

KONAMI HOLDINGS CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Six Months Ended September 30, 2017

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the six-month period ended September 30, 2017 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI HOLDINGS CORPORATION filed its Quarterly Securities Report for the six-month period ended September 30, 2017 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 13, 2017. The following is the outline of the Quarterly Securities Report.

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1. Quarterly Condensed Consolidated Financial Statements

(1) Quarterly Condensed Consolidated Statement of Financial Position

Millions of Yen

	Note	As of March 31, 2017	As of September 30, 2017
Assets			
Current assets			
Cash and cash equivalents		¥134,743	¥136,947
Trade and other receivables		25,951	29,679
Inventories		7,430	9,807
Income tax receivables		846	893
Other current assets	9	5,978	7,780
Total current assets		174,948	185,106
Non-current assets			
Property, plant and equipment, net		75,598	76,194
Goodwill and intangible assets		34,774	37,920
Investments accounted for using the equity method		2,798	2,859
Other investments	9	1,266	1,254
Other financial assets	9	22,362	21,954
Deferred tax assets		22,335	21,478
Other non-current assets		3,063	2,828
Total non-current assets		162,196	164,487
Total assets		337,144	349,593
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	6,9	10,607	10,631
Other financial liabilities	9	4,007	3,899
Trade and other payables		25,852	26,204
Income tax payables		2,745	3,198
Other current liabilities	5	13,635	18,968
Total current liabilities		56,846	62,900
Non-current liabilities			
Bonds and borrowings	6,9	19,678	14,715
Other financial liabilities	9	14,633	13,702
Provisions		8,106	8,115
Deferred tax liabilities		0	31
Other non-current liabilities		2,689	2,677
Total non-current liabilities		45,106	39,240
Total liabilities		101,952	102,140
Equity			
Share capital		47,399	47,399
Share premium		74,426	74,426
Treasury shares		(21,304)	(21,314)
Other components of equity	7	2,157	2,787
Retained earnings		131,763	143,398
Total equity attributable to owners of the parent		234,441	246,696
Non-controlling interests		751	757
Total equity		235,192	247,453
Total liabilities and equity		¥337,144	¥349,593

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

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

Quarterly Condensed Consolidated Statements of Profit or Loss

Six months ended September 30, 2016 and 2017

Millions of Yen			
	Note	Six months ended September 30, 2016	Six months ended September 30, 2017
Revenue			
Product sales revenue		¥37,093	¥40,606
Service and other revenue		64,308	74,750
Total revenue	4	101,401	115,356
Cost of revenue			
Cost of product sales revenue		(16,928)	(17,598)
Cost of service and other revenue		(44,057)	(49,095)
Total cost of revenue		(60,985)	(66,693)
Gross profit		40,416	48,663
Selling, general and administrative expenses		(20,768)	(23,288)
Other income and other expenses, net	10	(2,608)	(424)
Operating profit		17,040	24,951
Finance income		92	196
Finance costs		(1,032)	(428)
Profit from investments accounted for using the equity method		148	117
Profit before income taxes		16,248	24,836
Income taxes		(4,015)	(7,650)
Profit for the period		12,233	17,186
Profit attributable to:			
Owners of the parent		12,217	17,180
Non-controlling interests		¥16	¥6

Yen			
	Note	Six months ended September 30, 2016	Six months ended September 30, 2017
Earnings per share (attributable to owners of the parent)			
Basic	11	¥90.33	¥127.04
Diluted	11	¥89.02	¥125.12

Three months ended September 30, 2016 and 2017

Millions of Yen			
	Note	Three months ended September 30, 2016	Three months ended September 30, 2017
Revenue			
Product sales revenue		¥19,906	¥22,464
Service and other revenue		32,078	37,149
Total revenue	4	51,984	59,613
Cost of revenue			
Cost of product sales revenue		(9,272)	(10,223)
Cost of service and other revenue		(21,862)	(24,384)
Total cost of revenue		(31,134)	(34,607)
Gross profit		20,850	25,006
Selling, general and administrative expenses		(10,411)	(12,243)
Other income and other expenses, net	10	(2,488)	(8)
Operating profit		7,951	12,755
Finance income		32	116
Finance costs		(292)	(212)
Profit from investments accounted for using the equity method		138	109
Profit before income taxes		7,829	12,768
Income taxes		(1,418)	(4,096)
Profit for the period		6,411	8,672
Profit attributable to:			
Owners of the parent		6,403	8,669
Non-controlling interests		¥8	¥3

