Annual Financial Report

KONAMI CORPORATION and its subsidiaries

Consolidated Financial Statements

For the fiscal year ended March 31, 2015

KONAMI CORPORATION

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As used in this annual report, references to "the Company" and "the parent" are to KONAMI CORPORATION and references to "Konami Group," "the Group," "we," "our" and "us" are to KONAMI CORPORATION and its subsidiaries, unless the context otherwise requires.

"The Date of Transition" refers to April 1, 2013.

"U.S. dollar" or "$" means the lawful currency of the United States of America, "€" or "Euro" means the lawful currency of the member states of the European Union and "yen" or "¥" means the lawful currency of Japan.

"IFRS" means International Financial Reporting Standards, "U.S. GAAP" means accounting principles generally accepted in the United States, and "Japanese GAAP" means accounting principles generally accepted in Japan.

1. Consolidated Financial Statements

1. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

Millions of Yen

	Note	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Assets				
Current assets				
Cash and cash equivalents	5,22	¥63,669	¥50,024	¥64,654
Trade and other receivables	6,22	33,571	29,637	30,869
Inventories	7	12,021	12,018	12,844
Income tax receivables	18	2,697	3,339	2,055
Other current assets	13,22	6,696	7,852	5,951
Total current assets		118,654	102,870	116,373
Non-current assets				
Property, plant and equipment, net	8,10	60,070	77,308	79,261
Goodwill and intangible assets	9	62,732	61,938	61,037
Investments accounted for using the equity method	11	2,247	2,249	2,370
Other investments	12,22	1,264	1,282	1,323
Other financial assets	13,22	24,262	24,231	24,257
Deferred tax assets	18	26,390	26,310	23,019
Other non-current assets		5,487	4,404	3,952
Total non-current assets		182,452	197,722	195,219
Total assets		¥301,106	¥300,592	¥311,592

				Millions of Yen
	Note	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Liabilities and equity				
Liabilities				
Current liabilities				
Bonds and borrowings	14,22	¥9,679	¥6,458	¥6,009
Other financial liabilities	10,17,22	4,614	4,509	4,355
Trade and other payables	15,22	32,583	26,700	27,717
Income tax payables	18	4,104	686	1,248
Other current liabilities	16,19	10,939	9,898	12,270
Total current liabilities		61,919	48,251	51,599
Non-current liabilities				
Bonds and borrowings	14,22	-	14,925	14,943
Other financial liabilities	10,17,22	22,588	20,487	18,448
Deferred tax liabilities	18	1,214	908	708
Other non-current liabilities	16,19	7,014	7,182	7,395
Total non-current liabilities		30,816	43,502	41,494
Total liabilities		92,735	91,753	93,093
Equity				
Share capital	20	47,399	47,399	47,399
Share premium		74,175	74,175	74,175
Treasury shares	20	(11,250)	(11,264)	(11,271)
Other components of equity	26	25	1,779	5,012
Retained earnings		97,448	96,091	102,474
Total equity attributable to owners of the parent		207,797	208,180	217,789
Non-controlling interests		574	659	710
Total equity		208,371	208,839	218,499
Total liabilities and equity		¥301,106	¥300,592	¥311,592

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

Consolidated Statement of Profit or Loss

Millions of Yen

	Note	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Revenue			
Product sales revenue		¥97,649	¥95,298
Service and other revenue		119,946	122,859
Total revenue		217,595	218,157
Cost of revenue			
Cost of product sales revenue		(60,385)	(56,237)
Cost of service and other revenue		(89,069)	(90,466)
Total cost of revenue		(149,454)	(146,703)
Gross profit		68,141	71,454
Selling, general and administrative expenses		(52,546)	(50,207)
Other income and other expenses, net	24	(7,772)	(5,942)
Operating profit		7,823	15,305
Finance income	25	2,793	2,596
Finance costs	25	(1,261)	(1,095)
Profit from investments accounted for using the equity method		22	154
Profit before income taxes		9,377	16,960
Income taxes	18	(4,827)	(6,991)
Profit for the year		4,550	9,969
Profit attributable to:			
Owners of the parent		4,465	9,918
Non-controlling interests		¥85	¥51

Yen

	Note	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Earnings per share (attributable to owners of the parent)			
Basic	27	¥32.21	¥71.55
Diluted		-	-

Consolidated Statement of Comprehensive Income

Millions of Yen

	Note	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Profit for the year		¥4,550	¥9,969
Other comprehensive income	26		
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		1,704	3,169
Net change in fair values of available-for-sale financial assets		50	64
Total items that may be reclassified to profit or loss		1,754	3,233
Total other comprehensive income		1,754	3,233
Total comprehensive income for the year		6,304	13,202
Comprehensive income attributable to:			
Owners of the parent		6,219	13,151
Non-controlling interests		¥85	¥51

(3) 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 the Date of Transition, April 1, 2013		¥47,399	¥74,175	¥(11,250)	¥25	¥97,448	¥207,797	¥574	¥208,371
Profit for the year						4,465	4,465	85	4,550
Other comprehensive income					1,754		1,754		1,754
Total comprehensive income for the year		-	-	-	1,754	4,465	6,219	85	6,304
Purchase of treasury shares	20			(15)			(15)		(15)
Disposal of treasury shares	20		0	1			1		1
Dividends	21					(5,822)	(5,822)		(5,822)
Total transactions with the owners		-	0	(14)	-	(5,822)	(5,836)	-	(5,836)
Balance at March 31, 2014		¥47,399	¥74,175	¥(11,264)	¥1,779	¥96,091	¥208,180	¥659	¥208,839
Profit for the year						9,918	9,918	51	9,969
Other comprehensive income					3,233		3,233		3,233
Total comprehensive income for the year		-	-	-	3,233	9,918	13,151	51	13,202
Purchase of treasury shares	20			(8)			(8)		(8)
Disposal of treasury shares	20		0	1			1		1
Dividends	21					(3,535)	(3,535)		(3,535)
Total transactions with the owners		-	0	(7)	-	(3,535)	(3,542)	-	(3,542)
Balance at March 31, 2015		¥47,399	¥74,175	¥(11,271)	¥5,012	¥102,474	¥217,789	¥710	¥218,499

(4) Consolidated Statement of Cash Flows

Millions of Yen

	Note	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Operating activities			
Profit for the year		¥4,550	¥9,969
Depreciation and amortization		21,225	20,631
Impairment losses		7,015	5,361
Interest and dividends income		(229)	(262)
Interest expense		1,187	1,029
Loss on sale or disposal of property, plant and equipment		757	581
Profit from investments accounted for using the equity method		(22)	(154)
Income taxes		4,827	6,991
Decrease (increase) in trade and other receivables		5,337	(49)
Decrease in inventories		992	340
Decrease in trade and other payables		(5,365)	(867)
Decrease (increase) in prepaid expense		(775)	1,889
Increase (decrease) in deferred revenue		(110)	2,216
Other, net		115	320
Interest and dividends received		285	279
Interest paid		(1,151)	(1,090)
Income taxes paid		(8,929)	(1,930)
Net cash provided by operating activities		29,709	45,254
Investing activities			
Capital expenditures		(47,237)	(25,769)
Decrease in lease deposits, net		204	523
Decrease (increase) in term deposits, net		(483)	886
Other, net		100	(135)
Net cash used in investing activities		(47,416)	(24,495)
Financing activities			
Increase (decrease) in short-term borrowings, net		1,600	(1,095)
Proceeds from issuance of bonds	14	15,000	-
Redemption of bonds		(5,000)	-
Principal payments under capital lease and financing obligations		(2,239)	(2,173)
Dividends paid	21	(5,814)	(3,532)
Other, net		(99)	(7)
Net cash provided by (used in) financing activities		3,448	(6,807)
Effect of exchange rate changes on cash and cash equivalents		614	678
Net increase (decrease) in cash and cash equivalents		(13,645)	14,630
Cash and cash equivalents at the beginning of the year	5	63,669	50,024
Cash and cash equivalents at the end of the year	5	¥50,024	¥64,654

Notes to Consolidated Financial Statements

1. Reporting Entity

KONAMI CORPORATION (the "Company") is a public company located in Japan.

The accompanying 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, Health & Fitness, Gaming & Systems and Pachislot & Pachinko Machines businesses. The operations of each business segment are presented in Note 4 "Segment Information".

2. Basis of Preparation

(1) Compliance with IFRS

The Company prepares consolidated financial statements in accordance with the International Financial Reporting Standard ("IFRS").

These consolidated financial statements are Konami Group's first financial statements applying IFRS. The Date of Transition to IFRS is April 1, 2013. The Company applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The effects of the transition to IFRS on Konami Group's financial position, results of operations and cash flows are presented in Note 35 "First-Time Adoption of IFRS".

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities measured at their fair values, as stated in Note 3 "Significant Accounting Policies."

(3) Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen is rounded to the nearest million yen.

(4) Use of estimates and judgments

In preparing IFRS-compliant 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 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 consolidated financial statements is included in the following notes:

- Revenue recognition: Note 3 "Significant Accounting Policies- (14) Revenue".
- Recognition of deferred tax assets: Note 18 "Income Tax Expense".
- Impairment losses for property, plant and equipment, goodwill and intangible assets: Note 3 "Significant Accounting Policies- (9) Impairment (ii) Non-financial assets", Note 8 "Property, Plant and Equipment, net" and Note 9 "Goodwill and Intangible Assets".

(5) Early application of new accounting standards

There were no new accounting standards applied earlier than required.

(6) New accounting standards and interpretations issued but not yet applied

New or revised accounting standards and interpretations that were issued by the date of approval of the consolidated financial statements but have not yet been applied by the Company as of March 31, 2015, are principally as follows. The Company is currently assessing the impacts that application of these will have on the consolidated financial statements, and it is not possible to make estimates at this stage.

Standards and Interpretations	**Title**	**Date of mandatory application (fiscal year beginning on or after)**	**Reporting periods of application by the Company (End date of the reporting period)**	**Overview of new/revised Standards and Interpretations**
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	March 31, 2018	Proposition of a single framework for accounting for revenue recognition
IFRS 9	Financial Instruments	January 1, 2018	March 31, 2019	Revision of classification, measurement and recognition of financial instruments

3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

“Subsidiaries” are entities that are controlled by Konami Group. Konami Group controls entities where it is exposed, or has rights, to variable returns from its involvement with those entities and has the ability to affect the amount of returns through its power over those entities.

A subsidiary’s financial statements are incorporated into the Company’s consolidated financial statements from the date when the Company obtains control of the subsidiary until the date when the Company loses control of the subsidiary. Appropriate adjustments are made to the subsidiary’s accounting policies as necessary to ensure the conformity with Konami Group’s accounting policies.

Changes in the Company’s ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the amount of the fair value of the consideration paid or received is recognized directly in equity as equity attributable to owners of the parent. If the Company loses the control of a subsidiary, the Company recognizes the gain or loss associated with the loss of the control in profit or loss.

All inter-group balances and transactions as well as unrealized gains or losses arising from intergroup transactions are eliminated.

(ii) Associates

Associates are entities over which the Company does not have a control or a joint control but has significant influence over the financial and operating or business policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not a control or a joint control over those policies.

Investments in associates are accounted for using the equity method and initially recognized at acquisition cost as of the date of acquisition. These investments include goodwill recognized at the date of acquisition.

The Company’s consolidated financial statements include the Company’s share of income, expense and other comprehensive income of the associate accounted for under the equity method from the date when the Company obtains the significant influence over the associate until the date when the Company loses it. Appropriate adjustments are made to the associate’s accounting policies as necessary in conformity with the Company’s accounting policies.

Unrealized gains arising from transactions with an entity accounted for under the equity method are deducted from investments to the extent of the Company’s interest in the investee.

(2) Business combinations

A business combination is accounted for using the acquisition method.

Goodwill is measured as the excess of the total amount of the consideration transferred, the amount of any non-controlling interests in the acquiree and, if a business combination is achieved in stages, the amount of the fair value at the date of acquisition of acquirer's previously held equity interest in the acquiree over the net amounts recognized of the identifiable acquired assets and assumed liabilities (which is usually measured at fair value). If the amount of excess is a negative amount, the difference is immediately recognized in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to proportionate share of the entity's net assets in the event of liquidation are measured at the fair value or at the proportionate share of the non-controlling interests in the recognized amounts of the acquiree's identifiable net assets on an acquisition-by-acquisition basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, which does not exceed one year from the acquisition date, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date.

Acquisition-related costs are recognized as expenses in the period in which they are incurred.

A business combination of entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such transactions are accounted for based on the carrying amounts.

(3) Foreign currency transactions

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of each of Konami Group companies using the exchange rates at the date of the transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated into the functional currencies using the exchange rates at that date. Non-monetary assets and liabilities measured at fair value in foreign currencies are retranslated into the functional currencies using the exchange rates at the date the fair value was determined.

Exchange differences arising from the re-measurement and the settlement of such items are recognized in profit or loss in the period in which they arise. However, exchange differences arising from the financial assets measured through other comprehensive income are recognized in other comprehensive income.

(ii) Foreign operations

Assets and liabilities of foreign operations, including goodwill arising from acquisitions and fair value adjustments, are translated into Japanese yen using the exchange rate at the reporting date. Income and expenses are translated into Japanese yen using the average exchange rate for the period, unless exchange rates fluctuate significantly.

Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income, and included in "other components of equity" as exchange differences on translating foreign operations.

On the disposal of the entire or a partial interest in a foreign operation involving loss of control, significant influence or joint control, the cumulative amount of the exchange differences relating to that foreign operation is reclassified to profit or loss, as a part of gain or loss on disposal.

(4) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits at call with banks, and other short-term highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(5) Inventories

Inventories consist of merchandise for resale, finished products, work-in-process, raw materials and supplies.

Inventories are measured at the lower of cost or net realizable value; the company uses the weighted average method is used to determine cost of inventories.

Net realizable value is the estimated selling price of inventories in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Property, plant and equipment, net

(i) Recognition and measurement

Property, plant and equipment are recognized at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost includes any costs directly attributable to the acquisition of the assets, the initial estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs eligible for capitalization. If components of an item of property, plant and equipment have different useful lives, each component is recognized as a separate item of property, plant and equipment.

(ii) Subsequent expenditures

Subsequent expenditures on property, plant and equipment for the ordinary repairs and maintenance are recognized as expenses when incurred. Expenditures on major replacement and improvement are capitalized only if it is probable that future economic benefits associated with such expenditures will flow to Konami Group.

(iii) Depreciation

Depreciation of property, plant and equipment is calculated based on the depreciable amount. Depreciable amount is calculated as the cost of an asset less its residual value.

Depreciation of an asset is principally computed under the straight-line method over the estimated useful life of each component of the asset. The straight-line method is adopted because the method is considered to a close approximation of the expected pattern of consumption of the future economic benefits generated by the asset.

Equipment leased under a finance lease is depreciated over the shorter of the lease term or its estimated useful life, unless there is reasonable certainty that Konami Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are ranging from 10 to 50 years for buildings and structures and from 2 to 20 years for tools, furniture and fixtures.

The depreciation method, estimated useful life and residual value are reviewed at each financial year end, and amended as necessary.

(7) Goodwill and intangible assets

(i) Goodwill

(a) Initial recognition

Goodwill arising from acquisition of subsidiaries is included in "Goodwill and intangible assets" in the accompanying consolidated statement of financial position. Measurement of goodwill at the time of initial recognition is described in "(2) Business combinations" as above.

(b) Measurement after initial recognition

Goodwill is measured at its cost less any accumulated impairment losses. Goodwill is not amortized but is tested for impairment every year at the same time and whenever there is any indication that it may be impaired.

(ii) Intangible assets acquired in business combinations

Intangible assets, such as trademarks, memberships, patents and other merchandising contracts, acquired in business combinations and recognized separately from goodwill are initially recognized at fair value at the acquisition date.

Subsequently such intangible assets are measured at their cost less any accumulated amortization and any accumulated impairment losses.

(iii) Internally generated intangible assets arising from development

Expenditures on research activities to obtain new scientific or technical knowledge and understanding are recognized as an expense as incurred. Expenditures related to development activities are capitalized only if it is technically feasible to complete the assets, it is probable that future economic benefits will be generated, expenditures are reliably measurable, and the Company has the intention, ability and adequate resources to use or sell them after completion.

The costs of internally generated intangible assets arising from the development are initially recognized at the sum of expenditures incurred from the date when they first meet all of the aforementioned criteria until the day the development is completed. Subsequent to the initial recognition, internally generated intangible assets arising from development are measured at their costs less any accumulated amortization and any impairment losses.

(iv) Other intangible assets

Other intangible assets with finite useful lives are measured at their costs less any accumulated amortization and any accumulated impairment losses.

(v) Amortization

Amortization charge is calculated based on the acquisition cost of an asset less its residual value.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives using the straight-line method. They are tested for impairment when there is any indication that they may be impaired. The straight-line method is adopted because the method reflects the expected pattern of consumption of the future economic benefits generated by the asset.

The estimated useful lives of the main intangible assets with finite useful lives are as follows:

- Internally generated intangible assets arising from development
  less than 5 years
- Patents and merchandising rights 3 to 20 years

The amortization method, the estimated useful life and the residual value are reviewed at each financial year end, and amended as necessary.

Intangible assets with indefinite useful lives, including trademarks and memberships, or intangible assets that are not yet available for use are not amortized. They are tested for impairment every year at the same time and whenever there is any indication that they may be impaired.

(8) Leases

At the inception of a lease arrangement, Konami Group determines whether the arrangement is, or contains, a lease. The substance of the arrangement is determined based on whether the fulfillment of the arrangement depends on the use of a specific asset or group of assets and whether the arrangement conveys the right to such an asset or group of assets.

(i) Finance leases

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership in a lease arrangement are transferred to Konami Group. Finance leases are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. After initial recognition, leased assets are accounted for according to the accounting policies to the assets.

Minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of the liability.

Contingent rents are recognized as expenses in the period in which they are incurred.

(ii) Operating leases

All leases other than finance leases are classified as operating leases. Such leased assets are not recorded in the accompanying consolidated statement of financial position.

Lease payments under an operating lease are recognized in profit or loss on a straight-line basis over the lease term.

Contingent rents are recognized as expenses in the period in which they are incurred.

(9) Impairment

(i) Impairment of non-derivative financial assets

Financial assets not classified as "financial assets at fair value through profit or loss" are assessed at the end of each reporting period whether there is any objective evidence of impairment. A financial asset is determined to be impaired only when there is objective evidence of impairment that loss events have occurred after the initial recognition of the asset and when there is a negative impact on the estimated future cash flows of the financial asset from those events that can be reliably estimated.

Objective evidence that a financial asset is impaired includes a default or delinquency by the borrower, granting to the borrower a concession that Konami Group would not otherwise consider any indication that the borrower or issuer will enter bankruptcy, and the disappearance of an active market.

For available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its historical cost is also included in the objective evidence of impairment.

(a) Financial assets measured at amortized cost

Konami Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset, and is recognized in profit or loss in an allowance account. If the asset is subsequently determined to be uncollectible, the allowance account is directly reduced from the carrying amount. If, in a subsequent period after the impairment loss was recognized, there is objective evidence that the amount of the impairment loss has decreased, the previously recognized impairment loss is reversed and the reversal is recognized in profit or loss.

(b) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the cumulative losses previously recognized in "net change in fair values of available-for-sale financial assets", a component of equity, to the profit or loss. The amount of cumulative losses reclassified from comprehensive income to profit or loss is the difference between the acquisition costs and its present fair value less the impairment losses previously recognized in profit or loss. Regarding debt instruments, if, in a subsequent period after the impairment loss was recognized, the amount of the impairment loss on debt instruments decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the reversal is recognized in profit or loss.

