which will be organized along with the Nippon Professional Baseball (NPB), players for each team will be decided through an e-draft conference as we build up to an exciting 2019 season.

In the entertainment market, the preference for enriching daily life through full and abundant experiences has been strengthened. We will continue to create and provide our current and future customers with game content that offer valuable time.

Amusement

Konami Group intends to provide new entertainment that can be enjoyed only at an amusement facility through person-to-person communication using the e-amusement system.

As for music games, we continue to make efforts to develop the global market through the expansion of eSports tournaments, including the “KONAMI Arcade Championship,” and by improving the *BEMANI* brand. As for mah-jong content, the professional mah-jong league (M League) will open 2019 season in October. We further developed the *MAH-JONG FIGHT CLUB* brand, where we strive to deliver new and fun entertainment for game and mah-jong fans through exciting battles between club teams and our “KONAMI MAH-JONG FIGHT CLUB” as part of the league.

As for medal games, the latest title in the dungeon medal RPG *ELDORA CROWN* series, *ELDORA CROWN: the victor of Guren*, is intended to be launched. This series enables players to create their own kingdom set in a world of swords and sorcery where they fight through dungeons and interact with other players. For prize games, we intend to launch *TREASURE ROAD*, which features a new style of gameplay using belt conveyors. In addition, *MAH-JONG FIGHT CLUB 3*, the latest title in the *MAH-JONG FIGHT CLUB* series, is intended to be released. In the global market, we will strive to strengthen its business development by expanding sales and service operations of Konami Group products, including amusement machines, in the Southeast Asian region where the economy is growing rapidly.

Gaming & Systems

As for slot machines, we continue to make efforts to enhance our sales focusing on the *Concerto*[™] series, a key product in our video slot machine series, as well as intend to focus on full expansion of the new cabinet, *KX 43*[™] and enhance the product range. In addition, we continue to develop new products, including the introduction such as *Fortune Cup*[™], which is a horserace betting station with a model track that delivers new entertainment factors. We also continue to focus on developing new products by leveraging our new technology to boost our market presence. In regard to participation agreements, we continue to expand our lineup of game content, including a key product, the *Concerto*[™] series, *Treasure Ball*[™], which is linked progressive machines, and *Golden Blocks*[™].

As for the *SYNKROS*[®] casino management system, we provide a variety of functions, including the business intelligence function *SYNKROS Dashboards*[™], which enables casino operators to analyze necessary information for management, and *SYNKROS Offers Management*, which offers privileges and customer-friendly information to customers. In addition, *SynkConnect*[™], which can display and manage personal accounts on mobile devices, was also introduced. We continue to make efforts to enhance product appeal, including the development of new functions.

Sports

We also continue to enhance our fitness services and provide personal programs matching their purposes to support as many customers as possible to have longer fitness by satisfying their various needs.

As for the operation of school programs, we offer various kinds of sports classes for infants to seniors by utilizing our expertise in providing guidance, such as for visualizing the actions needed to make progress, which we have accumulated over many years. In addition to increasing the number of *Small Group Swimming School*, *Table Tennis School* and *Trampoline School*, we will continue to expand the number of classes of our existing facilities.

Furthermore, we intend to contribute to the spread and development in the sports field, including cooperation with local governments to take part in health promotion plans for local residents and to revitalize the region and support for corporate companies working on health and productivity management.

As for sports related products, we intend to enhance their appeal to customers through e-commerce site and sports facilities to expand our market share.

Projected consolidated results for the fiscal year ending March 31, 2020 are as follows: total revenue of ¥270,000 million; operating profit of ¥47,000 million; profit before income tax of ¥46,000 million; and profit attributable to owners of the parent of ¥30,000 million. Thus, there is no change from the forecast figures released in the “Consolidated Financial Results for the Year Ended March 31,2019” dated May 9, 2019.

Special Note:

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

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

2. Quarterly Condensed Consolidated Financial Statements and Notes

(1) Quarterly Condensed Consolidated Statement of Financial Position

	Millions of Yen	
	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	¥159,242	¥147,861
Trade and other receivables	32,475	26,466
Inventories	8,315	9,376
Income tax receivables	339	1,330
Other current assets	7,350	8,377
Total current assets	207,721	193,410
Non-current assets		
Property, plant and equipment, net	82,241	117,707
Goodwill and intangible assets	38,080	40,377
Investments accounted for using the equity method	3,233	3,128
Other investments	1,220	1,603
Other financial assets	22,038	22,163
Deferred tax assets	21,143	21,971
Other non-current assets	2,361	2,116
Total non-current assets	170,316	209,065
Total assets	378,037	402,475
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	10,547	10,389
Other financial liabilities	4,323	14,641
Trade and other payables	31,530	25,148
Income tax payables	4,771	697
Other current liabilities	19,660	23,380
Total current liabilities	70,831	74,255
Non-current liabilities		
Bonds and borrowings	9,803	9,816
Other financial liabilities	9,922	39,300
Provisions	9,182	9,245
Other non-current liabilities	1,895	1,526
Total non-current liabilities	30,802	59,887
Total liabilities	101,633	134,142
Equity		
Share capital	47,399	47,399
Share premium	74,426	74,426
Treasury shares	(21,325)	(21,325)
Other components of equity	1,583	269
Retained earnings	173,544	166,786
Total equity attributable to owners of the parent	275,627	267,555
Non-controlling interests	777	778
Total equity	276,404	268,333
Total liabilities and equity	¥378,037	¥402,475