Yen			
	Note	Three months ended September 30, 2016	Three months ended September 30, 2017
Earnings per share (attributable to owners of the parent)			
Basic	11	¥47.34	¥64.10
Diluted	11	¥46.65	¥63.13

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

Quarterly Condensed Consolidated Statements of Comprehensive Income
Six months ended September 30, 2016 and 2017

		Millions of Yen	
	Note	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit for the period		¥12,233	¥17,186
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(3,510)	638
Net change in fair values of available-for-sale financial assets		(39)	(8)
Share of other comprehensive income of entity accounted for using the equity method		1	(0)
Total items that may be reclassified to profit or loss		(3,548)	630
Total other comprehensive income		(3,548)	630
Total comprehensive income for the period		8,685	17,816
Comprehensive income attributable to:			
Owners of the parent		8,669	17,810
Non-controlling interests		¥16	¥6

Three months ended September 30, 2016 and 2017

		Millions of Yen	
	Note	Three months ended September 30, 2016	Three months ended September 30, 2017
Profit for the period		¥6,411	¥8,672
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(547)	493
Net change in fair values of available-for-sale financial assets		12	(13)
Share of other comprehensive income of entity accounted for using the equity method		1	(0)
Total items that may be reclassified to profit or loss		(534)	480
Total other comprehensive income		(534)	480
Total comprehensive income for the period		5,877	9,152
Comprehensive income attributable to:			
Owners of the parent		5,869	9,149
Non-controlling interests		¥8	¥3

(3) Quarterly Condensed Consolidated Statement of Changes in Equity

Millions of Yen									
	Note	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2016		¥47,399	¥74,426	¥(21,284)	¥2,407	¥109,802	¥212,750	¥725	¥213,475
Profit for the period						12,217	12,217	16	12,233
Other comprehensive income					(3,548)		(3,548)		(3,548)
Total comprehensive income for the period		-	-	-	(3,548)	12,217	8,669	16	8,685
Purchase of treasury shares				(11)			(11)		(11)
Disposal of treasury shares			0	0			0		0
Dividends	8					(1,691)	(1,691)		(1,691)
Total transactions with the owners		-	0	(11)	-	(1,691)	(1,702)	-	(1,702)
Balance at September 30, 2016		¥47,399	¥74,426	¥(21,295)	¥(1,141)	¥120,328	¥219,717	¥741	¥220,458

Millions of Yen									
	Note	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2017		¥47,399	¥74,426	¥(21,304)	¥2,157	¥131,763	¥234,441	¥751	¥235,192
Profit for the period						17,180	17,180	6	17,186
Other comprehensive income					630		630		630
Total comprehensive income for the period		-	-	-	630	17,180	17,810	6	17,816
Purchase of treasury shares				(10)			(10)		(10)
Disposal of treasury shares			0	0			0		0
Dividends	8					(5,545)	(5,545)		(5,545)
Total transactions with the owners		-	0	(10)	-	(5,545)	(5,555)	-	(5,555)
Balance at September 30, 2017		¥47,399	¥74,426	¥(21,314)	¥2,787	¥143,398	¥246,696	¥757	¥247,453

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

(4) Quarterly Condensed Consolidated Statement of Cash Flows

Millions of Yen			
	Note	Six months ended September 30, 2016	Six months ended September 30, 2017
Operating activities			
Profit for the period		¥12,233	¥17,186
Depreciation and amortization		5,365	5,341
Impairment losses	10	2,219	325
Interest and dividends income		(90)	(90)
Interest expense		478	418
Loss on sale or disposal of property, plant and equipment		59	16
Profit from investments accounted for using the equity method		(148)	(117)
Income taxes		4,015	7,650
Decrease (increase) in trade and other receivables		1,635	(3,399)
Increase in inventories		(2,979)	(2,245)
Decrease in trade and other payables		(956)	(812)
Increase in prepaid expense		(1,459)	(542)
Increase in deferred revenue		4,699	5,325
Other, net		(1,046)	(190)
Interest and dividends received		69	100
Interest paid		(484)	(418)
Income taxes paid		(11,332)	(6,377)
Net cash provided by operating activities		12,278	22,171
Investing activities			
Capital expenditures		(7,340)	(8,493)
Decrease in lease deposits, net		403	607
Decrease (increase) in term deposits, net		143	(1,205)
Other, net		3	7
Net cash used in investing activities		(6,791)	(9,084)
Financing activities			
Decrease in short-term (within 3 months) borrowings, net		-	(1,121)
Proceeds from short-term (more than 3 months) borrowings		8,229	5,623
Repayments of short-term (more than 3 months) borrowings		(8,229)	(4,502)
Redemption of bonds	6	-	(5,000)
Principal payments under capital lease and financing obligations		(1,025)	(901)
Dividends paid	8	(1,688)	(5,536)
Other, net		(11)	(10)
Net cash used in financing activities		(2,724)	(11,447)
Effect of exchange rate changes on cash and cash equivalents		(1,958)	564
Net increase in cash and cash equivalents		805	2,204
Cash and cash equivalents at the beginning of the period		113,907	134,743
Cash and cash equivalents at the end of the period		¥114,712	¥136,947