(c) Investment in entities accounted for using the equity method

Goodwill arising from an acquisition of interest in associates is included in the carrying amount of the investment, and the entire carrying amount of the investments accounted for using the equity method is tested for impairment. Konami Group assesses whether there is any objective evidence of an indication that an investment in an associate may be impaired at the end of each reporting period. If there is objective evidence that the investment is impaired, the investment is tested for impairment by comparing its recoverable amount (higher of value in use or fair value less costs of disposal) of the investment with its carrying amount. The previously recognized impairment loss is reversed only if there is a change in the estimates used to determine the recoverable amount of the investment after the impairment loss was recorded. In such a case, the reversal of the impairment loss is recognized to the extent that the recoverable amount of the net investment subsequently increases.

(ii) Impairment of non-financial assets

The carrying amounts of Konami Group's non-financial assets, excluding inventories and deferred tax assets, are reviewed to determine whether there is any indication of impairment at the end of each reporting period. If there is any indication of impairment, the asset is tested for impairment based on its recoverable amount. Goodwill, intangible assets with indefinite useful lives are tested for impairment based on the recoverable amount at the same time every year and whenever there is any indication of impairment.

The recoverable amount for an asset or cash-generating unit ("CGU") is the higher of value in use or fair value less costs of disposal. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset which is not considered in estimating the future cash flows.

If it is not possible to estimate the recoverable amount of each asset individually for the impairment test, such assets are integrated into the smallest CGU that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination, and these CGUs represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and are not larger than an operating segment. Since corporate assets do not generate separate cash inflows, if there is an indication that corporate assets may be impaired, the corporate assets are tested for impairment based on the recoverable amount of the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds the recoverable amount, an impairment loss is recognized in profit or loss for the period. Impairment losses recognized in relation to a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets of the CGU on a pro rata basis.

An impairment loss related to goodwill cannot be reversed in a subsequent period. Previously recognized impairment losses on other assets are assessed at the end of each reporting period as to whether there is any indication that the losses may no longer exist or may have decreased. Such impairment losses are reversed if there have been any indications of the reversal of the impairment and a change in estimates used to determine the recoverable amount of the asset. The carrying amount of the asset after the reversal cannot exceed the carrying amount less depreciation or amortization, which would have been, no impairment loss had been recognized for the asset in prior years.

(10) Employee benefits

The Company and certain subsidiaries adopt defined contribution plans. Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions. The contributions under the defined contribution plans are recognized as expenses during the period in which an employee rendered services.

The Company and certain subsidiaries have participated in a multi-employer pension plan, which is a defined benefit plan. The contributions during the period are recognized as pension expense in profit or loss, and contributions payable are recognized as liabilities.

(11) Provisions

Provisions are recognized when Konami Group has a present legal or constructive obligation arising from past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations.

Where the effect of the time value of money is material, a provision is calculated as the present value of the expenditures discounted at a rate that reflects the risks specific to the liability.

Asset retirement obligations are recognized as provisions for the costs of dismantling and removing the assets and restoring the site, and they are included in the acquisition costs of the assets. The estimated future costs and the discount rates applied are annually reviewed and accounted for as a change in accounting estimates, if an adjustment is determined to be necessary.

(12) Financial instruments

Konami Group classifies non-derivative financial assets in two categories: loans and receivables, and available-for-sale financial assets. Non-derivative financial liabilities are classified as financial liabilities measured at amortized cost.

(i) Non-derivative financial assets and non-derivative financial liabilities- recognition and derecognition

Konami Group initially recognizes loans and receivables when they occur. All other financial assets and liabilities are initially recognized on the transaction date.

Konami Group derecognizes a financial asset only if the contractual rights to the cash flows from the financial asset expire or if Konami Group transfers the contractual rights to receive the cash flows of the financial asset in a transaction where the Group transfers substantially all risks and rewards of ownership of the financial asset.

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

(ii) Non-derivative financial assets- measurement

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at fair values plus transaction costs which are directly attributable to the acquisition of the financial assets. After initial recognition, such financial assets are measured at amortized cost using the effective interest method, less impairment, and amortization is recognized as finance income in profit or loss.

(b) Available-for-sale financial assets

Non-derivative financial assets that are designated as available-for-sale or are not classified in other categories are classified as available-for-sale financial assets.

Available-for-sale financial assets are initially recognized at fair values plus transaction costs which are directly attributable to the acquisition of the financial assets. After initial recognition, such financial assets are measured at fair values at the end of each reporting period with changes in fair value recognized in “net change in fair values of available-for-sale financial assets” in other comprehensive income.

When available-for-sale financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognized at fair value, less transaction costs that are directly attributable to the issue of the financial liabilities. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iv) Derivatives and hedging activities

Konami Group may use derivative financial instruments including foreign exchange forward contracts to regularly hedge its foreign currency risks.

Such derivative financial instruments are initially recognized at their fair values, and transaction costs that are attributable to the acquisition of the derivatives are recognized in profit or loss as incurred. After initial recognition, derivative financial instruments are measured at their fair values with changes in the fair value taken recognized immediately profit or loss.

Konami Group does not apply hedge accounting.

(13) Equity

(i) Ordinary shares

Issuance costs directly relating to equity instruments issued by Konami Group are recognized, net of tax, as a deduction from equity.

(ii) Treasury shares

When the Company repurchases treasury shares, the consideration paid, including transaction costs, net of tax, directly arising from the repurchase, is recognized as a deduction from equity. No gain or loss is recognized in profit or loss on the purchase, disposal, issuance or cancellation of Konami Group's own equity instruments. Any difference between the carrying amount and the consideration given is recognized in share premium.

(14) Revenue

Konami Group measures revenue at the fair value of the consideration received or the receivables for the goods or services delivered, less sales related taxes.

Revenues from the sale of goods are recognized when all the following conditions have been satisfied:

- Konami Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to Konami Group; and

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering services can be estimated reliably, revenues associated with the transactions are recognized by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to Konami Group;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Konami Group set revenue recognition criteria for each of the major categories of revenue, including multiple deliverable arrangements and presentation of revenues on a gross or net basis as follows:

(i) Product sales revenue

Konami Group sells goods such as packaged game software and other products, amusement machines and related equipment, gaming machines and related casino management systems, and pachinko slot machines and pachinko machines. Konami Group recognizes revenue from product sales upon delivery to customers or acceptance by customers.

Generally, Konami Group does not permit exchanges nor accept returns of goods except in cases where an apparent defect exists. In certain limited circumstances, Konami Group may allow returns. In case where a return or a discount is probable and the amount can be reasonably estimated, the amounts estimated are deducted from revenue.

(ii) Service and other revenues

Services and other revenues of Konami Group include revenue from game contents services, including mobile games and e-AMUSEMENT Participation, and membership fee revenue from health and fitness club members.

Revenue from the sale of virtual goods within mobile games is deferred when they are sold. When it is considered that the rendering of the services is completed, Konami Group recognizes such revenue, depending on the nature of the virtual goods, at the time they are consumed or over the period the player is expected to access the game.

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

(iii) Multiple-element arrangements

Konami Group enters into arrangements with multiple elements of various products and services. Konami Group allocates the consideration of the transaction to each element in proportion to fair values and recognizes revenue individually for each element, if these elements satisfy the following criteria:

- Each element has standalone value to the customer, and
- the fair value of each element can be measured reliably.

In case the above criteria are not satisfied, the entire revenue is deferred as single accounting unit and is not recognized until all elements of products are delivered or services are rendered.

Konami Group sells packaged software with online functionality in its Digital Entertainment Segment. Each element of these transactions, as multiple-element arrangements, has standalone value to the customer, but, if the fair value cannot be measured reliably, the entire revenue is considered as a single accounting unit and recognized over the period the player is expected to access the software on a straight-line basis.

In the Digital Entertainment Segment, Konami Group sells amusement machines and renders e-AMUSEMENT service which connects multiple amusement arcades online, and e-AMUSEMENT Participation service which shares user playing fees with customers (amusement arcade operators) which are considered as multiple-element arrangements. Since each element included in such an arrangement has standalone value to the customer and the fair value of each element can be measured reliably, these arrangements are considered as separate accounting units and revenues are recognized upon acceptance by customers or completion of the rendering of the services.

(iv) Presentation of revenue on gross basis or on net basis

In determining whether the revenue is presented on a gross or net basis, Konami Group determines whether it is acting as a principal or as an agent in the transaction for each arrangement, based on the criteria as below:

- whether Konami Group has the primary responsibility for providing the goods or services to the customer or for fulfilling the order,
- whether Konami Group has inventory risk before or after the customer order, during shipping or on return,
- whether Konami Group has latitude in establishing prices, either directly or indirectly, and
- whether Konami Group bears the customer’s credit risk for the amount of receivable from the customer.

When Konami Group is determined to be acting as a principal in the transaction, revenue from the transaction is reported on gross basis, whereas, when Konami Group is determined to be an agent, revenue from the transaction is reported on net basis.

(15) Finance income and finance costs

Finance income mainly consists of interest income, dividend income, foreign currency exchange gains and gains on sales of available-for-sale financial assets. Interest income is recognized using the effective interest method as incurred. Dividend income is recognized on the date when the right of Konami Group to receive the dividend is established.

Finance costs mainly consist of interest expenses, foreign currency exchange losses and losses on sales of available-for-sale financial assets. Interest expenses are recognized using the effective interest method as incurred.

(16) Income tax expense

Income tax expenses consist of current taxes and deferred taxes. These are recognized in profit or loss, except to the extent that the taxes arise from items which are recognized either in other comprehensive income or directly in equity, or from business combinations.

Current taxes are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are recognized for temporary differences between the tax base and the carrying amounts of assets and liabilities, the carryforward of unused tax losses and the unused tax credits, measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on tax rates and the tax laws that have been enacted or substantially enacted by the end of the reporting period. Deferred tax assets and liabilities are not recognized if:

- taxable temporary differences arise from the initial recognition of goodwill,
- temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of transaction, affects neither accounting profit or taxable profit (tax loss), or
- Konami Group is able to control the timing of the reversal of the temporary differences which are associated with investments in subsidiaries and associates, and it is probable that such differences will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset if Konami Group has a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized only for the deductible temporary differences, the carryforward of unused tax losses and the unused tax credits, to the extent that it is probable that future taxable profit will be available against which they can be utilized. The carrying amount of deferred tax assets are reviewed at the end of each reporting period, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of that deferred tax assets to be utilized.

(17) Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the parent, by the weighted average number of ordinary shares outstanding during the period that is adjusted for the number of treasury shares. Diluted earnings per share are calculated and adjusted for all the effect of dilutive potential ordinary shares.

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 business segments:

1. Digital Entertainment:	Production, manufacture and sale of digital content and related products including mobile games, computer and video games, arcade games and card games.
2. Health & Fitness:	Operation of health and fitness clubs, and production, manufacture and sale of health and fitness related goods.
3. Gaming & Systems:	Development, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
4. Pachislot & Pachinko Machines:	Production, manufacture and sale of pachislot machines and pachinko machines.

Segment profit (loss) is determined by deducting "cost of revenue" and "selling, general and administrative expenses" from "revenue", which 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.

Assets of each segment including investments in associates and deferred tax assets are measured in a same manner as those included in the accompanying consolidated statements of financial position. Segment assets are based on those directly associated with each segment. Assets not directly associated with specific segments, except those of corporate assets, are allocated in a consistent manner which management believes is reasonable.

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 years ended March 31, 2014 and 2015.

(1) Operating segment information

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Revenue:		
Digital Entertainment –		
External customers	¥103,733	¥96,673
Intersegment	602	302
Total	¥104,335	¥96,975
Health &Fitness –		
External customers	¥76,482	¥72,974
Intersegment	29	366
Total	¥76,511	¥73,340
Gaming & Systems –		
External customers	¥31,600	¥33,825
Intersegment	-	-
Total	¥31,600	¥33,825
Pachislot & Pachinko Machines –		
External customers	¥5,780	¥14,685
Intersegment	8	6
Total	¥5,788	¥14,691
Intersegment eliminations	(639)	(674)
Consolidated	¥217,595	¥218,157

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Segment profit (loss):		
Digital Entertainment	¥13,954	¥16,983
Health &Fitness	1,636	1,899
Gaming & Systems	7,325	6,343
Pachislot & Pachinko Machines	(1,612)	564
Total segment profit and loss, net	21,303	25,789
Corporate expenses and eliminations	(5,708)	(4,542)
Other income and other expenses, net	(7,772)	(5,942)
Finance income and finance costs, net	1,532	1,501
Profit from investments accounted for using the equity method	22	154
Profit before income taxes	¥9,377	¥16,960

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

	Date of Transition April 1, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
			Millions of Yen
Segment assets:			
Digital Entertainment	¥159,159	¥154,637	¥161,429
Health &Fitness	75,720	69,851	69,013
Gaming & Systems	21,039	26,114	32,331
Pachislot & Pachinko Machines	19,368	21,669	26,466
Total	275,286	272,271	289,239
Corporate assets	25,820	28,321	22,353
Consolidated	¥301,106	¥300,592	¥311,592

1) Corporate assets primarily consist of cash and cash equivalents, financial assets, and property, plant and equipment.
2) Impairment losses for property, plant and equipment, goodwill and intangible assets included in each segment asset are as follows. Also, impairment losses for property, plant and equipment, goodwill and intangible asset are further discussed in Note 8 "Property, Plant and Equipment, net" and Note 9 "Goodwill and Intangible Assets".

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Impairment losses:		
Digital Entertainment	¥1,535	¥3,216
Health &Fitness	5,185	1,937
Pachislot & Pachinko Machines	295	208
Total	¥7,015	¥5,361

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Depreciation and amortization:		
Digital Entertainment	¥13,093	¥10,370
Health &Fitness	3,246	3,299
Gaming & Systems	1,606	1,704
Pachislot & Pachinko Machines	1,731	3,878
Total	19,676	19,251
Corporate assets	1,549	1,380
Consolidated	¥21,225	¥20,631

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Investments in non-financial assets:		
Digital Entertainment	¥16,621	¥12,173
Health &Fitness	1,724	1,977
Gaming & Systems	2,617	6,078
Pachislot & Pachinko Machines	5,774	5,381
Total	26,736	25,609
Corporate assets	17,999	688
Consolidated	¥44,735	¥26,297

Investments in non-financial assets include expenditures for acquisitions of property, plant and equipment, net and intangible assets used in operations of each segment.

(2) Geographic Information

Revenue from external customers

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Revenues:		
Japan	¥155,364	¥161,976
United States	41,679	39,844
Europe	14,088	9,427
Asia/Oceania	6,464	6,910
Consolidated	¥217,595	¥218,157

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Non-current assets:			
Japan	¥113,903	¥129,082	¥124,735
United States	6,495	8,687	14,632
Europe	1,792	939	431
Asia/Oceania	612	538	500
Consolidated	¥122,802	¥139,246	¥140,298

Non-current assets consist of property and plant and equipment and intangible assets including goodwill.

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, and attributes assets based on where assets are located.

(3) Information about sales by product and service category.

Since the reporting segment is same as category by product and service, this information is omitted.

5. Cash and Cash Equivalents

The breakdown of cash and cash equivalents are as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Cash and cash equivalents:			
Cash and deposits	¥61,126	¥47,493	¥58,906
Short-term deposits with maturities of three months or less	2,543	2,531	5,748
Total cash and cash equivalents on the consolidated statements of financial position	¥63,669	¥50,024	¥64,654

The balances of cash and cash equivalents on the consolidated statements of financial position agreed with the respective balances in consolidated statements of cash flows as of April 1, 2013, Date of Transition, March 31, 2014 and 2015.

6. Trade and Other Receivables

The breakdown of trade and other receivables are as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Notes receivables	¥910	¥745	¥807
Accounts receivables	32,839	28,739	30,235
Other receivables	505	622	54
Less: Allowance for doubtful accounts	(683)	(469)	(227)
Total	¥33,571	¥29,637	¥30,869

Certain accounts receivables are collected based on usage of the products sold, and the amount includes those expected to be collected over 12 months.

7. Inventories

The breakdown of inventories is as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Finished products	¥6,958	¥6,562	¥7,197
Work in process	40	114	132
Raw materials and supplies	5,023	5,342	5,515
Total	¥12,021	¥12,018	¥12,844

Inventories recognized as an expense for the fiscal year ended March 31, 2014 and 2015 were ¥41,049 million and ¥41,001 million, respectively.

Loss on valuation recognized as an expense for the fiscal year ended March 31, 2014 and 2015 were ¥1,402 million and ¥629 million, respectively.

8. Property, Plant and Equipment, net

(1) Reconciliations

Changes in acquisition cost, accumulated depreciation, accumulated impairment loss and the carrying amount on property, plant and equipment are as follows:

Millions of Yen

	Land	Buildings and structures	Tools, furniture and fixtures	Construction in progress	Total
Acquisition cost					
Balance as of April 1, 2013	¥14,542	¥100,791	¥36,082	¥2,050	¥153,465
Acquisitions	17,155	2,138	3,539	1,582	24,414
Sales and disposal	-	(632)	(1,508)	-	(2,140)
Transfer from construction in progress	1,802	151	(172)	(2,727)	(946)
Effect of foreign currency	34	352	726	44	1,156
Others	178	(57)	(104)	(4)	13
Balance as of March 31, 2014	33,711	102,743	38,563	945	175,962
Acquisitions	-	966	3,718	4,479	9,163
Sales and disposal	(34)	(580)	(2,596)	-	(3,210)
Transfer from construction in progress	-	346	(901)	(786)	(1,341)
Effect of foreign currency	67	573	1,388	464	2,492
Others	-	14	28	61	103
Balance as of March 31, 2015	¥33,744	¥104,062	¥40,200	¥5,163	¥183,169

Millions of Yen

	Land	Buildings and structures	Tools, furniture and fixtures	Construction in progress	Total
Accumulated depreciation and impairment losses					
Balance as of April 1, 2013	¥(133)	¥(64,594)	¥(28,668)	-	¥(93,395)
Depreciation expenses	-	(3,251)	(3,180)	-	(6,431)
Sales and disposal	-	608	1,383	-	1,991
Impairment losses	(8)	(904)	(223)	-	(1,135)
Transfer from construction in progress	-	-	918	-	918
Effect of foreign currency	-	(114)	(568)	-	(682)
Others	-	1	79	-	80
Balance as of March 31, 2014	(141)	(68,254)	(30,259)	-	(98,654)
Depreciation expenses	-	(3,234)	(4,085)	-	(7,319)
Sales and disposal	-	416	2,522	-	2,938
Impairment losses	-	(846)	(119)	-	(965)
Transfer from construction in progress	-	-	1,377	-	1,377
Effect of foreign currency	-	(186)	(1,056)	-	(1,242)
Others	-	3	(46)	-	(43)
Balance as of March 31, 2015	¥(141)	¥(72,101)	¥(31,666)	-	¥(103,908)

Millions of Yen	Land	Buildings and structures	Tools, furniture and fixtures	Construction in progress	Total
Carrying amount					
Balance as of April 1, 2013	¥14,409	¥36,197	¥7,414	¥2,050	¥60,070
Balance as of March 31, 2014	33,570	34,489	8,304	945	77,308
Balance as of March 31, 2015	¥33,603	¥31,961	¥8,534	¥5,163	¥79,261

Depreciation expenses on property, plant and equipment are included in "costs of revenue" and "selling, general and administrative expenses".