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

Quarterly Condensed Consolidated Statement of Profit or Loss

	Millions of Yen	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Revenue		
Product sales revenue	¥15,268	¥12,455
Service and other revenue	43,189	44,004
Total revenue	58,457	56,459
Cost of revenue		
Cost of product sales revenue	(7,117)	(6,329)
Cost of service and other revenue	(27,235)	(27,365)
Total cost of revenue	(34,352)	(33,694)
Gross profit	24,105	22,765
Selling, general and administrative expenses	(12,279)	(13,001)
Other income and other expenses, net	(12)	251
Operating profit	11,814	10,015
Finance income	163	84
Finance costs	(208)	(365)
Profit (loss) from investments accounted for using the equity method	69	(26)
Profit before income taxes	11,838	9,708
Income taxes	(3,563)	(2,427)
Profit for the period	8,275	7,281
Profit attributable to:		
Owners of the parent	8,274	7,280
Non-controlling interests	¥1	¥1

	Yen	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Earnings per share (attributable to owners of the parent)		
Basic	¥61.18	¥53.83
Diluted	¥60.25	¥53.00

Quarterly Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit for the period	¥8,275	¥7,281
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in fair value of equity financial assets measured at fair value through other comprehensive income	36	(11)
Share of other comprehensive income of entity accounted for using the equity method	0	(0)
Total items that will not be reclassified to profit or loss	36	(11)
Items that may be reclassified to profit or loss:		
Exchange differences on foreign operations	1,119	(1,303)
Total items that may be reclassified to profit or loss	1,119	(1,303)
Total other comprehensive income	1,155	(1,314)
Total comprehensive income for the period	9,430	5,967
Comprehensive income attributable to:		
Owners of the parent	9,429	5,966
Non-controlling interests	¥1	¥1

(3) Quarterly Condensed Consolidated Statement of Changes in Equity

Millions of Yen

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

Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2019	¥47,399	¥74,426	¥(21,325)	¥1,583	¥173,544	¥275,627	¥777	¥276,404
Changes in accounting policies					(5,180)	(5,180)		(5,180)
Beginning balance after adjusting	47,399	74,426	(21,325)	1,583	168,364	270,447	777	271,224
Profit for the period					7,280	7,280	1	7,281
Other comprehensive income				(1,314)		(1,314)	(0)	(1,314)
Total comprehensive income for the period	-	-	-	(1,314)	7,280	5,966	1	5,967
Purchase of treasury shares			(0)			(0)		(0)
Dividends					(8,858)	(8,858)		(8,858)
Total transactions with the owners	-	-	(0)	-	(8,858)	(8,858)	-	(8,858)
Balance at June 30, 2019	¥47,399	¥74,426	¥(21,325)	¥269	¥166,786	¥267,555	¥778	¥268,333

(4) Quarterly Condensed Consolidated Statement of Cash Flows

	Millions of Yen	
	Three months ended June 30, 2018	Three months ended June 30, 2019
<i>Operating activities</i>		
Profit for the period	¥8,275	¥7,281
Depreciation and amortization	3,358	5,139
Impairment losses	-	2
Interest and dividends income	(63)	(83)
Interest expense	203	237
Loss on sale or disposal of property, plant and equipment	8	2
(Profit) loss from investments accounted for using the equity method	(69)	26
Income taxes	3,563	2,427
Decrease in trade and other receivables	1,239	5,464
Increase in inventories	(1,328)	(1,189)
Decrease in trade and other payables	(3,341)	(5,569)
Increase in prepaid expense	(956)	(2,878)
Increase (decrease) in contract liabilities	1,614	(853)
Other, net	4,071	2,451
Interest and dividends received	63	102
Interest paid	(158)	(196)
Income taxes paid	(9,937)	(4,900)
<i>Net cash provided by operating activities</i>	6,542	7,463
<i>Investing activities</i>		
Capital expenditures	(7,129)	(5,311)
Payments for lease deposits	(28)	(449)
Collection of refunds of lease deposits	176	557
Payments into time deposits	(1)	-
Other, net	(6)	(391)
<i>Net cash used in investing activities</i>	(6,988)	(5,594)
<i>Financing activities</i>		
Proceeds from short-term (more than 3 months) borrowings	1,099	1,105
Repayments of short-term (more than 3 months) borrowings	(1,099)	(1,105)
Principal payments of lease liabilities	(473)	(3,650)
Dividends paid	(5,103)	(8,787)
Other, net	(1)	(1)
<i>Net cash used in financing activities</i>	(5,577)	(12,438)
Effect of exchange rate changes on cash and cash equivalents	713	(812)
Net decrease in cash and cash equivalents	(5,310)	(11,381)
Cash and cash equivalents at the beginning of the period	154,485	159,242
<i>Cash and cash equivalents at the end of the period</i>	¥149,175	¥147,861

(5) Going Concern Assumption

None

(6) Changes in 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, 2019 with the exception of the changes in accounting policies described hereunder.