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

Notes to Quarterly Condensed Consolidated Financial Statements

1. Reporting Entity

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

The accompanying 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 Amusement businesses. The operations of each business segment are presented in Note 4 “Segment Information”.

2. Basis of Preparation

(1) Compliance with IFRS

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

Therefore, the Company prepares such quarterly condensed consolidated financial statements in accordance with IAS 34 “Interim Financial Reporting”. Since the quarterly condensed consolidated financial statements do not contain all the information required in the consolidated financial statements for the fiscal year ended March 31, 2017, it should be read in combination with the annual consolidated financial statements.

(2) Use of estimates and judgments

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

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

Information about estimates and judgments made by management that would have significant effects on the amounts recognized in the quarterly condensed consolidated financial statements is in the same manner of the consolidated financial statements for the fiscal year ended March 31, 2017.

3. Significant Accounting Policies

The Company did not change the significant accounting policies adopted for the quarterly condensed consolidated financial statements from ones to the consolidated financial statements for the fiscal year ended March 31, 2017.

4. Segment Information

Konami Group's reportable segments constitute units of the Konami Group for which separate financial information is available. The Chief Operating Decision Maker regularly conducts deliberations to determine the allocation of management resources and to assess performance of each segment.

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

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

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

a) Digital Entertainment:	Production, manufacture and sale of digital content and related products including mobile games, card games and computer and video games.
b) Health & Fitness:	Operation of health and fitness clubs, and production, manufacture and sale of health and fitness related goods.
c) Gaming & Systems:	Production, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
d) Amusement:	Production, manufacture and sale of arcade games and pachislot and pachinko machines.

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

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

Neither Konami Group nor any of its segments depended on any single customer for more than 10% of Konami Group's revenues for the six months ended September 30, 2017.

(1) Operating segment information

Revenue for the six months ended September 30, 2016 and 2017

	Millions of Yen	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Revenue:		
Digital Entertainment –		
External customers	¥44,869	¥57,373
Intersegment	25	392
Total	¥44,894	¥57,765
Health & Fitness –		
External customers	¥34,859	¥33,009
Intersegment	164	8
Total	¥35,023	¥33,017
Gaming & Systems –		
External customers	¥13,789	¥12,641
Intersegment	-	-
Total	¥13,789	¥12,641
Amusement –		
External customers	¥7,884	¥12,333
Intersegment	54	220
Total	¥7,938	¥12,553
Intersegment eliminations	¥(243)	¥(620)
Consolidated	¥101,401	¥115,356

Revenue for the three months ended September 30, 2016 and 2017

	Millions of Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Revenue:		
Digital Entertainment –		
External customers	¥23,229	¥28,656
Intersegment	12	195
Total	¥23,241	¥28,851
Health & Fitness –		
External customers	¥17,710	¥16,934
Intersegment	83	4
Total	¥17,793	¥16,938
Gaming & Systems –		
External customers	¥7,015	¥6,162
Intersegment	-	-
Total	¥7,015	¥6,162
Amusement –		
External customers	¥4,030	¥7,861
Intersegment	26	83
Total	¥4,056	¥7,944
Intersegment eliminations	¥(121)	¥(282)
Consolidated	¥51,984	¥59,613

Segment profit (loss) for the six months ended September 30, 2016 and 2017

	Millions of Yen	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Segment profit (loss):		
Digital Entertainment	¥15,469	¥19,252
Health & Fitness	2,641	1,814
Gaming & Systems	1,589	1,236
Amusement	1,799	4,613
Total segment profit and loss, net	21,498	26,915
Corporate expenses and eliminations	(1,850)	(1,540)
Other income and other expenses, net	(2,608)	(424)
Finance income and finance costs, net	(940)	(232)
Profit from investments accounted for using the equity method	148	117
Profit before income taxes	¥16,248	¥24,836