(2) Impairment losses

The breakdown of accumulated impairment losses by asset type is as follows:

Millions of Yen	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Health & Fitness segment			
Land	¥133	¥8	-
Buildings and structures	1,409	904	¥846
Tools, furniture and fixtures	227	223	119
Total	¥1,769	¥1,135	¥965

1) Impairment loss at the Date of Transition is recognized in retained earnings, instead of profit or loss.
2) Impairment losses are included in the line item "other income and other expenses, net" in the consolidated statement of profit or loss.

Health & Fitness segment

Konami Group integrates its property, plant and equipment belonging to the Health & Fitness segment into groups principally at the individual club operation level which is considered to be the smallest cash-generating unit ("CGU") that generates largely independent cash inflows. Certain unprofitable clubs were impaired. A CGU is tested for impairment when there are some indicators of impairment that a CGU may be impaired, including that operating results of the club continue to be underperforming or that the market values of the club's assets have declined significantly below their carrying amounts. In cases where the recoverable amounts are lower than the carrying amount of the assets, an impairment loss is recognized. The recoverable amount of a CGU is calculated on the basis of its value in use, which represents the present value of the estimated future cash flows discounted based on the medium-term management plan approved by management. The discount rates were 8.4% and 8.2% for the fiscal year ended March 31, 2014 and 2015, respectively, which are estimated based on the weighted average cost of capital before tax.

(3) Borrowing costs

During the fiscal year ended March 31, 2015, Konami Group has capitalized borrowing costs amounting to ¥62 million on qualifying assets. Borrowing costs were capitalized at the weighted average rate for general borrowings of 0.55%.

9. Goodwill and Intangible Assets

(1) Reconciliations

Changes in the acquisition cost, accumulated amortization, accumulated impairment losses and the carrying amount for goodwill and intangible assets are as follows:

Millions of Yen

	Goodwill	Internally generated intangible assets	Trademarks	Memberships	Others	Total
Acquisition cost						
Balance as of April 1, 2013	¥21,934	¥43,381	¥50,561	¥6,640	¥8,135	¥130,651
Acquisitions	-	1,361	-	-	187	1,548
Internally generated development costs	-	18,773	-	-	-	18,773
Sales and disposal	-	(2,350)	-	-	(105)	(2,455)
Effect of foreign currency	44	146	-	-	242	432
Others	-	1	-	-	(21)	(20)
Balance as of March 31, 2014	21,978	61,312	50,561	6,640	8,438	148,929
Acquisitions	-	1,095	-	-	212	1,307
Internally generated development costs	-	15,827	-	-	-	15,827
Sales and disposal	-	(2,722)	-	-	(192)	(2,914)
Effect of foreign currency	86	147	-	-	458	691
Others	-	0	-	-	(50)	(50)
Balance as of March 31, 2015	¥22,064	¥75,659	¥50,561	¥6,640	¥8,866	¥163,790

Millions of Yen	Goodwill	Internally generated intangible assets	Trademarks	Memberships	Others	Total
Accumulated amortization and impairment losses						
Balance as of April 1, 2013	¥(3,511)	¥(22,665)	¥(37,475)	-	¥(4,268)	¥(67,919)
Amortization expenses	-	(14,231)	(18)	-	(545)	(14,794)
Sales and disposal	-	1,686	-	-	13	1,699
Impairment losses	(468)	(1,836)	(3,441)	-	(1)	(5,746)
Effect of foreign currency	-	(130)	-	-	(100)	(230)
Others	-	(1)	-	-	-	(1)
Balance as of March 31, 2014	(3,979)	(37,177)	(40,934)	-	(4,901)	(86,991)
Amortization expenses	-	(12,760)	(4)	-	(548)	(13,312)
Sales and disposal	-	2,147	-	-	37	2,184
Impairment losses	(148)	(3,425)	(752)	-	(2)	(4,327)
Effect of foreign currency	-	(134)	-	-	(173)	(307)
Others	-	-	-	-	-	-
Balance as of March 31, 2015	¥(4,127)	¥(51,349)	¥(41,690)	-	¥(5,587)	¥(102,753)

Millions of Yen	Goodwill	Internally generated intangible assets	Trademarks	Memberships	Others	Total
Carrying amount						
Balance as of April 1, 2013	¥18,423	¥20,716	¥13,086	¥6,640	¥3,867	¥62,732
Balance as of March 31, 2014	17,999	24,135	9,627	6,640	3,537	61,938
Balance as of March 31, 2015	¥17,937	¥24,310	¥8,871	¥6,640	¥3,279	¥61,037

The amortization expenses for intangible assets are included in “costs of revenue” or “selling, general and administrative expenses” in the accompanying consolidated statement of profit or loss.

(2) Intangible assets with indefinite useful lives

At the Date of Transition, March 31, 2014 and 2015, the carrying amounts of intangible assets with indefinite useful lives included in above were ¥19,889 million, ¥16,438 million and ¥15,673 million, respectively. Since those identifiable intangible assets primarily consist of trademarks and memberships acquired in businesses combinations basically without termination as long as the business continues, the Company determined them to have indefinite useful lives as of March 31, 2015.

(3) Impairment losses allocated to cash-generating units including goodwill

At impairment-test, goodwill and intangible assets with an indefinite life are allocated to respective cash-generating units. The carrying amounts of goodwill and intangible assets with an indefinite life allocated to respective cash-generating units are as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Goodwill			
Digital Entertainment	¥15,241	¥15,285	¥15,371
Health &Fitness	3,057	2,589	2,441
Gaming & Systems	125	125	125
Total	¥18,423	¥17,999	¥17,937
Intangible assets with an indefinite life			
Pachislot & Pachinko Machines	¥6,640	¥6,640	¥6,640
Health &Fitness	12,896	9,455	8,702
Gaming & Systems	353	343	331
Total	¥19,889	¥16,438	¥15,673

Intangible assets with an indefinite useful life mainly consist of trademarks attributable to the Health & Fitness segment and memberships attributable to the Pachislot & Pachinko Machines segment.

Impairment tests for major goodwill and intangible assets with an indefinite life are performed as follows:

(i) Health & Fitness segment

In Health & Fitness operations, items of goodwill and intangible assets are integrated into groups principally at the individual club operation level which is considered to be the smallest CGU that generates largely independent cash inflows. The recoverable amount of a CGU is calculated on the basis of its value in use based on the medium term management plans approved by management and reflects the present value of the future cash flows based on management's historical experiences and the external information available. In subsequent periods, the value in use is calculated using the growth rate that does not exceed the long-term anticipated growth rate of the market or the country the CGU belongs to, based on historical experiences and external information.

During the fiscal year ended March 31, 2014, as the initial growth projection would not be achieved in certain club operations, Konami Group concluded the total recoverable amount of property, plant and equipment, goodwill and intangible assets with indefinite useful lives based on value in use measured using the pre-tax discount rate of 8.4% was lower than the total carrying value. As a result, Konami Group recognized impairment losses in "other income and other expenses, net" in the accompanying consolidated statement of profit or loss. For the fiscal year ended March 31, 2014, the Health & Fitness segment recognized impairment losses of ¥468 million on goodwill and impairment losses of ¥3,441 million on intangible assets with indefinite useful lives. These impairment losses are allocated to the respective carrying amount of goodwill, intangible assets with indefinite useful lives and property, plant and equipment corresponding to each club where impairment was recognized.

The aggregate recoverable amount of the CGU on which impairment losses were recognized was ¥10,045 million, which agrees to its carrying amount as of March 31, 2014.

During the fiscal year ended March 31, 2015, as the initial growth projection would not be achieved in certain club operations, Konami Group concluded the total recoverable amount of property, plant and equipment, goodwill and intangible assets with indefinite useful lives based on value in use measured using the pre-tax discount rate of 8.2% was lower than the total carrying value. As a result, Konami Group recognized impairment losses in “other income and other expenses, net” in the accompanying consolidated statement of profit or loss. For the fiscal year ended March 31, 2015, the Health & Fitness segment recognized impairment losses of ¥148 million on goodwill and impairment losses of ¥752 million on intangible assets with indefinite useful lives. These impairment losses are allocated to the respective carrying amount of goodwill, intangible assets with indefinite useful lives and property, plant and equipment corresponding to each club where impairment was recognized.

The aggregate recoverable amount of the CGU on which impairment losses were recognized was ¥6,532 million, which agrees to its carrying amount as of March 31, 2015.

(ii) Digital Entertainment segment

In the Digital Entertainment segment, the recoverable amount is measured on the basis of its value in use based on the medium term management plans approved by management. In subsequent periods, the value in use is estimated in reference to the long-term anticipated growth rate of the market or the country the CGU belongs to. Konami Group concluded that it was unlikely to result in a significant impairment because the value in use calculated sufficiently exceeded the carrying amount.

(4) Impairment of internally generated intangible assets

Internally generated intangible assets are reviewed to determine whether there is any indication of impairment by each CGU at each reporting date. If there is any indication of impairment, Konami Group assesses the future cash flow. If the carrying amount of the internally generated intangible asset exceeds the present value of the future cash follow, Konami Group recognizes an impairment loss. It recognized impairment losses of ¥1,836 million and ¥3,425 million for the fiscal year ended March 31, 2014 and 2015, respectively.

(5) Research and development costs

Expenditure on research that does not meet the requirements for capitalization is recognized as an expense in the period in which the expenditure is incurred. For the fiscal year ended March 31, 2014 and 2015, research and development expenses recognized as incurred were ¥2,620 million and ¥2,764 million, respectively.

10. Leases

Lessee

(1) Finance leases

The Company leases, as lessee, certain buildings and structures and tools, furniture and fixtures under finance leases.

The carrying amounts (less cumulative amount of depreciation expenses and impairment losses) of assets leased under finance leases, which were included in property, plant and equipment in the accompanying consolidated statement of financial position, at the Date of Transition, March 31, 2014 and 2015 were as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Buildings and structures	¥12,570	¥11,392	¥10,308
Tools, furniture and fixtures	¥802	¥521	¥261

Future minimum lease payments under finance leases at the Date of Transition, March 31, 2014 and 2015 were as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Less than 1 year	¥3,176	¥3,071	¥2,893
More than 1 year and less than 5 years	11,108	10,361	9,625
More than 5 years	17,493	14,787	12,646
Less: future financial expenses	(7,023)	(5,654)	(4,720)
The present value of future minimum lease payments	¥24,754	¥22,565	¥20,444

The present value of future minimum lease payments under finance leases at the Date of Transition, March 31, 2014 and 2015 were as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Less than 1 year	¥2,166	¥2,078	¥1,996
More than 1 year and less than 5 years	7,842	7,634	7,277
More than 5 years	14,746	12,853	11,171
Total	¥24,754	¥22,565	¥20,444

Certain lease contracts include renewal or purchase options.

Contingent rents recognized as an expense were not material during the fiscal year ended march 31, 2014 and 2015.

(2) Operating leases

Konami Group occupies certain offices and lease equipment under operating lease arrangements.

Konami Group is obligated under noncancelable operating leases. Future minimum lease payments under noncancelable operating leases at the Date of Transition, March 31, 2014 and 2015 were as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Less than 1 year	¥9,857	¥10,006	¥9,970
More than 1 year and less than 5 years	37,154	33,349	28,871
More than 5 years	38,240	34,869	30,585
Total	¥85,251	¥78,224	¥69,426

Certain lease contracts include renewal or purchase options.

Lease payments under operating leases recognized as an expense for the years ended March 31, 2014 and 2015 totaled ¥18,074 million and ¥17,788 million, respectively.

Contingent rents recognized as expenses were not material during the fiscal year ended March 31, 2014 and 2015.

11. Investments Accounted for Using the Equity Method

At the Date of Transition, March 31, 2014 and 2015, Konami Group held investments accounted for using the equity method as follows:

Name	Location	Description of business	Relationship	Acquisition Date	Ownership %
Resort Solution Co., Ltd.	Japan	Management of resort facilities	Investment at Health &Fitness segment	March 2006	20.4%

At the Date of Transition, March 31, 2014 and 2015, the carrying amount and fair value of investments accounted for using the equity method with quoted prices published in active markets, are as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Carrying amount	¥2,247	¥2,249	¥2,370
Fair value	¥2,549	¥2,662	¥2,844

Summarized financial information is omitted since it is not material to the consolidated financial statements.

12. Other Investments

The breakdown of other investments is as follows:

			Millions of Yen
	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Equity securities	¥1,146	¥1,175	¥1,219
Others	118	107	104
Total	¥1,264	¥1,282	¥1,323

13. Other Financial Assets

The breakdown of other financial assets is as follows:

			Millions of Yen
	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Loans receivables	¥633	¥530	¥480
Lease deposits	23,443	23,562	23,343
Others	922	805	1,011
Less: allowance for doubtful accounts	(203)	(217)	(223)
Total	¥24,795	¥24,680	¥24,611
Current	533	449	354
Non-current	¥24,262	¥24,231	¥24,257

Other financial assets (current) are included in "other current assets" in the accompanying consolidated statements of financial position.

14. Bonds and Borrowings

At the Date of Transition, March 31, 2014 and 2015, the breakdown of short-term borrowings is as follows:

			Millions of Yen
	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Unsecured short-term borrowings from banks	¥4,681	¥6,458	¥6,009
Total	¥4,681	¥6,458	¥6,009

Weighted-average interest rates on short-term borrowings were 0.61%, 0.51% and 0.63% at the Date of Transition, March 31, 2014 and 2015, respectively. The above-mentioned unsecured short-term borrowings from banks included $20,000 thousand (¥1,881 million), $20,000 thousand (¥2,058 million) and $50,000 thousand (¥6,009 million) of loans denominated in foreign currencies at the Date of Transition, March 31, 2014 and 2015, respectively.

At the Date of Transition, March 31, 2014 and 2015, the breakdown of bonds is as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Unsecured 1.73% per annum bonds due in September 2013	¥4,998	-	-
Unsecured 0.46% per annum bonds due in September 2017	-	¥4,977	¥4,984
Unsecured 0.53% per annum bonds due in September 2018	-	4,974	4,980
Unsecured 0.66% per annum bonds due in September 2019	-	4,974	4,979
Total long-term debt	4,998	14,925	14,943
Less: current portion	¥(4,998)	-	-
Long-term debt, non-current portion	-	¥14,925	¥14,943

The Company issued unsecured bonds of ¥15,000 million in total on September 3, 2013. At the Date of Transition, March 31, 2014 and 2015, Konami Group did not have any assets that were pledged as collateral for any of the debt obligations.

15. Trade and Other Payables

The breakdown of trade and other payables are as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Notes payables	¥1,010	¥778	¥1,559
Accounts payables	13,057	9,635	9,407
Accrued expenses	16,903	14,871	13,344
Other payables	1,613	1,416	3,407
Total	¥32,583	¥26,700	¥27,717

16. Provisions

The changes in provisions for the years ended March 31, 2015 were as follows:

Millions of Yen

	Asset retirement obligations	Others	Total
Balance as of March 31, 2014	¥3,442	¥553	¥3,995
Additional provisions	78	881	959
Amounts utilized	(17)	(642)	(659)
Unused amounts reversed	-	(28)	(28)
Discounted interest costs	88	-	88
Effect of foreign currency	(1)	12	11
Balance as of March 31, 2015	3,590	776	4,366
Current liabilities	-	756	756
Non-current liabilities	¥3,590	¥20	¥3,610

Konami Group recognizes asset retirement obligations arising from the contractual requirements to perform certain asset retirement activities in case it disposes certain lease assets primarily relating to the office and the Health & Fitness facilities. The liability is measured using the best estimate of expenditures for the future asset retirements. The corresponding asset retirement costs are capitalized as part of the carrying amount of related non-current assets and depreciated over the assets' estimated useful life. While these costs are expected to be paid after one year has passed, they may be changed in the future due to changes in future management plans.

Other provisions include a reserve for sales returns.

Those provisions are included in "other current liabilities" and "other non-current liabilities" in the accompanying consolidated statements of financial position.

17. Other Financial Liabilities

The breakdown of trade and other payables are as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Capital lease and financing obligations	¥24,754	¥22,565	¥20,444
Others	2,448	2,431	2,359
Total	¥27,202	¥24,996	¥22,803
Current liabilities	¥4,614	¥4,509	¥4,355
Non-current liabilities	¥22,588	¥20,487	¥18,448

18. Deferred Taxes and Income Tax Expense

Main components of deferred tax assets and liabilities are as follows:

Millions of Yen

	Date of Transition April 1, 2013	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2014
Deferred tax assets:				
Accrued expenses	¥3,952	¥(409)	-	¥3,543
Inventories	1,875	937	-	2,812
Net operating loss carryforwards	5,248	74	-	5,322
Property, plant and equipment basis differences	4,673	(59)	-	4,614
Asset retirement obligations	741	104	-	845
Intangible assets	13,324	(1,853)	-	11,471
Deferred revenue	402	742	-	1,144
Investments in associates	1,335	(1)	-	1,334
Others	4,188	(1,164)	¥(8)	3,016
Total	¥35,738	¥(1,629)	¥(8)	¥34,101
Deferred tax liabilities:				
Intangible assets	¥(7,905)	¥1,371	-	¥(6,534)
Investments in subsidiaries	(1,139)	(30)	-	(1,169)
Others	(1,518)	494	¥28	(996)
Total	¥(10,562)	¥1,835	¥28	¥(8,699)
Deferred tax assets, net	¥25,176	¥206	¥20	¥25,402

Note) The difference between the total amount of "recognized through profit or loss" in the above and the total amount of deferred tax expenses is due to foreign exchange fluctuations.

Millions of Yen

	As of March 31, 2014	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2015
Deferred tax assets:				
Accrued expenses	¥3,543	¥(474)	-	¥3,069
Inventories	2,812	(2,260)	-	552
Net operating loss carryforwards	5,322	(223)	-	5,099
Property, plant and equipment basis differences	4,614	233	-	4,847
Asset retirement obligations	845	(26)	-	819
Intangible assets	11,471	(1,743)	-	9,728
Deferred revenue	1,144	638	-	1,782
Investments in associates	1,334	(162)	-	1,172
Others	3,016	298	¥12	3,326
Total	¥34,101	¥(3,719)	¥12	¥30,394
Deferred tax liabilities:				
Intangible assets	¥(6,534)	¥486	-	¥(6,048)
Investments in subsidiaries	(1,169)	94	-	(1,075)
Others	(996)	10	¥26	(960)
Total	¥(8,699)	¥590	¥26	¥(8,083)
Deferred tax assets, net	¥25,402	¥(3,129)	¥38	¥22,311

Note) The difference between the total amount of "recognized through profit or loss" in the above and the total amount of deferred tax expenses is due to foreign exchange fluctuations.

Deferred tax assets and deferred tax liabilities included in the accompanying consolidated financial statements are as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Deferred tax assets	¥26,390	¥26,310	¥23,019
Deferred tax liabilities	¥1,214	¥908	¥708

In recognition of deferred tax assets, Konami Group considers whether it is probable that future taxable profit will be available against which a portion or all of the deductible temporary differences or the carryforward of unused tax losses can be utilized. Konami Group considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in the reassessment of recoverability of deferred tax assets. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets can be recognized, Konami Group determines it is probable that deferred tax assets recognized relating to tax benefits will be realized. However, the amount of deferred tax assets recognized will be decreased if future taxable income decreases during the periods in which those tax benefits can be utilized.