Standards	Title	Overview of new/revised Standards
IFRS 16	Leases	Revisions of lease accounting

In accordance with the transition provisions in IFRS 16 “Leases” (hereafter, “IFRS 16”), Konami Group has adopted this standard retrospectively with the cumulative effect of initially applying this standard recognized on the date of initial application.

On adoption of IFRS 16, Konami Group has elected the practical expedient detailed in IFRS 16 paragraph C3 and continued its assessments of whether contracts contain leases under IAS 17 “Leases” (hereafter, “IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease.” On the date of initial application, right-of-use assets and lease liabilities were recognized for leases which had previously been classified as operating leases under IAS 17. Lease liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of the date of initial application.

The reconciliation between the operating lease contracts disclosed at the end of the fiscal year ended March 31, 2019 applying IAS 17 and the lease liabilities recognized in the consolidated statement of financial position at the date of initial application is as follows,

	Millions of Yen
	Amounts
Operating lease contracts disclosed as at March 31, 2019	49,451
Discounted using Konami Group’s incremental borrowing rate of 0.34%	(1,068)
Add: finance lease liabilities recognized as at March 31, 2019	12,060
Less: short-term leases recognized on a straight-line basis as expense	(2,632)
Lease liabilities recognized as at April 1, 2019	57,811

At the beginning of the first quarter of fiscal year ending March 31, 2020, the application of IFRS 16 mainly affected that right-of-use assets increased by ¥40,067

million and lease liabilities increased by ¥45,751 million, respectively, compared with the case that the previous standard was applied. Right-of-use assets are presented in property, plant and equipment and lease liabilities are presented in other financial liabilities, respectively, in the quarterly consolidated statement of financial position.

In applying IFRS16 for the first time, Konami Group has used the following practical expedients:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for leases with a remaining lease term of less than 12 months as at the date of initial application as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(7) Segment Information

(i) Operating Segment Information

	Millions of Yen	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Revenue:		
Digital Entertainment –		
External customers	¥29,889	¥31,357
Intersegment	177	147
Total	¥30,066	¥31,504
Amusement –		
External customers	¥6,468	¥3,128
Intersegment	129	133
Total	¥6,597	¥3,261
Gaming & Systems –		
External customers	¥6,360	¥6,825
Intersegment	-	-
Total	¥6,360	¥6,825
Sports –		
External customers	¥15,740	¥15,149
Intersegment	78	79
Total	¥15,818	¥15,228
Intersegment eliminations	¥(384)	¥(359)
Consolidated	¥58,457	¥56,459

	Millions of Yen	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Segment profit (loss):		
Digital Entertainment	¥9,096	¥9,696
Amusement	1,861	539
Gaming & Systems	868	159
Sports	967	552
Total segment profit and loss, net	12,792	10,946
Corporate expenses and eliminations	(966)	(1,182)
Other income and other expenses, net	(12)	251
Finance income and finance costs, net	(45)	(281)
Profit (loss) from investments accounted for using the equity method	69	(26)
Profit before income taxes	¥11,838	¥9,708

(Notes)

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

a) Digital Entertainment:	Production, manufacture and sale of digital content and related products including mobile games, card games and computer and video games.
b) Amusement:	Production, manufacture and sale of amusement machines.
c) Gaming & Systems:	Production, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
d) Sports:	Operation of fitness activities and sports classes, including swimming, gymnastics, dance, soccer, tennis, and golf, and production and sale of sports related goods.

2. Segment profit (loss) is determined by deducting “cost of revenue” and “selling, general and administrative expenses” from “revenue.” This does not include corporate expenses, finance income and finance costs, and certain non-regular expenses associated with each segment such as impairment losses on property, plant and equipment, goodwill and intangible assets.
3. Corporate expenses primarily consist of administrative expenses not directly associated with specific segments.
4. Intersegment eliminations primarily consist of eliminations of intercompany sales.
5. Other income and other expenses, net include impairment losses on property, plant and equipment and goodwill and intangible assets and profit or loss of sales and disposal on property, plant and equipment.
6. 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.

(ii) Geographic Information

Revenue from external customers

	Millions of Yen	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Revenue:		
Japan	¥46,601	¥44,938
United States	8,354	7,666
Europe	2,379	2,062
Asia/Oceania	1,123	1,793
Consolidated	¥58,457	¥56,459

(Note)

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