Segment profit (loss) for the three months ended September 30, 2016 and 2017

	Millions of Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Segment profit (loss):		
Digital Entertainment	¥7,890	¥8,803
Health & Fitness	1,635	1,236
Gaming & Systems	849	432
Amusement	975	3,003
Total segment profit and loss, net	11,349	13,474
Corporate expenses and eliminations	(910)	(711)
Other income and other expenses, net	(2,488)	(8)
Finance income and finance costs, net	(260)	(96)
Profit from investments accounted for using the equity method	138	109
Profit before income taxes	¥7,829	¥12,768

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

(2) Geographic information

Revenue from external customers for the six months ended September 30, 2016 and 2017

	Millions of Yen	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Revenue:		
Japan	¥76,487	¥90,902
United States	17,151	16,474
Europe	4,404	4,419
Asia/Oceania	3,359	3,561
Consolidated	¥101,401	¥115,356

Revenue from external customers for the three months ended September 30, 2016 and 2017

	Millions of Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Revenue:		
Japan	¥38,967	¥46,781
United States	8,970	8,326
Europe	2,381	2,613
Asia/Oceania	1,666	1,893
Consolidated	¥51,984	¥59,613

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

5. Other Current Liabilities

The following is a breakdown of other current liabilities as of March 31, 2017 and September 30, 2017.

	Millions of Yen	
	As of March 31, 2017	As of September 30, 2017
Deferred revenue	¥6,300	¥11,630
Others	7,335	7,338
Total	¥13,635	¥18,968

6. Bonds

For the six months ended September 30, 2016, there was neither issuance nor redemption of bonds.

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

7. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Six months ended September 30, 2016	Six months ended September 30, 2017
<i>Exchange differences on translation of foreign operations</i>		
Balance at the beginning of the period	¥2,297	¥2,044
Net change during the period	(3,510)	638
Transfer to retained earnings	-	-
Balance at the end of the period	¥(1,213)	¥2,682
<i>Available-for-sale financial assets</i>		
Balance at the beginning of the period	¥110	¥112
Net change during the period	(39)	(8)
Transfer to retained earnings	-	-
Balance at the end of the period	¥71	¥104
<i>Share of other comprehensive income of entity accounted for using the equity method</i>		
Balance at the beginning of the period	¥(0)	¥1
Net change during the period	1	(0)
Transfer to retained earnings	-	-
Balance at the end of the period	¥1	¥1

8. Dividends

The Company paid dividends 12.50 yen per share and the total amount of ¥1,691 million for the six months ended September 30, 2016.

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

The board of directors' meeting held on October 31, 2017 resolved a cash dividend of 30 yen per share and the total amount of ¥4,057 million will be paid for shareholders on record as of September 30, 2017.

9. Fair Value of Financial Instruments

(1) Measuring fair value of financial instruments

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

1. Other financial assets

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

2. Other investments

The fair values of other investments are measured based on quoted market prices in equity markets of identical assets. For unlisted securities, Konami Group determines the fair value based on an approach using observable inputs such as the comparable company's share prices and unobservable inputs.

3. Bonds, borrowings and other financial liabilities

The carrying amounts of financial liabilities with short term maturities approximate their fair value. The fair values of bonds, borrowings and other financial liabilities that do not have short-term maturities are calculated as the value of the total principal and interest, discounted at interest rates that would be applied to new borrowings of Konami Group with similar terms and the same remaining maturity.

(2) Fair value hierarchy

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

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

(3) Fair value of financial instruments

The table is a breakdown of financial instruments showing carrying amounts and fair values as of March 31, 2017 and September 30, 2017.

	Millions of Yen			
	As of March 31, 2017		As of September 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Other financial assets				
Lease deposits	¥22,340	¥22,506	¥21,693	¥21,862
Others	1,331	1,369	1,127	1,164
Other investments				
Securities	1,167	1,167	1,155	1,155
Others	99	99	99	99
Financial liabilities:				
Bonds and borrowings	¥30,285	¥30,001	¥25,346	¥25,071
Other financial liabilities				
Capital lease and financing obligations	16,423	18,275	15,505	17,094
Others	2,217	2,217	2,096	2,096

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

Other investments are categorized in Level 1 and 3.

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

The following is a breakdown of financial assets that are measured at fair value on a recurring basis as of March 31, 2017 and September 30, 2017.

	Millions of Yen			
Balance at March 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Other investments				
Securities	¥554	-	¥613	¥1,167
Others	-	-	99	99
Total	¥554	-	¥712	¥1,266

	Millions of Yen			
Balance at September 30, 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Other investments				
Securities	¥542	-	¥613	¥1,155
Others	-	-	99	99
Total	¥542	-	¥712	¥1,254

Fair values of other investments include marketable securities and unlisted securities. Marketable securities are measured based on quoted market prices on equity markets of identical assets, and classified as Level 1. Fair value of unlisted securities are determined based on an approach using observable inputs such as the comparable company's share prices and unobservable inputs, and are classified as Level 3.