At the Date of Transition, March 31, 2014 and 2015, the amount of deferred tax assets attributable to tax entities which had recognized operating losses in these or previous fiscal years were ¥4,536 million, ¥5,413 million and ¥3,261 million, respectively. Konami Group recognized these deferred tax assets after considering their recoverability including whether it is probable that future taxable profit will be available based on the nature of the tax entity's businesses or expiry date of unused tax losses carryforwards in the country where the entity is located.

The amounts of deductible temporary differences and unused tax losses for which deferred tax assets have not been recognized are as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Deductible temporary differences	¥2,914	¥2,277	¥1,774
Unused tax losses carryforwards	31,698	25,634	30,751
Total	¥34,612	¥27,911	¥32,525

The expiry dates of unused tax losses for which deferred tax assets have not been recognized are as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
First year	¥4,791	¥117	-
Second year	-	-	¥4,661
Third year	-	4,661	6,326
Fourth year	4,825	6,326	4,211
Fifth year and thereafter	22,082	14,530	15,553
Total	¥31,698	¥25,634	¥30,751

Konami Group recognized assets or liabilities for the effect of uncertainty in income taxes based on a reasonable estimate. The amounts of unrecognized tax benefits at the Date of Transition, March 31, 2014 and 2015, which would affect the effective tax rate, are not material. The Company is not able to predict whether the total amount of unrecognized tax benefits will significantly increase or decrease during the next twelve months.

The breakdown of current and deferred tax expenses are as follows:

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Income taxes:		
Current tax expense		
Current tax on profits for the year	¥4,687	¥3,336
Total current tax expense	¥4,687	¥3,336
Deferred tax expense		
Origination and reversal of temporary difference	(447)	2,930
Changes in tax rates	935	110
Reassessment of recoverability of deferred tax assets	(348)	615
Total deferred tax expense	140	3,655
Total income tax expense	¥4,827	¥6,991

Current tax expense includes tax losses used to reduce tax expense for which tax effects were not recognized previously, or benefits arising from temporary differences in past years. The resulting decreases in current tax expense were ¥323 million and ¥9 million in the fiscal year ended March 31, 2014 and 2015, respectively.

The Company and its domestic subsidiaries were subject to various taxes to their income, and its foreign subsidiaries are subject to income taxes of the countries in which they operate.

Due to the amendments to the Japanese corporate tax law that were enacted on November 30, 2011, the corporate tax rate was changed. As a result, the aggregate statutory income tax rate was reduced to 38.0% for fiscal years from April 1, 2012 to March 31, 2015, and to 35.6% for fiscal years from April 1, 2015 and thereafter.

In addition, due to the amendments to the Japanese corporate tax law that were enacted on March 20, 2014, the Special Reconstruction Corporation Tax, which has been imposed for fiscal years beginning on or after April 1 2012, was abolished a year ahead of the original schedule. As a result, the statutory income tax rate was reduced to 35.6% from 38.0% for fiscal years beginning on or after April 1, 2014.

Furthermore, due to the amendments to the Japanese corporate tax law that were enacted on March 31, 2015, the corporate tax rate and the local tax rate were reduced. As certain domestic subsidiaries also became excluded from application of the dual corporate tax system, their corporate enterprise tax rates were changed. As a result, the aggregate statutory income tax rate was reduced to33.1% for fiscal years from April 1, 2015 to March 31, 2016, and to 32.3% for fiscal years from April 1, 2016 and thereafter.

The Company and its domestic subsidiaries recognized deferred tax assets and liabilities based on the enacted tax rates that will be applied when temporary differences and loss and credit carryforwards are expected to reverse.

Reconciliations between the statutory income tax rates and the effective tax rates are as follows:

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Statutory income tax rate	38.0%	35.6%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	2.7	0.7
Non-taxable income	(0.1)	(0.1)
Changes of unrecognized deferred tax assets in previous years	(3.7)	3.6
Adjustment of estimated income tax accruals	(2.4)	(0.2)
Tax credit, principally research	(5.0)	(3.2)
Effect of tax law changes	10.0	1.4
Impairment losses on goodwill, nondeductible	1.9	0.3
The difference between the current statutory tax rate and the future statutory rate	2.6	-
Non-deductible local taxes	5.1	1.6
Other, net	2.4	1.5
Effective income tax rate	51.5%	41.2%

19. Employee Benefits

(1) Multi-employer pension plan

The Company and certain domestic subsidiaries participate in the Kanto IT Software Pension Fund (the Fund), a multi-employer pension plan. The Fund was established pursuant to a Japanese law, by multi-employers which are mainly Software and IT industry companies, and is a welfare pension fund for a multi-employer contributory plan. The Fund's benefits are retirement plans, lump-sum severance payments and lump-sum benefits for bereaved family. If the multi-employer pension plan is dissolved or a company withdraws from the multi-employer pension plan, the Company and certain domestic subsidiaries might be requested to make additional contributions for the amount unfunded at the time of dissolution or withdrawal.

The risks of participating in a multi-employer plan are different from a single-employer plan in the following aspects; assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; and if a participating employer stops contributing to the plan, any unfunded obligations of the plan may be borne by the remaining participating employers.

As of March 31, 2013 and 2014, our participation in the Fund is outlined in the table below. The Fund financial information for the fiscal year ended March 31, 2015 is not currently available.

Millions of Yen except percentage

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Total plan asset	222,957	252,294
Total actuarial present value of accumulated benefit obligations	206,135	227,331
Overfunded / Underfunded	16,822	24,963
percentage	108.2%	111.0%

Since plan assets and benefits to employees of a participating employer are affected by the status of the funds contributed by other participating employers, assets of this multi-employer pension plan that correspond to the contribution of each participating employer cannot be reasonably calculated. The Company therefore accounts for its contributions to this Fund as an employment benefit expense in the same manner as a defined contribution plan due to the lack of sufficient evidence to account for it as a defined benefit plan.

The employers make matching contributions to the Fund up to a certain percentage of each employee's standard pay. The contributions consist of standard contributions prepared for retirement plans or lump-sum payments, special contributions prepared for amortization of unamortized prior service cost and administrative fee contributions for managing the Fund. The employers assume an obligation for contributions to the Fund.

Under the relevant laws and the terms of the Fund, the Fund re-evaluates the amount of contributions at least every five years in order to ensure that the Fund will maintain its financial equilibrium now and in the future. The Fund verifies that the plan assets are reserved as planned and agreed with the benefit obligation for prior years of service on an annual basis. If the verification reveals a shortage in the reserve, the Fund shall resolve the shortage through the implementation of additional special contributions.

The Company and its domestic subsidiaries' contributions to the plan amounted to ¥805 million and ¥836 million for the years ended March 31, 2014 and 2015, respectively. The contributions the Company and its domestic subsidiaries made to the Fund represent more than 5% of the total Fund. The expenses were reported as "cost of revenue" and "selling, general and administrative expenses" in the accompanying consolidated statement of profit or loss.

The Company and its domestic subsidiaries' contributions to the plan are expected to amount to ¥832 million for the year ending March 31, 2016.

(2) Defined contribution plans

The Company and its domestic subsidiaries have adopted defined contribution plans.

Certain domestic subsidiaries adopted the defined contribution plans for the fiscal year ended March 31, 2012 and the Company and other domestic subsidiaries adopted the defined contribution plans for the fiscal year ended March 31, 2014. Certain domestic subsidiaries terminated the defined benefit plans and made a transition to the defined contribution plans. Benefit obligations to be contributed to the defined contribution plans were determined to be ¥1,759 million, which will be settled over 8 years. At the Date of Transition, March 31, 2014 and 2015, benefit obligations were included in "other current liabilities" and "other non-current liabilities" in the accompanying consolidated statements of financial position as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Other current liabilities	¥85	¥81	¥77
Other non-current liabilities	435	339	245
Total	¥520	¥420	¥322

The Company and certain domestic subsidiaries' contributions to the defined contribution plans amounted to ¥472 million and ¥520 million for the years ended March 31, 2014 and 2015, respectively. The expenses were reported as "cost of revenue" and "selling, general and administrative expenses" in the accompanying consolidated statement of profit or loss.

(3) Accrued pension and severance costs

The Company has accrued a liability for retirement benefits for directors and corporate auditors to the amount of ¥1,096 million, ¥1,085 million and ¥1,056 million at the Date of Transition, March 31, 2014 and 2015, respectively, which are included in "other non-current liabilities" in the accompanying consolidated statements of financial position.

20. Shareholders' Equity

(1) Share capital

The total number of ordinary shares authorized to be issued and issued shares at the Date of Transition, March 31, 2014 and 2015 were as follows:

Number of shares

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Ordinary shares authorized to be issued:		
Ordinary share, no-par-value	450,000,000	450,000,000
Issued shares:		
Balance at beginning of year	143,500,000	143,500,000
Change during the year	-	-
Balance at end of year	143,500,000	143,500,000

Note) Shares issued by the Company are ordinary shares without par value.

(2) Treasury shares

The following table summarizes treasury shares activities for the fiscal year ended March 31, 2014 and 2015:

	Number of shares	Millions of Yen
Balance as of April 1, 2013	4,881,940	¥11,250
Acquisition through purchase of odd-lot shares	6,036	15
Sell upon request for purchase of odd-lot shares	(297)	(1)
Balance as of March 31, 2014	4,887,679	11,264
Acquisition through purchase of odd-lot shares	3,585	8
Sell upon request for purchase of odd-lot shares	(313)	(1)
Balance as of March 31, 2015	4,890,951	¥11,271

(3) Share premium and retained earnings

(i) Share premium

The Companies Act of Japan (the "Companies Act") requires in principle that the amount of payment for shares and assets delivered shall be the amount of share capital. However, the Companies Act permits, as an exception, that an amount not exceeding 50% of such payments and assets to be incorporated into share premium.

(ii) Retained earnings

The Companies Act requires that an amount equal to 10% of dividends to be paid from retained earnings shall be appropriated and set aside as legal reserve until the total of share premium and legal reserve amounts to 25% of the share capital amount.

The Companies Act provides that a company may transfer amounts between share capital, reserves and surpluses, subject to certain conditions, such as a resolution at the shareholders' meeting.

At the Date of Transition, March 31, 2014 and 2015, retained earnings available for dividends recorded on the Company's books of account were ¥108,319 million, ¥114,654 million and ¥122,372 million, respectively.

21. Dividends

(1) Dividends paid

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 9, 2013	Ordinary shares	3,465	25.00	March 31, 2013	June 6, 2013
Board of Directors' meeting held on November 7, 2013	Ordinary shares	2,357	17.00	September 30, 2013	November 28, 2013
Board of Directors' meeting held on May 28, 2014	Ordinary shares	2,356	17.00	March 31, 2014	June 13, 2014
Board of Directors' meeting held on November 6, 2014	Ordinary shares	1,179	8.50	September 30, 2014	November 28, 2014

(2) Dividends whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividend	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 8, 2015	Ordinary shares	Retained earnings	1,733	12.50	March 31, 2015	June 5, 2015

22. Financial Instruments

(1) Categories of financial instruments

(i) Financial assets

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Cash and cash equivalents	¥63,669	¥50,024	¥64,654
Loans and receivables			
Trade and other receivables	33,571	29,637	30,869
Other financial assets	24,795	24,680	24,611
Available-for-sale investments			
Other investments	1,264	1,282	1,323
Total	¥123,299	¥105,623	¥121,457

(ii) Financial liabilities

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Financial liabilities at amortized cost			
Bonds and borrowings	¥9,679	¥21,383	¥20,952
Other financial liabilities	27,202	24,996	22,803
Trade and other payables	32,583	26,700	27,717
Total	¥69,464	¥73,079	¥71,472

(2) Capital management

Konami Group's basic policy of capital management is to establish and maintain financial strength in order to sustain growth and maximize corporate value and shareholder return. Capital earned by carrying out this policy is used for investments in businesses and returned to shareholders through dividends.

The key metrics Konami Group uses for its capital management are as follows:

Millions of Yen except percentage

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Cash and cash equivalents	¥63,669	¥50,024	¥64,654
Interest-bearing borrowings	34,433	43,948	41,396
Capital	207,797	208,180	217,789
Net debt-to-equity ratio (%)	69.0%	69.3%	69.9%

Interest-bearing borrowings: Total of long-term debt, short-term borrowings and capital lease and financing obligations.
Capital: Total equity attributable to owners of the parent.
Capital ratio: Capital / Total liabilities and equity

Konami Group is not subject to any externally imposed capital requirement, excluding general regulations including the Companies Act.

(3) Financial risk management

Konami Group conducts its business on a global scale, and is therefore exposed to credit risk, liquidity risk, foreign currency risk and interest rate risk. In order to avoid and reduce these financial risks, Konami Group conducts risk management according to certain policies.

(4) Credit risk management

Financial assets included in trade and other receivables are exposed to the credit risks of customers.

With respect to these risks, the due dates and outstanding balances are managed for each business partner. Past due receivables are periodically reported and individually monitored according to internal rules corresponding to internal ratings and the amount of credit. Konami Group intends to mitigate credit risks by conducting regular monitoring of the companies with which it does business for early detection of any worsening of their financial health. It also requires collateral or a guarantee depending on the credit profile of the counterparty.

Konami Group basically decides to enter into its derivative transactions only with high rated financial institutions pursuant to the Company's risk management policies to hedge specific risks

The maximum exposure to credit risks of financial assets is the carrying value of financial assets after impairment presented in the consolidated financial statement of financial position.

When Konami Group initiates ongoing transactions where receivables will be generated on an ongoing basis, the finance department manages its risk exposure by setting credit limits and credit periods, as needed. It determines an amount of allowance for doubtful receivables based upon factors surrounding the collection history and length of the period past due. Konami Group also collectively evaluates some receivables and determines an amount of allowance for doubtful receivables based on past actual rates of credit losses, probability of future default and other information.

Allowance for doubtful receivables mainly consists of provisions for the recoverability of trade receivables to customers. The changes in allowance for doubtful receivables for the fiscal years ended March 31, 2014 and 2015 are as follows:

		Millions of Yen
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Balance at beginning of year	¥886	¥686
Provision for credit losses	116	103
Utilization of allowance	(245)	(189)
Reversal	(136)	(191)
Effect of foreign currency	65	41
Balance at end of year	¥686	¥450

The following is an analysis of the age of receivables that are past due but not impaired individually at the Date of Transition, March 31, 2014 and 2015.

			Millions of Yen
	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Within 30 days	¥2,583	¥1,612	¥757
Over 30 days through 180 days	347	327	464
Over 180 days through 1 year	37	44	96
Over 1 year	231	-	36
Total	¥3,198	¥1,983	¥1,353

At the Date of Transition, March 31, 2014 and 2015, the balances of trade and other receivables impaired individually were ¥684 million, ¥668 million and ¥283 million, respectively, and the corresponding allowance for doubtful receivables amounted to ¥618 million, ¥419 million and ¥214 million, respectively.

(5) Liquidity risk management

Since Konami Group's sources of funds for operating transactions and capital expenditures include borrowings from banks and issuance of bonds, it is exposed to liquidity risks of failure to make payments on due dates due to deterioration in the financing environment.

In order to control liquidity risks, Konami Group has entered into commitment line contracts with main banks, and prepares and updates monthly cash planning.

The breakdown of financial liabilities (except for guarantee obligations) by due date at the Date of Transition, March 31, 2014 and 2015 was as follows:

Millions of Yen

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year but within 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years	Over 5 years
Balance at the Date of transaction								
Bonds	¥4,998	¥5,043	¥5,043	-	-	-	-	-
Borrowings	4,681	4,685	4,685	-	-	-	-	-
Capital lease and financing obligations	24,754	31,777	3,176	¥3,073	¥2,892	¥2,675	¥2,468	¥17,493
Trade and other payables	32,583	32,583	32,583	-	-	-	-	-
Other financial liabilities	2,448	2,448	2,448	-	-	-	-	-
Total	¥69,464	¥76,536	¥47,935	¥3,073	¥2,892	¥2,675	¥2,468	¥17,493

Millions of Yen

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year but within 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years	Over 5 years
Balance at March 31, 2014								
Bonds	¥14,925	¥15,383	¥83	¥83	¥83	¥5,071	¥5,046	¥5,017
Borrowings	6,458	6,461	6,461	-	-	-	-	-
Capital lease and financing obligations	22,565	28,219	3,071	2,890	2,671	2,464	2,336	14,787
Trade and other payables	26,700	26,700	26,700	-	-	-	-	-
Other financial liabilities	2,431	2,431	2,431	-	-	-	-	-
Total	¥73,079	¥79,194	¥38,746	¥2,973	¥2,754	¥7,535	¥7,382	¥19,804

Millions of Yen

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year but within 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years	Over 5 years
Balance at March 31, 2015								
Bonds	¥14,943	¥15,300	¥83	¥83	¥5,071	¥5,046	¥5,017	-
Borrowings	6,009	6,009	6,009	-	-	-	-	-
Capital lease and financing obligations	20,444	25,164	2,893	2,673	2,467	2,338	2,147	12,646
Trade and other payables	27,717	27,717	27,717	-	-	-	-	-
Other financial liabilities	2,359	2,359	2,359	-	-	-	-	-
Total	¥71,472	¥76,549	¥39,061	¥2,756	¥7,538	¥7,384	¥7,164	¥12,646

While Konami Group has committed lines of credit with main banks available for immediate borrowings amounting to ¥25,000 million, it did not have any balance for the agreements as of the Date of Transition, March 31, 2014 and 2015

(6) Market risk management

(i) Foreign currency risk

(a) Foreign currency risk management

Konami Group conducts its business on a global scale, and is exposed to foreign currency risk mainly due to trade receivables and payables denominated in currencies other than the Japanese yen. For the purpose of migrating risks of foreign currency fluctuations by trade receivables and payables denominated in foreign currencies, Konami Group in principle hedges risk by using foreign currency forward contracts and other instruments. Konami Group manages derivative transactions according to transaction authorization limits contained in internal finance policies.

The balance of financial assets and liabilities denominated in foreign currencies, including inter-group-company transactions, at the Date of Transition, March 31, 2014 and 2015 was as follows:

Millions of Yen

	Date of Transition April 1, 2013	As of March 31, 2014	As of March 31, 2015
Financial assets denominated in foreign currencies	¥26,564	¥28,565	¥26,371
Financial liabilities denominated in foreign currencies	¥6,058	¥5,952	¥8,126

(b) Foreign currency sensitivity analysis

Below is an analysis of the impact a 1% increase in the yen against the United States dollar and the Euro would have on Konami Group's income before income taxes for the year ended March 31, 2014 and 2015. These calculations assume no changes in the value of other foreign currencies not included herein.

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
United States dollar	¥152	¥150
Euro	44	9

(ii) Interest rate risk

(a) Interest rate risk management

Konami Group's interest-bearing borrowings are mainly bonds, borrowings and capital lease and financing obligations with fixed interest rates, but it holds cash and cash equivalents that exceed the outstanding balance of its interest-bearing borrowings. Accordingly, its current level of interest rate risk is not material, and Konami Group has not performed any interest rate sensitivity analysis.

There were no interest-bearing borrowings with variable rates at the Date of Transition, March 31, 2014 and 2015.

(7) Fair value of financial instruments

(i) Measuring fair value of financial instruments

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

(a) Other financial assets

The carrying amount of other financial assets with short term maturities approximates its fair value. The fair value of other financial assets that do not have short-term maturities are calculated as the total principal and interest discounted at interest rates reflecting the credit risks estimated by Konami Group.

(b) Other investments

The fair values of other investments are measured based on quoted market prices in equity markets or, when the market is not active, quoted prices of identical or similar assets.

(c) Bonds, borrowings and other financial liabilities

The carrying amount of financial liabilities with short term maturities approximates its fair value. The fair values of bonds, borrowings and other financial liabilities that do not have short-term maturities are calculated as 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.

(ii) Fair value hierarchy

Fair values are categorized within the fair value hierarchy described 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.

(iii) Fair value of financial instruments

The table is a breakdown of financial instruments that are stated in carrying amount and measured at fair value at the Date of Transition, March 31, 2014 and 2015.

Millions of Yen

	Date of Transition April 1, 2013		As of March 31, 2014		As of March 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Other financial assets	¥24,795	¥24,971	¥24,680	¥25,250	¥24,611	¥25,477
Other investments	440	440	518	518	606	606
Financial liabilities:						
Bonds and borrowings	¥9,679	¥9,695	¥21,383	¥21,083	¥20,952	¥20,752
Other financial liabilities	27,202	26,974	24,996	27,011	22,803	23,730

Other financial assets, bonds and borrowings and other financial liabilities are categorized in Level 2.

Other investments are categorized in Level 1.

Financial assets where it is difficult to determine fair values are excluded from the table. At the Date of Transition, March 31, 2014 and 2015, the carrying amounts of these financial assets are ¥824 million, ¥764 million and ¥717 million, respectively. The assets do not expect to be sold.

(iv) Fair values measured and disclosed on the consolidated statements of financial position

The following is a breakdown of financial assets that are measured at fair value on a recurring basis at the Date of Transition, March 31, 2014 and 2015.

Millions of Yen

Balance at the Date of Transition	Level 1	Level 2	Level 3	Total
Financial assets:				
Other investments	¥440	-	-	¥440
Total	¥440	-	-	¥440

Millions of Yen

Balance at March 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets:				
Other investments	¥518	-	-	¥518
Total	¥518	-	-	¥518

Balance at March 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Other investments	¥606	-	-	¥606
Total	¥606	-	-	¥606

Millions of Yen

Fair values of other investments are measured based on quoted market prices for equity markets or quoted prices of identical or similar assets for markets that are not active.

Other investments included in financial assets where it is difficult to determine fair values are excluded from the table as above.

23. Cost of Revenue and Selling, General and Administrative Expenses

Details of cost of revenue, selling and general and administrative expenses are as follows:

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Employee benefit expenses	¥60,597	¥59,140
Depreciation and amortization expenses	¥21,225	¥20,631
Rental expenses	¥18,074	¥18,977
Royalties	¥17,674	¥12,371

24. Other Income and Other Expenses

The breakdown of other income and other expenses is as follows:

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Other income	-	-
Total	-	-
Other expenses		
Impairment losses	¥7,015	¥5,361
Loss on sale of property, plant and equipment, net	757	581
Total	¥7,772	¥5,942

Impairment losses are further discussed in Note 8 “Property, Plant and Equipment, net” and Note 9 “Goodwill and Intangible Assets”.

25. Finance Income and Finance Cost

The breakdowns of finance income and finance costs are as follows:

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Finance income		
Dividend income		
Available-for-sale financial assets	¥24	¥45
Interest income		
Loans and receivables	205	217
Foreign exchange gains	2,560	2,295
Others	4	39
Total	¥2,793	¥2,596
Finance costs		
Interest expenses		
Financial liabilities measured at amortized cost	¥1,187	¥1,029
Others	74	66
Total	¥1,261	¥1,095

26. Other Components of Equity and Other Comprehensive Income

(1) Other components of equity

Changes in other components of equity consisted of the following:

Millions of Yen

	Exchange differences on translation of foreign operations	Available-for-sale financial assets	Total
Balance as of April 1, 2013	-	¥25	¥25
Net change during the year	¥1,704	50	1,754
Transfer to retained earnings	-	-	-
Balance as of March 31, 2014	¥1,704	¥75	¥1,779
Net change during the year	3,169	64	3,233
Transfer to retained earnings	-	-	-
Balance as of March 31, 2015	¥4,873	¥139	¥5,012

(2) Other Comprehensive Income

Each component of other comprehensive income and tax effects allocated to it are as follows:

Millions of Yen

	Fiscal year ended March 31, 2014			Fiscal year ended March 31, 2015		
	Pretax amount	Tax (expense) or benefit	Net of tax amount	Pretax amount	Tax (expense) or benefit	Net of tax amount
Exchange differences on translation of foreign operations						
Net unrealized gains (losses) during the year	¥1,696	¥8	¥1,704	¥3,181	¥(12)	¥3,169
Reclassification adjustments to profit for the year	-	-	-	-	-	-
Net change during the year	1,696	8	1,704	3,181	(12)	3,169
Available-for-sale financial assets						
Net unrealized gains (losses) during the year	78	(28)	50	90	(26)	64
Reclassification adjustments to profit for the year	-	-	-	-	-	-
Net change during the year	78	(28)	50	90	(26)	64
Total other comprehensive income	¥1,774	¥(20)	¥1,754	¥3,271	¥(38)	¥3,233

27. Earnings per Share

The breakdown of the basic net income attributable to owners of the parent per share is as follows:

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net income attributable to owners of the parent	4,465 million yen	9,918 million yen
Basic weighted average ordinary shares outstanding	138,614,929 shares	138,610,956 shares
Basic earnings per share for the year	32.21 yen	71.55 yen

Diluted earnings per share data is omitted because there were no potentially dilutive shares outstanding for each reporting year.

28. Non-cash Transactions

The components of the principal non-cash transactions are as follows:

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Increase in property, plant and equipment accompanying recognition of asset retirement obligations	¥196	¥78

29. Related Party Disclosures

For the fiscal year ended March 31, 2014 and 2015, the amounts of directors' remuneration were ¥465 million and ¥382 million, respectively. There was not any payment of remuneration other than basic remuneration to directors.

30. Major Subsidiaries

Major subsidiaries and associates of Konami Group are as follows:

Subsidiaries

Name	Location	Principal business	Ownership interest Voting rights (%)
Konami Digital Entertainment Co., Ltd.	Tokyo, JAPAN	Digital Entertainment Business	100
Konami Sports & Life Co., Ltd.	Tokyo, JAPAN	Health & Fitness Business	100
KPE, Inc.	Tokyo, JAPAN	Pachislot & Pachinko Machines Business	100
TAKASAGO ELECTRIC INDUSTRY CO., LTD.	Aichi, JAPAN	Pachislot & Pachinko Machines Business	100
Konami Real Estate, Inc.	Tokyo, JAPAN	Real estate agency of Konami Group	100
Internet Revolution, Inc.	Tokyo, JAPAN	Digital Entertainment Business	70
Konami Corporation of America	California, U.S.A	U.S.-based holding company	100
Konami Digital Entertainment, Inc.	California, U.S.A	Digital Entertainment Business	100
Konami Gaming, Inc.	Nevada, U.S.A	Gaming & Systems Business	100
Konami Digital Entertainment B.V.	Berkshire, U.K.	Digital Entertainment Business	100
Konami Digital Entertainment Limited	Hong Kong, PRC	Digital Entertainment Business	100
Konami Australia Pty Ltd	New South Wales, Australia	Gaming & Systems Business	100

Nine other subsidiaries

Associates

Name	Location	Principal business	Ownership interest Voting rights (%)
Resort Solution Co., Ltd.	Tokyo, JAPAN	Health & Fitness Business	20

31. Commitments

Commitment for purchases of property, plant and equipment

Konami Group has placed firm orders for purchases of property, plant and equipment and other assets amounting to approximately ¥16,833 million, ¥185 million and ¥911 million as of the Date of Transition, March 31, 2014 and 2015, respectively.

32. Contingencies

Konami Group is subject to pending claims and litigation. After review and consultation with counsel, management considered that any liability that may result from the disposition of such lawsuits would not be material.

33. Subsequent Events

There have been no events after March 31, 2015 that would require adjustments to the consolidated financial statements or disclosures in the notes to the consolidated financial statements.

34. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by Representative Director, President, Takuya Kozuki, on June 24, 2015.

35. First-Time Adoption of IFRS

These consolidated financial statements are the first consolidated financial statements that Konami Group has prepared in accordance with IFRS.

The accounting policies stated in Note 3 "Significant Accounting Policies" have been applied in the preparation of the consolidated financial statements for the years ended 31 March 2014 and 2015, and the consolidated statement of financial position as at the Date of Transition (April 1, 2013).

IFRS 1 Exemptions

Under IFRS, in principle an entity adopting IFRS for the first time ("first-time adopter") must apply the standards required under IFRS retrospectively. However, IFRS 1 permits optional exemptions to certain requirements under IFRS. Konami Group applies IFRS 1 in preparing its consolidated financial statements. The impacts of applying these requirements are adjusted in retained earnings and other components of equity as at the Date of Transition.

The principal optional exemptions Konami Group has applied are as follows:

- Business Combinations:

Under IFRS 1, an entity may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. Konami Group has elected not to apply IFRS 3 retrospectively to business combinations that occurred before the Date of Transition. As a result, goodwill arising from business combinations prior to the Date of Transition is recognized at its carrying amount under U.S.GAAP. Such goodwill was tested for impairment at the transition date, irrespective of whether or not there was any indication that the goodwill may be impaired.

- Deemed cost:

Under IFRS 1, an entity is permitted to use the fair value of an item of property, plant and equipment at the date of transition to IFRS as the deemed cost as of that date. For certain property, plant and equipment, Konami Group uses its fair value as of the Date of Transition as its deemed cost as of the Date of Transition.

- Translation difference of foreign operations:

Under IFRS 1, an entity is permitted to elect to deem the cumulative translation difference of foreign operations at the transition date to be zero. Konami Group has elected to deem the cumulative translation difference of foreign operations at the Date of Transition to be zero.

- Designation of previously recognized financial instruments:

Under IFRS 1, an entity is permitted to designate previously recognized financial instruments according to IAS 39 on the basis of facts and circumstances that exist at the date of transition to IFRS. Konami Group has designated financial instruments in accordance with IAS 39 on the basis of facts and circumstances that existed at the Date of Transition.

Mandatory exception to retrospective application of IFRS 1

IFRS 1 prohibits the retrospective application of IFRS to “estimates”, “derecognition of financial assets and financial liabilities”, “non-controlling interests” and “classification and measurement of financial assets”. Konami Group applies IFRS to these items prospectively from the Date of Transition.

Reconciliation from U.S.GAAP to IFRS

Upon preparing the consolidated statement of financial position at the Date of Transition, the Company has made adjustments to the amounts in the consolidated financial statements prepared in accordance with U.S.GAAP.

The impact of the transition from U.S.GAAP to IFRS on the Company’s consolidated financial position, results of operations and cash flows is as follows.

Adjustment to equity as of the Date of Transition (April 1, 2013)

	Millions of Yen					
	U.S.GAAP	Reclassifi-cation	Difference in recognition and measure-ment	IFRS	Notes	
ASSETS						**Assets**
CURRENT ASSETS:						***Current assets***
Cash and cash equivalents	¥63,669	-	-	¥63,669		Cash and cash equivalents
Trade notes and accounts receivable, net of allowance for doubtful accounts	33,066	¥505	-	33,571		Trade and other receivables
Inventories	26,349	(14,328)	-	12,021	e	Inventories
Deferred income taxes, net	20,749	(20,749)			e	
		2,697	-	2,697		Income tax receivables
Prepaid expenses and other current assets	9,650	(3,202)	¥248	6,696		Other current assets
Total current assets	153,483	(35,077)	248	118,654		***Total current assets***
						Non-current assets
PROPERTY AND EQUIPMENT, net	62,651	50	(2,631)	60,070	a, b	Property, plant and equipment, net
INVESTMENTS AND OTHER ASSETS:						
Investments in marketable securities	440	(440)				
		85,125	(22,393)	62,732	a, e	Goodwill and intangible assets
Investment in affiliate	2,247	-	-	2,247		Investments accounted for using the equity method
Identifiable intangible assets	42,225	(42,225)				
Goodwill	21,934	(21,934)				
		1,264	-	1,264		Other investments
		27,933	(3,671)	24,262	e	Other financial assets
Lease deposits	26,625	(26,625)				
Deferred income taxes, net	1,875	20,749	3,766	26,390	d, e	Deferred tax assets
Other assets	11,468	(11,468)				
		2,648	2,839	5,487	a	Other non-current assets
Total investments and other assets	106,814					
		¥35,077	(22,090)	182,452		***Total non-current assets***
TOTAL ASSETS	¥322,948	-	¥ (21,842)	¥301,106		**Total assets**

	Millions of Yen					
	U.S.GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	
LIABILITIES						**Liabilities and equity**
CURRENT LIABILITIES:						***Current liabilities***
Short-term borrowings	¥4,681	¥(4,681)				
Current portion of long-term debt	5,000	4,681	¥(2)	¥9,679		Bonds and borrowings
Current portion of capital lease and financing obligations	2,166	(2,166)				
		4,614	-	4,614		Other financial liabilities
Trade notes and accounts payable	14,443	17,757	383	32,583		Trade and other payables
Accrued income taxes	4,104	-	-	4,104		Income tax payables
Accrued expenses	19,971	(19,971)				
Deferred revenue	5,464	(5,464)				
Other current liabilities	3,683	7,256	-	10,939		Other current liabilities
Total current liabilities	59,512	2,026	381	61,919		***Total current liabilities***
LONG-TERM LIABILITIES:						***Non-current liabilities***
Capital lease and financing obligations, less current portion	22,588	-	-	22,588	e	Other financial liabilities
Accrued pension and severance costs	1,531	(1,531)				
Deferred income taxes, net	4,424	371	(3,581)	1,214	d, e	Deferred tax liabilities
Other long-term liabilities	8,894	(866)	(1,014)	7,014		Other non-current liabilities
Total long-term liabilities	37,437	¥(2,026)	(4,595)	30,816		***Total non-current liabilities***
TOTAL LIABILITIES	¥96,949	-	¥ (4,214)	¥92,735		**Total liabilities**
EQUITY						
KONAMI CORPORATION stockholders' equity:						**Equity**
Common stock, no par value	¥47,399	-	-	¥47,399		Share capital
Additional paid-in capital	74,175	-	-	74,175		Share premium
Legal reserve	284	¥(284)				
Retained earnings	113,808	(113,808)				
Accumulated other comprehensive income	1,009	(1,009)				
Treasury stock, at cost	(11,250)	-	-	(11,250)		Treasury shares
		1,009	¥(984)	25	c	Other components of equity
		¥114,092	(16,644)	97,448		Retained earnings
Total KONAMI CORPORATION stockholders' equity	225,425	-	(17,628)	207,797		Equity attributable to owners of the parent
Noncontrolling interest	574	-	-	574		Non-controlling interests
TOTAL EQUITY	225,999	-	(17,628)	208,371		**Total equity**
TOTAL LIABILITIES AND EQUITY	¥322,948	-	¥(21,842)	¥301,106		**Total liabilities and equity**

Adjustment to equity as of March 31, 2014

	Millions of Yen					
	U.S.GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	
ASSETS						**Assets**
CURRENT ASSETS:						***Current assets***
Cash and cash equivalents	¥50,024	-	-	¥50,024		Cash and cash equivalents
Trade notes and accounts receivable	29,069	¥568	-	29,637		Trade and other receivables
Inventories	30,229	(18,211)	-	12,018	e	Inventories
Deferred income taxes, net	18,773	(18,773)			e	
		3,339	-	3,339		Income tax receivables
Prepaid expenses and other current assets	11,563	(3,961)	¥250	7,852		Other current assets
Total current assets	139,658	(37,038)	250	102,870		***Total current assets***
						Non-current assets
PROPERTY AND EQUIPMENT, net	80,213	34	(2,939)	77,308	a, b	Property, plant and equipment, net
INVESTMENTS AND OTHER ASSETS:						
Investments in marketable securities	518	(518)				
		83,637	(21,699)	61,938	a, e	Goodwill and intangible assets
Investment in affiliate	2,249	-	-	2,249		Investments accounted for using the equity method
Identifiable intangible assets	39,279	(39,279)				
Goodwill	19,947	(19,947)				
		1,282	-	1,282		Other investments
		27,446	(3,215)	24,231	e	Other financial assets
Lease deposits	26,381	(26,381)				
Deferred income taxes, net	1,913	18,773	5,624	26,310	d, e	Deferred tax assets
Other assets	10,093	(10,093)				
		2,084	2,320	4,404	a	Other non-current assets
Total investments and other assets	100,380					
		¥37,038	(19,909)	197,722		***Total non-current assets***
TOTAL ASSETS	¥320,251	-	¥(19,659)	¥300,592		**Total assets**

	Millions of Yen					
	U.S.GAAP	Reclassifi-cation	Difference in recognition and measure-ment	IFRS	Notes	
LIABILITIES						**Liabilities and equity**
CURRENT LIABILITIES:						***Current liabilities***
Short-term borrowings	¥6,458	¥(6,458)				
		6,458	-	¥6,458		Bonds and borrowings
Current portion of capital lease and financing obligations	2,078	(2,078)				
		4,509	-	4,509		Other financial liabilities
Trade notes and accounts payable	10,480	15,608	¥612	26,700		Trade and other payables
Accrued income taxes	686	-	-	686		Income tax payables
Accrued expenses	17,522	(17,522)				
Deferred revenue	5,693	(5,693)				
Other current liabilities	2,411	7,487	-	9,898		Other current liabilities
Total current liabilities	45,328	2,311	612	48,251		***Total current liabilities***
LONG-TERM LIABILITIES:						***Non-current liabilities***
Long-term debt, less current portion	15,000	-	(75)	14,925		Bonds and borrowings
Capital lease and financing obligations, less current portion	20,487	-	-	20,487	e	Other financial liabilities
Accrued pension and severance costs	1,424	(1,424)				
Deferred income taxes, net	3,052	78	(2,222)	908	d, e	Deferred tax liabilities
Other long-term liabilities	9,168	(965)	(1,021)	7,182		Other non-current liabilities
Total long-term liabilities	49,131	¥(2,311)	(3,318)	43,502		***Total non-current liabilities***
TOTAL LIABILITIES	¥94,459	-	¥(2,706)	¥91,753		**Total liabilities**
EQUITY						
KONAMI CORPORATION stockholders' equity:						**Equity**
Common stock, no par value	¥47,399	-	-	¥47,399		Share capital
Additional paid-in capital	74,175	-	-	74,175		Share premium
Legal reserve	284	¥ (284)				
Retained earnings	111,820	(111,820)				
Accumulated other comprehensive income	2,719	(2,719)				
Treasury stock, at cost	(11,264)	-	-	(11,264)		Treasury shares
		2,719	¥(940)	1,779	c	Other components of equity
		¥112,104	(16,013)	96,091		Retained earnings
Total KONAMI CORPORATION stockholders' equity	225,133	-	(16,953)	208,180		Equity attributable to owners of the parent
Noncontrolling interest	659	-	-	659		Non-controlling interests
TOTAL EQUITY	225,792	-	(16,953)	208,839		**Total equity**
TOTAL LIABILITIES AND EQUITY	¥320,251	-	¥ (19,659)	¥300,592		**Total liabilities and equity**

Adjustment to net profit and comprehensive income for the fiscal year ended March 31, 2014

	Millions of Yen					
	U.S.GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	
NET REVENUES:						Revenue
Product sales revenue	¥97,649	-	-	¥97,649		Product sales revenue
Service and other revenue	119,946	-	-	119,946		Service and other revenue
Total net revenues	217,595	-	-	217,595		Total revenue
COSTS AND EXPENSES:					a	Cost of revenue
Costs of products sold	(61,352)	¥967	-	(60,385)		Cost of product sales revenue
Costs of services rendered and others	(90,927)	1,527	331	(89,069)		Cost of service and other revenue
				(149,454)		Total cost of revenue
				68,141		Gross profit
Selling, general and administrative	(52,369)	101	(278)	(52,546)		Selling, general and administrative expenses
Impairment charges for goodwill	(2,031)	2,031				
Impairment charges for property and equipment, and other intangible assets	(3,220)	3,220				
		(7,846)	74	(7,772)	a	Other income and other expenses, net
Total costs and expenses	(209,899)					
Operating income	7,696	-	127	7,823		Operating profit
OTHER INCOME (EXPENSES):						
Interest income	233	(233)				
Interest expense	(1,187)	1,187				
Foreign currency exchange gain (loss), net	2,560	(2,560)				
Other, net	(74)	74				
		2,793	-	2,793	f	Finance income
		(1,261)	-	(1,261)	f	Finance costs
Other income (expenses), net	1,532					
		22	-	22		Income from investments accounted for using the equity method
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANY	9,228	22	127	9,377		Profit before income taxes
INCOME TAXES:						
Current	(4,695)					
Deferred	(636)					
Total	(5,331)	-	504	(4,827)	d	Income taxes
EQUITY IN NET INCOME OF AFFILIATED COMPANY	22	(22)				
NET INCOME	3,919	-	631	4,550		Profit for the year
	85	(85)				Profit attributable to:
NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	¥3,834	-	¥631	4,465		Owners of the parent
NET INCOME ATTRIBUTABLE TO KONAMI CORPORATION		¥85	-	¥85		Non-controlling interests

	Yen					
	U.S.GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	
Net income attributable to KONAMI CORPORATION stockholders per share						Profit attributable to owners of the parent per share
Basic	27.66	-	4.55	32.21		Basic
Diluted	-	-	-	-		Diluted

	Millions of Yen				
	U.S.GAAP	Reclassifi-cation	Difference in recognition and measure-ment	IFRS	Notes
Net income	¥3,919	-	¥631	¥4,550	Profit for the year
Other comprehensive income, net of tax:					Other comprehensive income
					Items that may be reclassified to profit or loss:
Foreign currency translation adjustments	1,658	-	46	1,704	Exchange differences on foreign operations
Net unrealized gains on available-for-sale securities	50	-	-	50	Net change in fair values of available-for-sale financial assets
Pension liability adjustment	2	-	(2)		
				1,754	Total items that may be reclassified to profit or loss
Other comprehensive income	1,710	-	44	1,754	Total other comprehensive income
Comprehensive income	5,629	-	675	6,304	Total comprehensive income for the year
Comprehensive income attributable to the noncontrolling interest	85	¥ (85)			Comprehensive income attributable to:
Comprehensive income attributable to KONAMI CORPORATION	¥5,544	-	¥675	6,219	Owners of the parent
		¥85	-	¥85	Non-controlling interests

Notes on adjustments to equity and comprehensive income and loss

(a) Impairment

Under U.S.GAAP, impairment is tested by comparing the carrying amount of a non-current asset to the undiscounted future cash flows when there is an indication that the asset may be impaired, and only if the carrying amount exceeds the undiscounted cash flows, such excess over the fair value is recognized as an impairment loss. Under IFRS, when there is an indication that a non-current asset may be impaired, the excess of the carrying amount of the asset over its recoverable amount (the higher of the value in use or the fair value less costs of disposal) is recognized as an impairment loss.

For goodwill, under U.S. GAAP, the fair value of a reporting unit and its carrying amount including goodwill is compared, and if the fair value of the reporting unit is below its carrying amount, the fair value of the goodwill is calculated, and then when the fair value of the goodwill calculated is below its carrying amount, the difference is recognized as an impairment loss of the goodwill. Under IFRS, if the carrying amount of a CGU including goodwill exceeds its recoverable amount, the excess is recognized as an impairment loss.

Intangible assets with indefinite useful lives are individually tested for impairment under U.S. GAAP, whereas they are considered as corporate assets and allocated to CGUs for an impairment test under IFRS.

As a result, at the Date of Transition, April 1, 2013, “Property, plant and equipment, net” decreased by ¥1,682 million, goodwill and intangible assets with indefinite useful lives in “goodwill and intangible assets” decreased by ¥3,511 million and ¥18,757 million, respectively, and “other non-current assets” decreased by ¥167 million. The adjustment difference, net of ¥7,344 million adjustments of deferred taxes, is included in "retained earnings". At March 31, 2014, "property, plant and equipment, net" decreased by ¥2,939 million, goodwill and intangible assets with indefinite useful lives in "goodwill and intangible assets" decreased by ¥1,948 million and ¥19,625 million, respectively, and "other non-current assets" decreased by ¥161 million. The adjustment difference, net of ¥8,100 million adjustments of deferred taxes, is included in "retained earnings". For the fiscal year ended March 31, 2014, "Costs of sales" and "other income and other expenses" decreased by ¥325 million and by ¥72 million, respectively.

(b) Deemed cost

Konami Group has applied the optional exemption to use the fair values of certain items of property, plant and equipment at the Date of Transition as their deemed costs.

At the Date of Transition, the previous carrying amount of property, plant and equipment to which the deemed cost election was applied was ¥3,403 million, and the fair value was ¥2,454 million.

As a result, at the Date of Transition, "property, plant and equipment" decreased by ¥949 million, and the adjustment difference, net of ¥338 million adjustments of deferred taxes, is included in "retained earnings".

(c) Translation difference of foreign operations

Under IFRS, Konami Group has elected to deem the cumulative translation difference of foreign operations at the Date of Transition to be zero.

As a result, the cumulative amount of exchange differences of ¥1,033 million at the Date of Transition was entirely reclassified from accumulated other comprehensive income to "retained earnings".

(d) Income taxes

Due to the aforementioned adjustments in (a) and (b), "deferred tax assets" (net of deferred tax liabilities) increased by ¥7,347 million and ¥7,846 million, respectively, as of the Date of Transition and March 31, 2014. This resulted in an increase of ¥7,347 million and ¥7,846 million in "retained earnings" as of the Date of Transition, April 1, 2013 and March 31, 2014, respectively.

(e) Reclassification of the consolidated statement of financial position

The accompanying consolidated statement of financial position has been reclassified in conformity to IFRS requirements, but the consolidated statement of income, the consolidated statement of other comprehensive income and retained earnings have not been affected. The principal reclassifications made in the consolidated statement of financial position are follows:

(i) Under U.S.GAAP, production costs relating to packaged game software were presented as a part of "Inventories". However, under IFRS, they are all considered as internally generated intangible assets arising from development and presented in "Intangible assets".

(ii) Under U.S.GAAP, the deferred tax assets/liabilities are classified as current and non-current assets/liabilities. However, under IFRS, deferred tax assets and liabilities are

not permitted to be presented as current assets and liabilities, and they have been reclassified to non-current assets and liabilities.

(iii) Under IFRS, financial assets and financial liabilities are separately presented.

(f) Reclassification of the consolidated statement of income

The accompanying consolidated statement of income has been reclassified in conformity to IFRS but retained earnings have not been affected. The principal reclassification made in the consolidated statement of profit or loss is following:

(i) Under IFRS, financial income and financial costs are separately presented.

Adjustment items of consolidated statement of cash flows for the fiscal year ended March 31, 2014

Under U.S.GAAP, expenditures on development costs are classified in “cash flows from operating activities”. However, under IFRS, expenditures relating to capitalized development costs are classified in “cash flows from investing activities”.

As a result, the cash flows from investing activities decreased by ¥20,683 million, and cash flows from operating activities increased by the same amount.

KPMG

Independent Auditors' Report

To the Board of Directors and Shareholders
KONAMI CORPORATION:

We have audited the accompanying consolidated financial statements of KONAMI CORPORATION and its subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2015, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of KONAMI CORPORATION and its subsidiaries as of March 31, 2015, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG AZSA LLC

June 30, 2015
Tokyo, Japan

2. Business Review

1. Business Performance

1. Analysis of Business Performance

(1) Business Overview

The business environment surrounding the Konami Group showed signs of slow recovery, including rises in stock prices and improvement in a segment of corporate earnings in Japan, supported by the economic and financial policies of the government and the additional monetary easing policies implemented by the Bank of Japan. On the one hand, the economic environment remained uncertain, as shown in signs such as a slowdown in personal consumption after the hike in the Japanese consumption tax and rising prices accompanied by a weakening yen. In terms of the global economy, the economic environment for growth remained uncertain. While personal consumption continued to recover in the U.S., the growth rate in emerging markets, including China, has slowed down. Meanwhile, Western economies have continued to show signs of slowing and the Russian economy has worsened.

In the entertainment market, along with improving performance in mobile devices due to the rapid spread of smartphones and tablet PCs and the development of information and telecommunications infrastructure, the selection of game platforms continues to diversify as new game consoles are released, and business opportunities in the game industry are increasing. In the gaming industry, the development of resources related to tourism continues to help spread the casino market worldwide. In Japan, gaming business is expected to continue to grow, including the anticipated submittal to the Diet of a draft bill for Integrated Resort (IR) Promotion.

In connection with the health and fitness industry, there is a growing health consciousness throughout society, especially among senior citizens and women, who year after year have shown an increasing tendency to focus their leisure activities on improving health and physical strength. We continue to see growing health-consciousness, a preference for sports and an interest in preventing the need for nursing care in old age.

Against this background, in the Digital Entertainment segment of the Konami Group, mobile games, including *JIKKYOU PAWAFURU PUROYAKYU* and the *World Soccer Collection* series, continued to enjoy steady sales. Also, we released a video game title, *PROFESSIONAL BASEBALL SPIRITS 2015*.

In our Health & Fitness segment, we continued to develop our pricing and membership plans. These plans enable customers to select a pricing plan based on the number of times they use our facilities and to use more than one facility. We intend to promote and spread services supporting the concept of “sustainable fitness”.

In our Gaming & Systems segment, sales of the *Podium* video slot machine continued to be favorable, mainly in the U.S. and European markets.

In the Pachislot and Pachinko Machines segment, we released 5 new pachislot machines, including *MAH-JONG FIGHT CLUB*, *Dororon Enma-kun Meeramera*, and *SENGOKU COLLECTION 2*, each of which has continued to operate steadily at pachinko parlors. We also released the first pachinko machine developed by the Konami Group, *CR PACHINKO MAGICAL HALLOWEEN*, which was converted from our popular original series of pachislot machines, *MAGICAL HALLOWEEN*.

In terms of the consolidated results for the fiscal year ended March 31, 2015, total revenue amounted to ¥218,157 million (a year-on-year increase of 0.3%), operating profit was ¥15,305 million (a year-on-year increase of 95.7%), profit before income taxes was ¥16,960 million (a year-on-year increase of 80.9%), and profit attributable to owners of the parent was ¥9,918 million (a year-on-year increase of 122.1%).

(2) Performance by Business Segment

Summary of total revenue by business segment:

Millions of Yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	% change
Total revenue:			
Digital Entertainment	¥104,335	¥96,975	(7.1)
Health &Fitness	76,511	73,340	(4.1)
Gaming & Systems	31,600	33,825	7.0
Pachislot & Pachinko Machines	5,788	14,691	153.8
Intersegment eliminations	(639)	(674)	5.5
Total revenue	¥217,595	¥218,157	0.3

Digital Entertainment

As for mobile games, *JIKKYOU PAWAFURU PUROYAKYU* has surpassed eight million downloads in the four months since its distribution started in December, 2014. This performance was the result of integration of the game system developed through a series of home video game devices, with expertise in the operation of mobile games. This has driven a steady and continuous increase of revenue. In addition, the *Professional Baseball Dream Nine* series, *WORLD SOCCER COLLECTION S* series, the *CROWS×WORST* series, and *DRAGON COLLECTION*, continued to enjoy steady sales. In overseas markets, Star Wars™: Force Collection, based on the Star Wars™ film series and *PES MANAGER* (known in Japan as *WORLD SOCCER COLLECTION S*), earned stable income.

As for computer and video games, we released the latest title in the *WORLD SOCCER Winning Eleven* series, *WORLD SOCCER Winning Eleven 2015* (known in the U.S. and Europe as *Pro Evolution Soccer 2015*), and the online payment system on its new game mode, myClub, has performed well. Even though we also released other games including P*ROFESSIONAL BASEBALL SPIRITS 2015*, the number of sold titles decreased in the fiscal year ended March 31, 2015, based on a policy of selection and concentration due to diversifying consumer preferences.

In regards to arcade games, our e-AMUSEMENT Participation system titles, centered on *MAH-JONG FIGHT CLUB* and music genre games, continued to operate steadily. Meanwhile, Disney *TSUM TSUM*, a smartphone application converted into an arcade game, received favorable reviews. The kids' card game machine, *Monster Retsuden ORECA BATTLE*, continued to be extremely popular, especially among elementary school age boys.

The *Yu-Gi-Oh! TRADING CARD GAME* series continued to perform strongly in the global market.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2015 in this segment amounted to ¥96,975 million (a year-on-year decrease of 7.1%) and segment profit for the fiscal year ended March 31, 2015 amounted to ¥16,983 million (a year-on-year increase of 21.7%).

Health & Fitness

With respect to the management of facilities that we operate directly, we refurbished the facilities and services at our top brand facilities, GRANCISE OTEMACHI and GRANCISE AOYAMA, both in Tokyo. Konami Sports Club OSAKA STATION City, which is directly connected to JR Osaka station in Osaka Prefecture, was also renovated and relaunched. In addition, we opened a new facility, Konami Sports Club TSUDANUMA KANADE no MORI, in Chiba Prefecture, in October 2014. We intend to set the tone and offer our services aiming to support customers' "sustainable fitness," including, at the Konami Sports Club, fitness concierges who suggest the most suitable program to customers without any additional charge. These measures have helped to increase the rate of member retention at our fitness clubs. Although we continued to endeavor to increase profitability by closing unprofitable outlets which were not expected to grow, sales from this business decreased mainly due to the closing of large - scale facilities in the fiscal year ended March 31, 2015. In regard to "lifestyle-related disease prevention 6WEEKS (continuation version)" offered at Konami Sports Club Funabashi, we received service quality certification as "active leisure providers" promoted by the Ministry of Economy, Trade and Industry.

Meanwhile, we launched and expanded swimming and gymnastics lesson program series, including the *Dancing Stars* program, one of sports lesson program series for children. For adults, we introduced new swimming classes for the maintenance of health, targeting those over fifty years old. We also launched the *OyZ* exercise school program which mainly targets individuals age 60 and older. It is a "brain activation course" aimed at preventing senile dementia.

With respect to the management of facilities outsourced to Konami Group, using the know-how and accomplishments in operation and guidance accumulated over the years, we commenced management of more than 30 facilities. We are working on promoting the health of residents in local communities through the operation of public facilities.

As for healthcare related products, we developed a series of healthcare applications for smartphones. This series includes the diet support application *calorie-cise*, and the walking support application *Dr. Walk*. We also released the home fitness bike *S-BODY*. *S-BODY* is the first hands-free model in the *AEROBIKE* series, and enables users to "exercise while doing something else," including watching television. Each of these developments was part of our efforts to provide convenient opportunities for physical training other than sports clubs, thereby providing support for exercise and health promotion in a variety of settings.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2015 in this segment amounted to ¥73,340 million (a year-on-year decrease of 4.1%) and segment profit for the fiscal year ended March 31, 2015 amounted to 1,899 million (a year-on-year increase of 16.1%).

Gaming & Systems

In the North American market, the *Podium* video slot machine, which has become a staple product, continued to enjoy favorable sales, including introduction into the Central and South

American market. Although we have accelerated the development of products which precisely meet each market's needs, the market environment was affected by the entry of European manufacturers into the market and the resulting intensified competition. We expanded our lineup of premium products, which raised higher expectations from players, by introducing products such as *Podium Goliath*, a larger size version of Podium, a product that is subject to a participation agreement (in which profits are shared with casino operators). The *SYNKROS* casino management system has received positive reviews in each state in North America.

In the Oceania market, we continued to distribute Podium. In addition, we rolled out a richly diverse product lineup, including *Podium Stack* series which maintains a high rate of operation. Full-scale marketing is also in progress in Asia, Central and South America and Europe, where we are working on building distribution networks.

In addition, we exhibited our products at the largest gaming industry trade expo in Europe, International Casino Exhibition 2015 (ICE 2015), held in London, the U.K. The titles we exhibited included *Podium Monument*, which was unveiled for the first time in the richly diverse European market. These rich products and new lineup received high acclaim from operators.

Revenue of this segment for the fiscal year ended March 31, 2015, however, decreased mainly due to advance investments in the North American market, including increases in product approval fees and personnel expenses for product development and maintenance resulting from expansion of the product lineup and enhancement of the services.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2015 in this segment amounted to ¥33,825 million (a year-on-year increase of 7.0%) and segment profit for the fiscal year ended March 31, 2015 amounted to ¥6,343 million (a year-on-year decrease of 13.4%).

Pachislot & Pachinko Machines

We placed 5 new pachislot machines on the market for the fiscal year ended March 31, 2015. We released *MAH-JONG FIGHT CLUB*, which integrated the online mah-jong games operating with favorable reviews at amusement arcades and the features of pachislot machines. This received a favorable reception from users and business operators. Against the backdrop of solid operation, sales volume has increased, including *Senritsu no Stratus*, which was next introduced, and a product utilizing original content from the Konami Group, *Dororon Enma-kun Meeramera*, which was derived from the popular animation series, and *SENGOKU COLLECTION 2*, which was the latest title converted from our popular original series of mobile games. These developments have spurred a recovery trend in our business performance.

As for pachinko machines, we also launched *CR PACHINKO MAGICAL HALLOWEEN*, the first pachinko machine developed by our group. This product embodies the basic concepts of our pachislot machine series *MAGICAL HALLOWEEN* as well as the typical features of pachinko machines and stores original music.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2015 in this segment amounted to ¥14,691 million (a year-on-year increase of 153.8%) and segment profit for the fiscal year ended March 31, 2015 amounted to 564 million (for the fiscal year ended March 31, 2014, segment loss amounted to 1,612 million).

(3) Cash Flows

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Change
			Millions of Yen
Cash flow summary:			
Net cash provided by operating activities	¥29,709	¥45,254	¥15,545
Net cash used in investing activities	(47,416)	(24,495)	22,921
Net cash provided by and used in financing activities	3,448	(6,807)	(10,255)
Effect of exchange rate changes on cash and cash equivalents	614	678	64
Net increase (decrease) in cash and cash equivalents	(13,645)	14,630	28,275
Cash and cash equivalents at end of the year	¥50,024	¥64,654	14,630

Comparison of fiscal year ended March 31, 2015 with fiscal year ended March 31, 2014

Cash provided by operating activities increased by ¥15,545million, or 52.3%, to ¥45,254 million in fiscal year ended March 31, 2015 from ¥29,709 million in fiscal year ended March 31, 2014. This increase was due mainly to a increase in profit for the year and a decrease in the amount of income tax paid.

Net cash used in investing activities decreased by ¥22,921million, or 48.3% to ¥24,495 million in fiscal year ended March 31, 2015 from ¥47,416 million in fiscal year ended March 31, 2014. This decrease mainly resulted from the capital expenditures of the capital investment.

Net cash used in financing activities increased by ¥10,255 million to ¥6,807 million in fiscal year ended March 31, 2015 from provided of ¥3,448 million in fiscal year ended March 31, 2014. This change primarily resulted from decreases in the payment amount of dividends and short-term borrowings by repayment, and proceeds from new issuance of bonds for the year ended March 31, 2014.

3. Risk Factors

Special Note Regarding Forward-looking Statements.

This annual report contains forward-looking statements about our industry, our business, our plans and objectives, our financial condition and our results of operations that are based on our current expectations, assumptions, estimates and projections. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “anticipate”, “estimate”, “plan” or similar words. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of results of operations or of financial condition, or state other forward-looking information. Known and unknown risks, uncertainties and other factors could cause our actual results to differ materially from and worse than those contained in or suggested by any forward-looking statement. We cannot promise that our expectations, projections, anticipated estimates or other information expressed in or underlying these forward-looking statements will be realized. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Important risk factors that could cause our actual results to be materially different from as described in the forward-looking statements are set forth in this Item 3.D or elsewhere in this annual report and include, without limitation:

- 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;
- changes in economic conditions affecting our operations or the way that individuals choose to spend their leisure time;
- our ability to successfully expand internationally with a focus on our Digital Entertainment segment and Gaming & Systems segment;
- our ability to successfully expand the scope of our business and broaden our customer base through our Health & Fitness segment;
- our ability to successfully generate cash flows on an individual club operation level sufficient to recover the carrying value of the related individual club operations;
- regulatory developments and changes, in particular in the gaming industry, and our ability to respond and adapt to those changes;
- the impact of natural disasters, such as earthquakes, on our facilities and personnel;
- our ability to successfully integrate current acquisitions and realize expected synergies and business benefits to recover the acquisition investment, including goodwill and separately identifiable intangible assets; and
- our expectations with regard to further acquisitions and the integration of any companies we may acquire.

Risks Relating to Our Overall Business

Our future success is dependent on our ability to release "hit" products.

Our Digital Entertainment segment, Gaming & Systems segment, and Pachislot & Pachinko Machines segment are "hit" driven. "Hit" products account for a substantial portion of our net revenues and of the revenues in each of these markets. If we do not develop, publish and distribute "hit" products in the future, our financial condition, results of operations and profitability in these segments could be negatively affected. The most important factor in developing hit products is to respond quickly to public tastes and preferences that change rapidly and are hard to predict. Therefore, if we fail to accurately anticipate and promptly respond to changing tastes and preferences, our business, revenues and profits in these segments could be harmed.

Our revenues are dependent on timely introduction of popular new products to the market.

Our success depends on generating revenue from the timely introduction and shipment of new products. The majority of sales of new video game software for home use generally occurs in the first thirty to one hundred and twenty days after release. The sales occurrence for our Digital Entertainment segment, Gaming & Systems segment and Pachislot & Pachinko Machines segment also tends to be limited. We are constantly required to introduce new products in order to generate revenues and/or to replace declining revenues from older products. Also, because revenues earned during the early life of a product generally constitute a relatively high percentage of the total revenues earned from a product, a significant delay in the introduction of one or more new products, or the inability to ship in sufficient quantities to meet demand, could negatively affect sales and have a negative impact on our financial condition and results of operations. Unanticipated delays could also cause us to miss an important selling season such as the year-end holiday buying season or summer vacation. Moreover, our products may not achieve and sustain market acceptance during the short life cycle sufficient to generate revenue to recover our investment in developing the products and to cover our other costs.

The timely shipment of a new product depends on various factors, including the development process, approval by third-party licensors, production capacity and other factors such as debugging and approval by hardware licensors, in the case of video game software. It is possible that some of our products will not be released or shipped in a timely fashion in accordance with our plans.

Competition for market acceptance and pricing competition affect our revenue and profitability.

The markets for our Digital Entertainment segment, Gaming & Systems segment, and Pachislot & Pachinko Machines segment, as well as the markets for most of our other products, are intensely competitive and new products and platforms are regularly introduced. Only a small percentage of products introduced in the market achieve any degree of sustained market acceptance. In addition, while significant price competition and reduced profit margins may result as the hardware product cycle matures, competition from new technologies such as video game software for play over the Internet or mobile phones may reduce demand in markets in which we have traditionally competed. As a result of prolonged price competition and reduced demand due to competing technologies, our operations in the past have been, and in the future could continue to be, negatively impacted.

Our competitors vary in size from small companies to very large corporations, some of which have significantly greater financial, marketing and product development resources than we have. Due to these greater resources, certain of our competitors can undertake more extensive marketing campaigns, adopt more aggressive pricing policies, pay higher fees to licensors of desirable motion picture, television, music, sports and character properties and pay more to third party software developers than we can. It is also possible that some of our competitors will form alliances or enter into exclusive business arrangements with key creators, distributors or retailers overseas which could hinder our ability to expand into international markets.

A decline in consumer spending due to unfavorable economic conditions could hinder sales of our products.

Our product sales are affected by customer's ability and desire to spend disposable income on the purchase of our products and services. Any significant downturn in general economic conditions which results in a reduction in consumers' discretionary spending could reduce demand especially for entertainment and health-oriented products and services like ours and may harm our business. For example, adverse economic conditions in emerging markets, including the slowing growth rate in China, as well as continuing confusion over financial assistance to Greek, have negatively affected consumer spending trends in those regions and in the global economy generally and may continue to have an adverse impact on economic conditions, including in Japan. Economic downturns have been, and may continue to be, characterized by diminished product and service demand and subsequent erosion of average selling prices.

In addition, Japan's consumption tax was increased from 5% to 8% in April 2014 and currently it is scheduled to be increased further to 10% in April 2017. Such a tax increase may adversely affect consumer spending, which could in turn reduce the demand for our products and services and adversely affect our results of operations.

Our performance may be vulnerable to rapidly changing consumer preferences.

Sales of our products depend substantially on how consumers decide to spend their money. Many of our markets are characterized by rapidly changing trends and fads, and frequent innovations and improvements are necessary to maintain consumer interest. We compete with other forms of entertainment and leisure activities. For example, we believe that the overall growth in the use of the internet and online services by consumers may pose a competitive threat if customers and potential customers spend less of their available time using our products, and more time using the Internet or otherwise choose to engage in other forms of entertainment and leisure activities. Our financial performance may be harmed if we are unable to successfully adapt our products and services to these changing trends and fads.

Fluctuations in our quarterly operating results make our quarterly revenues and income difficult to predict.

The timing of release of new products can cause material quarterly revenue and earnings fluctuations. If we are unable to begin volume shipments of a significant new product during the scheduled quarter, our revenues and earnings will be negatively affected in that quarter.

Our quarterly operating results also may be materially impacted by other factors, including the operating condition of our mobile games, the level of market acceptance or demand for video games, the timing of hardware platform introductions, and the level of development and/or promotion expenses for a video game title. Moreover, in a platform transition period, sales of products can be significantly affected by the timeliness of introduction of video game systems by the manufacturers of those platforms, such as Sony Corporation ("Sony"), Nintendo Co., Ltd. ("Nintendo") and Microsoft Corporation ("Microsoft").

Inability to procure commercially valuable intellectual property licenses may prevent product releases or result in reduced product sales.

We focus our development and publishing activities principally on products that are, or have the potential to become, franchise brand properties. Many of our products are based on intellectual property and other character or story rights acquired or licensed from third parties. For example, our products often embody trademarks, trade names, logos, or copyrights licensed by third parties, such as Major League Baseball Properties, Inc., and Major League Baseball Players Association. We have also acquired content licenses from sports organizations such as FIFPro Commercial Enterprises BV, the UEFA Champions League, the Japan Professional Baseball League, the Japan Professional Soccer League, or J-League, and the Japan Football Association. In addition, we have obtained content licenses from various companies, including NIHON AD SYSTEMS Inc., Kodansha Ltd. and Shogakukan-Shueisha Productions Co., Ltd.

These license and distribution agreements are limited in scope and time, and we may not be able to acquire new licenses, renew licenses or include new products in existing licenses. The agreements are terminable upon the occurrence of a number of factors, including our material breach of the agreement, delay in payment of amounts due to the licensor in a timely manner, or a bankruptcy or insolvency. The loss of a significant number of our intellectual property licenses or of our relationships with licensors could have a material adverse effect on our ability to develop new products and therefore on our business and financial results.

Inadequate intellectual property protections could prevent us from enforcing or defending our proprietary technology.

We regard our products as proprietary and rely on a combination of patent, copyright, trademark and trade secret laws, employee and third party nondisclosure agreements and other methods to protect our proprietary rights. We own or license various patents, copyrights and trademarks. We are aware that unauthorized copying occurs within some of the industries to which Digital Entertainment segment belongs. For example, unauthorized copies of the *Yu-Gi-Oh! TRADING CARD GAME* have been found all over the world. If a significant volume of unauthorized copying of our products were to occur, it could cause material harm to our business and financial results.

Policing all the unauthorized use of our products is difficult and can be a persistent problem, especially in some international markets. Further, the laws of some countries where our products are or may be distributed either do not protect our products and intellectual property rights to the same extent as the laws of Japan and the United States, or are poorly enforced. Legal protection of our rights may be ineffective in such countries, and we may be unable to protect our intellectual property rights, particularly as we pursue new and emerging technologies. We cannot assure you that existing intellectual property laws will provide adequate protection for our products in connection with these emerging technologies.

Infringement of intellectual property rights could lead to costly litigation and/or the need to enter into license agreements, which may result in increased operating expenses.

Existing or future infringement claims against us may result in costly litigation or require us to obtain a license for the proprietary rights of third parties, which could have a negative impact on our results of operations. As the number of our products increases there is an increased possibility of the contents and features of these products overlapping with the products of other companies, and we become subject to an increasing possibility of infringement claims. Although we are making efforts to ensure that our products do not violate the intellectual property rights of others, it is possible that third parties still may claim infringement.

From time to time, third parties have asserted that some of our products infringed their proprietary rights. These infringement claims have sometimes resulted in litigation against us. For example, in video game software featuring sports such as baseball and soccer, we use individual names and images of professional players, team names, logos and uniforms. Although we have obtained licenses to use them from organizations and agents which manage the rights of the professional players and the teams, in the event agreements change or any disputes arise among the professional players, the teams and organizations or agents which manage their rights, it is possible that such professional players, teams, organizations or agents might bring a lawsuit against us to suspend manufacturing and sales of the relevant video game software. Such a lawsuit may be time consuming and expensive to defend.

Intellectual property litigation or claims could force us to do one or more of the following:

- cease selling, incorporating or using products or services that incorporate the challenged intellectual property;
- obtain a license from the holder of the infringed intellectual property, which, if available at all, may not be available on commercially favorable terms; or
- redesign our products, which could cause us to incur additional costs, delay introduction and possibly reduce commercial appeal of our products.

Any of these actions may cause material harm to our business and financial results.

If our products contain defects, our business could be harmed significantly.

Our products are complex and may contain undetected errors when first introduced or when new versions are released. We cannot assure you that, despite extensive testing prior to release, errors will not be found in new products or releases after shipment, resulting in loss of or delay in market acceptance. This loss or delay could significantly harm our business and financial results.

We may face limitations on our ability to find suitable acquisition opportunities and integrate acquired businesses.

In order to develop and market our products and services competitively, we are seeking opportunities in and outside Japan to make acquisitions of controlling or significant stakes in other businesses that will grow our current businesses. Some of these transactions could be material in size and scope. Our acquisitions strategy requires that we effectively coordinate and integrate our activities with those of the companies in which we invest or which we acquire. In the event we make such acquisitions or investments, we will face additional financial and operational risks, including:

- difficulty in assimilating the operations, technology and personnel of acquired companies;
- disruption in our business because of the allocation of financial and human resources to consummate the acquisitions;
- difficulty in retaining key technical and managerial personnel from acquired companies;
- dilution of our current shareholders if we issue equity to fund one or more of these acquisitions or investments;
- considerable efforts required to successfully integrate acquisitions and realize expected synergies and business benefits to recover acquisition investments, including any goodwill and separately identifiable intangible assets; and
- assumption of operating losses and increased expenses, charges and liabilities in connection with acquisitions.

While we will continually be searching for additional acquisition opportunities, we may not be successful in identifying suitable acquisitions. As the digital entertainment, fitness club, gaming machine and pachislot and pachinko industries continue to consolidate, we face significant competition in seeking and consummating acquisition opportunities. We may not be able to consummate potential acquisitions or investments on terms acceptable to us or such an acquisition or investment may not enhance our business or may decrease rather than increase our earnings. Our shareholders may not have the opportunity to review, vote on or evaluate future acquisitions.

Our business and financial results could be negatively impacted if we are unable to attract additional qualified employees or retain the services of key employees, the loss of whom could have a material adverse effect on our business.

Our continued growth and success depend to a significant extent on the continued service of our senior management and other key employees and the hiring of new qualified employees. The software industry in particular is characterized by a high level of employee mobility and aggressive recruiting among competitors for personnel with technical, marketing, sales, product development and management skills. We may not be able to attract and retain skilled personnel or may incur significant costs in order to do so that may not be offset through either improved productivity or higher prices.

Factors specific to international trade may result in reduced revenues and/or increased costs.

Approximately 70% of our net revenues were derived from sales in Japan. Although we expect that domestic sales will continue to account for a significant portion of our revenues in future periods, we continue to expand our international operations, particularly with respect to our Digital Entertainment segment and Gaming & Systems segment, including through alliances or investments. Sales in foreign countries may involve expenses incurred to customize products to comply with local laws, especially in the case of gaming machines. In addition, products that are successful in the domestic Japanese market may not be successful in foreign markets due to different consumer preferences. In addition, our costs will increase as a result of the need to conduct market research to discover local preferences and tastes and to develop foreign language versions or make product modifications in order to tailor our products to various local markets. In the case of video game software, we may have to grant price concessions to or accept returns from major retailers that control market access to consumers. International trade is also subject to general country risks, including suspension of currency exchange by governments, increases in tariffs, and forfeiture of property through expropriation by governments. International trade is also exposed to fluctuating exchange rates. We may become exposed to increased litigation risks or unexpected bankruptcy risks through product liabilities, facility liabilities, product defect or labor issues in the course of further expanding our business, enhancing our international network and increasing our vendors and customers. These and other factors specific to international trade may result in increased costs or reduced revenues.

Demographic trends may have an adverse effect on our target market and our ability to increase revenues.

The Japanese population of people in their teens, twenties and thirties, the traditional target market for our products and services, in particular with respect to our Digital Entertainment segment, is expected to decline. Accordingly, we may not be able to increase or maintain revenues if we are unable to expand our customer base and product offerings to overseas markets. Life expectancy in Japan is among the highest of the developed countries. However, as a result of a decline in fertility rates, Japan's population is expected to begin declining and its demographic makeup is already aging considerably.

Wars, terrorism, pandemic, natural disasters and other incidents which may cause political, economic or social instability may disrupt our operations or otherwise result in a material adverse effect on our financial performance.

Incidents such as terrorism, riots, wars, pandemic and natural disasters may adversely affect the world economy. Resulting social and political instability may cause further economic and political uncertainty in each of the regions we conduct our operations. As a result, our and our suppliers' operations and financial performance as well as our customers' investment and consumption patterns may be adversely affected. For instance, on March 11, 2011, a large earthquake and subsequent tsunami and aftershock hit northeastern Japan, causing material losses and damage to life, infrastructure and distribution routes, as well as supply instability in certain regions caused by damage to a nuclear power plant complex in Fukushima Prefecture.

Risks Relating to Our Digital Entertainment Segment

Transitions in game consoles and technological change have a material impact on the relevant markets and may adversely affect our revenues and profitability.

The life cycle of existing game consoles and the market acceptance and popularity of new game consoles significantly affect the success of our products. The introduction of new technologies could render our current products or products in development obsolete or unmarketable. In addition, we cannot guarantee that we will be successful in developing and releasing video game software for new game consoles on a timely basis. Further, the release dates of new game platforms or the number of units that will be shipped upon such release are beyond the scope of our control.

Furthermore, when new game consoles are announced or introduced into the market, consumers typically reduce their purchases of video game software products for current consoles in anticipation of new platforms becoming available. During these periods, sales of our video game software products can be expected to slow down or even decline until new platforms have been introduced and have achieved wide consumer acceptance.

Due to the popularity of alternative platforms for content distribution such as mobile games, it is also possible that demand for console game platforms as a whole will decline over time, which could negatively impact our results of operations to the extent we are unable to adapt our games or develop new contents for any such alternative platforms.

We must make significant expenditures to develop products for new platforms which may not be successful or released when anticipated.

The cyclical nature of the industry requires us to anticipate and assess the emergence and market acceptance of new game consoles and develop new software well in advance of the time the platform is introduced to consumers. If the platforms for which we develop new software products do not attain significant market penetration or our new products fail to gain market acceptance, we may not be able to recover in revenues our development expenses, which could be significant, and our business and financial results could be significantly harmed. We anticipate that our profitability will continue to be impacted by the levels of research and development expenses relative to revenues, and by fluctuations relating to the timing of development in anticipation of future platforms.

If we are unable to obtain or renew licenses from hardware manufacturers, we will not be able to release video game software for popular video game systems and our revenue and profitability may be negatively impacted.

Almost all of our revenues from game software products have historically been derived from sales of products for use on proprietary game platforms developed and manufactured by other companies. We may only produce products for use on other companies' game platforms if we receive a platform license from them, which is generally for an initial term of several years and may be extended for additional one-year terms. If we cannot obtain licenses to develop products from manufacturers of popular game consoles or if any of our existing license agreements are terminated, we will not be able to release products for those systems, which may have a negative impact on our results of operations and profitability. Although we cannot assure shareholders that we will be able to obtain extensions or that we will be successful in negotiating definitive license agreements with developers of new systems when the term of existing license agreements end, to date we have always obtained extensions or new agreements with the hardware companies.

Our products for both game consoles and amusement arcade games may be subject to governmental restrictions, rating restrictions or to legal claims regarding content.

Legislation introduced at the local, state and federal levels in the United States and in other countries has established rating systems to inform consumers of software products that contain graphic violence and/or sexually explicit material. In 2005, legislation was also introduced in Japan to establish a system for local authorities to restrict the provision of products containing graphic violence. In addition, many countries have laws that permit governmental entities to censor the content and advertising of software. Although there are no mandatory government regulations in Japan, North America, Europe and Asian countries that are significant markets or potential markets for our products, an exception is China, where governmental approval is required for software sales in that country. Similar requirements for governmental approval may be adopted elsewhere. We may be required to modify our products or alter our marketing strategies to comply with new regulations, which could delay the release of our products in those countries. Moreover, uncertainties regarding the rating systems may give rise to confusion in the marketplace, and we are unable to predict what effect, if any, such rating systems would have on our business.

Our results of operations may suffer if amusement arcade revenues and sales of products for amusement arcades continue to decline.

Amusement arcades are the primary venue for video game machines and token-operated game machines in Japan. Amusement arcade revenues and sales of products for amusement arcades have recently been affected by the shrinking market for such games. In addition, due to the development of full-scale home video game systems that can rival amusement arcade games in play quality and the introduction of advanced mobile telephones equipped with network and game functions, consumers now have increasing leisure alternatives outside of amusement arcades. As customer preferences diversify, fewer people may visit frequently the amusement arcades on which we depend for sales of products for amusement arcades and this could have a negative impact on our results of operations if amusement arcade operators reduce purchases of our products as a result.

If our games are not accepted in the competitive domestic market for products for amusement arcades, our results of operations will suffer.

Our success as a manufacturer of products for amusement arcades is dependent upon numerous factors, including our ability to design, manufacture, market and service products that achieve player acceptance while maintaining product quality and acceptable margins. In addition, we must compete against other large and well-established game manufacturers. If any of these game manufacturers, or another competitor, develops products for amusement arcades and installed these products in the same arcade floor space as our products, our sales may decrease significantly.

Our business could be harmed if there is any substantial decline in the popularity of interactive Internet-based games or if our Internet-based games are not received favorably in the market.

In recent years, the rapid growth of the Internet has resulted in the development of interactive software games for play over networks and on mobile phones. Although we are marketing mobile phone-based, smart phone-based, and tablet terminal-based games as well as games which can be downloadable or which allows multiple players to play against each other using Wii, Nintendo DS, Nintendo 3DS, PlayStation 2, PlayStation 3, PlayStation 4, PlayStation Portable, PlayStation Vita, Xbox 360, Xbox One or personal computers, games have diversified over recent years and consumers now have expanded choices. In particular, demand for smart phone-based and tablet terminal-based games has rapidly grown in recent years. If consumers increasingly choose smart phone-based and tablet terminal-based games, demand for our existing mobile phone-based games as well as our games for other platforms could decline, and our business, revenues and profits could be affected if we are unable to expand sales of our smart phone-based and tablet terminal-based games. If there is any decline in the popularity of our network-based games, our business, revenues and profits could be harmed.

In addition, the development and operation of Internet-based games require a long period for development and a substantial amount of initial investment, including for example numerous test operations of facilities such as servers. If our Internet-based games are not received favorably in the market, we may be unable to recoup our initial investment or operating expenses, and may have to recognize an impairment charge with respect to the servers and software assets associated with such games.

Information processing failures in the operation of our Internet-based games may adversely affect our revenues and income.

As our Internet-based games require servers that process a heavy volume of information, the computers we use as servers must be equipped with high processing capacity. Although we attempt to prevent troubles by performing maintenance for our servers, we may be unable to operate our Internet-based games if the information processing capacity of a server becomes suddenly overloaded or is unexpectedly attacked by external computer viruses. If the recovery of processing capacity requires a long period of time, thus driving customers away, or if such technical errors and interruptions occur repeatedly and cause our customers to lose confidence in our services, our net revenues and operating income may decrease.

Abuses of network-based credit card billing authorization may adversely affect our revenues and profits.

We collect charges for our network-based games based on consumers' credit card information, through a credit card authorization agent. Although our credit card authorization agent takes all possible measures to ensure the privacy of customer information during billing transactions, if the credit card information of our customers is obtained by unauthorized third parties and used for unauthorized transactions, we may be required to make repayments of the unauthorized amounts out of the sales we made to such customers.

In addition, if numerous abuses occur, a credit card authorization agent might cancel agency payment services with us, and our net revenues and operating income may be adversely affected.

Any development adversely affecting our operation of mobile games may have a negative impact on our profitability and growth.

Our ability to achieve wide acceptance of our mobile games by users depends in part on whether we can provide attractive contents in a timely manner and efficiently operate our games. Even if our mobile games achieve wide acceptance, we may be unable to generate adequate revenue from such mobile games, as most of the games in this category are free to play and generate revenue only from sales of virtual items to players. In addition, the success of our mobile games may be affected by the expansion of the industry related to mobile games as well as other factors which are beyond our control. Such factors include:

- changes in the economy;
- the pace of market expansion;
- popularity of mobile sites and application stores; and
- establishment of legal regulations concerning mobile games and self-imposed restrictions in the industry.

If we are not able to provide competitive contents, or if these political, economic, legal and other factors adversely affect the operation of our mobile games our financial conditions and results of operation may be negatively impacted.

If the agreements entered into with operators of the mobile sites and application stores through which our mobile games are distributed are terminated, the continued provision of the services we are currently providing will become difficult, which may adversely affect our revenues and profitability.

We currently provide mobile games almost entirely on the mobile sites and application stores operated by other companies. Our provision of mobile games is based on agreements entered into with the distributors which operate the mobile sites and application stores. In addition, with respect to our mobile games, the proportion accounted for the use of specific distributors has increased. Therefore, if the agreements with the distributors are terminated, it will become difficult for us to continue providing services of our mobile games on those mobile sites and application stores, and our businesses and financial performance may be damaged.

Our revenues and profits may be adversely affected by major natural disasters such as the Great East Japan Earthquake.

Natural disaster such as the Great East Japan Earthquake may cause postponement of the release of our products, delays in shipment due to the disruption of distribution network, delays in delivery of parts procured from the suppliers located in the disaster-stricken areas, related revisions to our production system and increases in procurement costs for parts and cancellation in procurement caused by increased scarcity of parts and inventory supply shortages in the market, as well as the suspension of distribution services for online games due to damaged telecommunications infrastructure. As a result, our revenues and profits may be adversely affected.

Risks Relating to Our Health & Fitness Segment

Our Health & Fitness segment may not grow as we expect if we are not able to efficiently operate club locations upon opening such locations.

Our operating results depend in part on our ability to efficiently operate club locations upon opening such locations. The successful development of clubs will depend on various factors, including our ability to:

- locate suitable sites for clubs;
- successfully negotiate lease agreements and meet construction schedules and budgets;
- resolve zoning, permitting or other regulatory issues relating to the construction of new clubs;
- hire, train and retain qualified personnel;
- attract new members; and
- effectively address issues raised by other factors, some or all of which may be beyond our control.

If we are not able to adequately implement the factors outlined above, the growth of our Health & Fitness segment may be limited. We cannot assure you that we will be able to open new clubs in a timely and cost-efficient basis or operate our clubs profitably. Upon opening a new fitness club, we often experience an initial period of operating losses with respect to that club for the first year. However, this period can vary depending on the individual club, and may be substantially longer than a year. If we are unable to enhance the performance of our fitness clubs, our operating income may be adversely affected.

A decline in membership levels of our fitness clubs could have a negative effect on our business.

The performance of our fitness clubs is dependent on our ability to attract, acquire and retain members. We cannot assure you that we will be successful in these efforts, or that the membership levels at one or more of our clubs will not decline. Our members can cancel their club membership at the end of any month provided that they give advance notice by the tenth day of that month. Because members periodically cancel their membership, our total number of members will decline unless we are able to attract new members each month. There are numerous factors that could lead to a decline in membership levels at established clubs or that could prevent us from increasing our membership at newer clubs, including our reputation, our ability to deliver quality service at a competitive cost, the presence of direct and indirect competition in the areas in which the clubs are located, general interest in sports and fitness clubs and general economic conditions. As a result of these factors, we cannot assure you that our membership levels will be adequate to maintain or permit the expansion of our operations. In addition, a decline in membership levels may have a material adverse effect on our performance, financial condition and results of operations.

Failure to compete effectively in the fitness club industry will have an adverse effect on our results of operations.

The fitness club industry is highly competitive. We compete with other fitness clubs, physical fitness and recreational facilities established by local governments, hospitals and businesses for their employees, amenity and condominium clubs and, to a certain extent, with tennis clubs and other sports clubs, golf clubs, weight reducing salons and the home-use fitness equipment industry. We also compete with other entertainment and retail businesses for the discretionary income of our target markets. We cannot assure you that we will be able to compete effectively in the future in the markets in which we operate. In addition, we may face new competitors in the market that may be larger and have greater resources than us. These competitive conditions may limit our ability to increase dues without a material loss in membership, attract new members and attract and retain qualified personnel. Additionally, consolidation in the fitness club industry could result in increased competition among participants, particularly as large multi-facility operators are better able to compete for attractive acquisition candidates, thereby increasing costs associated with expansion through acquisitions, as well as negotiation of leases and the availability of real estate.

We could be subject to future claims related to health risks at our clubs.

Use of our fitness clubs and equipment may pose some potential health risks to members or guests through exertion from use of our services and facilities including exercise equipment. As a result, we may be subject to claims against us for death or injury suffered by members while exercising at our fitness clubs, and we may not be able to successfully defend any such claims. We currently maintain general liability insurance coverage but there can be no assurance that we will be able to maintain such liability insurance on acceptable terms in the future or that such insurance will provide adequate coverage against potential claims. Any liability claim in excess of our insurance coverage may adversely affect our results of operations as well as damage our brand image.

We are subject to various governmental regulations, any non-compliance with which could result in temporary closings and negative publicity, causing damage to our corporate image.

Our operations are subject to national, local and municipal government regulation in the various jurisdictions in which our clubs are located. These regulations include, but are not limited to, health, sanitation and safety regulations with respect to the sale of food and beverages and the operation of swimming pools and baths. Any failure to comply with these regulations could result in the temporary suspension or loss of licenses necessary for food service and other operations at our clubs. In addition, any resulting negative publicity could have an adverse effect on our reputation, resulting in deterioration of our brand image and ability to attract, acquire, and retain club members.

We may be unable to get refunds of deposits and guarantee money relating to leases of land and buildings for the use of our fitness club facilities.

In many cases, we rent land and buildings when we open new fitness clubs. Under the lease agreements that we enter into with landowners, we are often required to make deposits and to provide guarantee money in case we default in payment of rent or neglect to restore the property to its original state upon termination of the lease agreement. Under such lease agreements, if we pay our rent and restore the property as stipulated, we are entitled to obtain refund of such deposits and guarantee money. However, if the owner of the property faces financial difficulty or is otherwise unable or unwilling to return these funds, we may not be able to obtain full refunds of such deposits and guarantee money.

Inability to procure licenses for fitness programs from third parties or changes in the conditions of such licenses may adversely affect our revenues.

We act as a licensing agency in Japan, acquiring licenses for programs that have worldwide popularity, and supply the programs to not only our own facilities but also to other fitness clubs. In the event that it becomes difficult to renew licenses or if any changes are made to the conditions of such licenses, there may be a material adverse effect on our ability to supply programs to each facility and on our business results.

The need to suspend our business operations due to unexpected epidemic diseases may adversely affect our revenues.

Due to the H1N1 influenza pandemic during fiscal 2010, the business operations of fitness clubs in some areas of Japan were suspended at the discretion of the government. If an unexpected epidemic of an unknown or known disease in the future results in the suspension of business operations of our fitness clubs at the instruction of the government or at our own discretion, our business results could be affected.

Abrupt changes in consumer tastes may adversely affect our business results.

Revenues due to usage of our facilities are highly dependent upon how consumers chose to spend their money, which makes it imperative that we unremittingly provide high quality services in line with customer needs. For example, our business results could be negatively affected if fitness trends which don't require the spending of money catch on, such as home fitness, running or walking.

We may be adversely affected by natural disasters such as the Great East Japan Earthquake during fiscal 2011.

Due to natural disasters as typified by the Great East Japan Earthquake during fiscal 2011, our directly-owned fitness clubs may be damaged and the sports facilities outsourced to us may become evacuation centers in some regions, which could result in the suspension of operations at some of our fitness clubs. In the future, similar earthquake disasters and other natural disasters may occur again and the operations of some of our fitness clubs may be suspended, which could adversely affect the financial performance of our Health & Fitness segment.

Rolling blackouts due to the shortage of power supply may adversely affect our business results.

Natural disasters such as the Great East Japan Earthquake during fiscal 2011 may damage power plants, which could result in a shortage of power supply. If power demand exceeds the available power supply in the future, rolling blackouts may be further implemented and operations at some of our fitness clubs and the manufacturing of products may be suspended, which could adversely affect our business results.

Risks Relating to Our Gaming & Systems Segment

If our gaming products are not accepted in the competitive market for gaming machines, we may be unable to compete in the gaming machine market.

Our success as a gaming machine manufacturer and supplier in overseas markets is dependent upon numerous factors, including our ability to design, manufacture, market and service gaming machines and casino management systems that achieve player and casino acceptance while maintaining product quality and acceptable margins and to obtain approvals for our products from gaming authorities. In addition, we must compete against gaming equipment and system companies. Some of our competitors have greater financial resources, name recognition, established service networks and customer relationships than we do, and are licensed in more jurisdictions than we are.

In order to diversify and expand sales, we have obtained licenses in every state and territory in Australia, the majority of states and territories in the United States, and all legal gaming provinces in Canada, and are marketing and selling gaming products in those markets. If our games and our system products fail to be accepted by the market, and we are otherwise unable to develop products that offer technological advantages or unique entertainment features, we will be unable to generate the revenues necessary to compete effectively in the competitive gaming product market. Consequently, the results of our operations could suffer.

If our technologies for gaming products are subject to claims they infringe on competitors' patents, trademark rights and design rights, we may be unable to market our products as planned, thus adversely affecting our profits.

As technological capabilities and an ability to develop effective business plans are constantly becoming more crucial for success in the gaming business, it has become a critical business strategy for companies, especially in the United States, to ensure an advantage over competitors by filing and acquiring their own intellectual property rights such as patents, trademark rights and design rights in advance of their competitors. In this competitive business environment, we strive to commercialize our products only after carefully examining the intellectual property rights status of the products. However, if the contents of our new products and services are deemed to infringe on the intellectual property rights of competitors, we may be unable to bring such products or services to market or be forced to cease selling such products or services.

An adverse change affecting the gaming and systems industries, including a change in the economy, in gaming regulations or in the expansion and popularity of casino gaming, will negatively impact our profitability and our potential for growth.

Our ability to grow our business and operate profitably is substantially dependent upon the expansion of the gaming industry and factors that are beyond our control. These factors include, among others:

- changes in the economy;
- the pace of market expansion;
- changes in regulation;
- fluctuations in popularity of the casino industry; and

- changes in tax rates concerning the gaming industry instituted by national, state or province governments.

An adverse change in any of these political, legal and other factors may negatively impact our results of operations.

Our failure to obtain or retain required licenses for our Gaming & Systems segment could prevent us from expanding our market and prohibit us from generating revenue in certain jurisdictions.

In North America, the manufacture and distribution of gaming products is subject to numerous federal, state, territory, provincial, tribal, international and local regulations. In addition, we may also be subject to regulation as a gaming operator for participation agreements under which we share in the revenues generated by gaming machines. These regulations are constantly changing and evolving, and may curtail gaming in various jurisdictions in the future, which would decrease the number of jurisdictions from which we can generate revenues.

Together with our key personnel, we undergo extensive investigation before each jurisdictional license is issued. Our gaming products are subjected to independent testing and evaluation prior to approval from each jurisdiction in which we do business. Generally, legal authorities have broad discretion when granting, renewing or revoking these game approvals and licenses. Our failure to obtain or retain a required license or approval in one jurisdiction could negatively impact our ability to obtain or retain required licenses and approvals in other jurisdictions. The failure to obtain or retain a required license or approval in any jurisdiction would decrease the geographic areas where we may operate and generate revenues, decrease our share in the gaming marketplace and put us at a disadvantage compared with our competitors. Consequently, the market price of our ordinary share may suffer.

The future revenue growth of our Gaming & Systems segment depends on our ability to strengthen our research and development departments and improve the effectiveness of our sales organizations and service departments.

In order to increase market awareness and sales of our gaming products, it is important for us to develop hit products that are received favorably in our markets and for us to maintain technology that allows for future innovation and adaptations to changes in customer preferences. If we fail to assess market needs or be technologically innovative, our net revenues and operating income may be adversely affected.

In addition, it is important for us to improve the effectiveness of our sales operations and service departments internationally. Our gaming business is expanding from sales of slot machines to sales of casino management systems, which connect gaming machines under a single accounting, marketing and customer management system and reinforcement of security. Casino management systems provide for relatively stable revenues, as proceeds from the initial sale are supplemented by subsequent connection fees. However, the sales of gaming products require sophisticated sales efforts targeted at selected people within the gaming industry and quality post-sale servicing. Competition for qualified sales personnel is intense, and we might not be able to hire the kind and number of sales personnel we are targeting. In addition, we will need to effectively train and educate our sales force and strengthen our service departments to ensure trust in our products if we are to be successful in selling into the gaming machine market.

If our manufacturing plant in the United States has operational difficulties, and we have problems with manufacturing capacity and quality control, our business growth may be adversely affected.

In June 2005, we started operation of a manufacturing plant in Las Vegas to strengthen production capacity and customer service and expand development and sales in the U.S. market. We depend on our manufacturing capacity for substantially all of our sales in the U.S. market. If operational troubles occur in this plant, we may be unable to maintain sufficient manufacturing capacity to meet increases in orders, and our financial performance may be adversely affected.

Natural disasters such as the damage caused by the record rainfall in northeastern Australia in January 2011 and the surrounding areas of the Mississippi River in May 2011 could have material adverse effects on our Gaming & Systems segment.

The record rainfall in the Australian northeastern region in January 2011 and in the surrounding areas of the Mississippi River in the U.S. in May 2011 raised concerns about a delay in transporting equipment for our products. Similar natural disasters could adversely affect the future business results of our Gaming & Systems segment.

Risks Relating to Our Pachislot & Pachinko Machines Segment

Our pachislot and pachinko machines may not pass the testing of the Security Association due to circumstances beyond our control, and as a result, there may be delays in the date of release.

Further, due to the tightening of regulations on the pachinko business and establishment of a period of voluntary ban on replacement by the National Police Agency or the bankruptcy of our suppliers, pachislot and pachinko machines which had passed the Security Association testing, and released or were scheduled for release, may not be able to be sold.

Upon receipt of commission by a prefectural public safety commission, the Security Association conducts a regulatory check as to whether pachislot and pachinko machines fulfill prescribed conditions on the basis of documents submitted by the pachislot and pachinko makers, as well as the practical exam, as described below:

(a) *Pachislot and pachinko machine makers apply for the Security Association examination (application lots are determined by lottery).*

(b) *In case the machines fail to pass 1., applicants must correct the parts which failed the examination, reapply, and upon passing, move on to 3.*

(c) *The machines are inspected by a prefectural public safety commission.*

(d) *The machines are set up in a pachinko hall, and the police ward with jurisdiction over the pachinko hall conducts an inspection.*

(e) *Operation of the machines begins in the hall upon passing the test in 4. above.*

The date of release for a product may be delayed if reapplication becomes necessary in the process of the above procedures due to failure to gain an application lot, changes to the test standards or are tightening of regulations on the industry by the National Police Agency or other similar considerations.

Our pachislot and pachinko machines may be adversely affected because of groups attempting to make money through illicit methods (commonly referred to as goto-shi) in the pachislot and pachinko slot industry.

Our pachislot and pachinko machines may be adversely affected because of groups attempting to make money through illicit methods (commonly referred to as *goto-shi*) in the pachislot and pachinko industries. In the event of such manipulation by *goto-shi*, there may be a decline in sales volume due to the tarnishing of our brand image, and delays in the dates of release due to measures to prevent *goto-shi* manipulation of our other products.

If our sales of pachislot and pachinko machines are below the original plan and the surplus of raw materials has occurred, our results of operations may be affected because loss on disposal of raw materials has occurred.

While focusing on the order trends we have been producing, we are preceding order in stages for the raw materials that require a long period of time in procurement since the permitted term of production is very short. Konami Group has implemented measures of inventory reduction, including the standardization and shorten in procurement period for raw materials. However, if sales of new product are significantly below the original forecast and unable to convert surplus of raw materials effectively to other productions, a large amount of loss on disposal of raw materials may occur, and may affect our operating results.

We may be adversely affected by natural disasters such as the Great East Japan Earthquake during fiscal 2011.

Natural disaster such as the Great East Japan Earthquake may cause postponement of the release of our products, delays in shipment due to the disruption of distribution network, decreases in or cancellation of orders from facilities located in disaster-stricken areas, delays in delivery of parts procured from suppliers in the disaster-stricken areas and related revisions to our production system, as well as increases in procurement costs for parts and delays in procurement caused by increased scarcity of parts and inventory supply shortages in the market. Any of these factors could have an adverse effect on our business.

June 30, 2015

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 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 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 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.