Other investments, which are classified as Level 3, have no significant changes for the six months ended September 30, 2017.

10. Impairment Losses

For the six months ended September 30, 2016, impairment losses of ¥2,219 million was recognized, included in the line item "other income and other expenses, net" in the quarterly condensed consolidated statement of profit or loss.

Mainly due to rapid changes in market structure surrounding the Amusement business such as strengthening the regulations for pachislot and pachinko machines, we determined to reconsider for business plans of the pachislot and pachinko machines' business. As a result, during the three-month period ended September 30,

2016, we recognized impairment losses of ¥2,102 million on intangible assets, including internally generated intangible assets and memberships.

11. Earnings per Share

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the six months ended September 30, 2016 and 2017 is as follows:

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit attributable to owners of the parent	12,217 million yen	17,180 million yen
Adjustments for profit used in the calculation of diluted earnings per share	17 million yen	18 million yen
Profit used in the calculation of diluted earnings per share	12,234 million yen	17,198 million yen
Basic weighted average ordinary shares outstanding	135,239,654 shares	135,235,621 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,197,947 shares	2,215,379 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	137,437,601 shares	137,451,000 shares
Earnings per share attributable to owners of the parent for the period		
Basic	90.33 yen	127.04 yen
Diluted	89.02 yen	125.12 yen

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended September 30, 2016 and 2017 is as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2017
Profit attributable to owners of the parent	6,403 million yen	8,669 million yen
Adjustments for profit used in the calculation of diluted earnings per share	8 million yen	9 million yen
Profit used in the calculation of diluted earnings per share	6,411 million yen	8,678 million yen
Basic weighted average ordinary shares outstanding	135,238,989 shares	135,235,026 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,197,947 shares	2,215,379 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	137,436,936 shares	137,450,405 shares
Earnings per share attributable to owners of the parent for the period		
Basic	47.34 yen	64.10 yen
Diluted	46.65 yen	63.13 yen

12. Subsequent Events

There have been no events after September 30, 2017 that would require adjustments to the quarterly condensed consolidated financial statements or disclosures in the notes to the quarterly condensed consolidated financial statements.

13. Approval of Quarterly Condensed Consolidated Financial Statements

The quarterly condensed consolidated financial statements were approved by Representative Director, President, Takuya Kozuki, on November 9, 2017.

2. Business Review

(1) Business Overview

For the six months ended September 30, 2017, the Japanese economy continues its long-term recovery, with corporate earnings and the labor environment improving. Consumer spending, however, still lacks strength. While Western countries' economies are also gradually recovering, the future remains uncertain because of concerns about political and policy movements and North Korea's actions.

In the entertainment market, game contents continue to diversify along with functional enhancement of various devices, including mobile devices and video game consoles, and development of information and telecommunications infrastructure. In conjunction with the changing times, the preference for enriching daily life through full and abundant experiences in personal spending has been strengthened. In that context, there are high hopes for the game industry to offer new experiences through game content in various ways, including eSports, which are regarded as a form of sports competition and are attracting more and more attention.

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 a preference for sports, health-consciousness and an interest in preventing the need for nursing care in old age. In addition, we are seeing a steady increase in customers engaging in activities to improve their personal appearance and a diversification of related needs and products, including dieting, getting in shape, personal training and studio programs. Markets for household training machines continue to grow since a wide variety of machines were released.

In the gaming industry, as the casino market worldwide continues to see its spread supported by the development and opening of new casino facilities and integrated resorts (IR) including casinos, the gaming market continues to grow further. Furthermore, opportunities in the gaming business are expected to grow, including the legalization of skill factor loading to slot machines in some states in the U.S. This will enable the machines to reflect players' skill levels, as a countermeasure against young people's lack of interest in gaming slot machines.

In spite of a continuously harsh market environment for the arcade game industry, there are signs of recovery in the market, including an increase in users with families at arcade game areas in shopping malls due to an ease in restrictions on the hours minors can be admitted by prefectural enforcement ordinance revisions in accordance with partial revisions to the "Act on Control and Improvement of Amusement Businesses" (Entertainment Business Law) which began to be enforced

from June 2016, as well as the addition of new users led by measures toward revitalizing the industry as a whole.

In the pachislot and pachinko machines' industry, enforcement ordinance revisions to the Entertainment Business Law were issued in September 2017 and will be enforced starting on February 1, 2018. Nevertheless, it is expected that we will adapt quickly to changes and supply new gaming machines in order to revitalize the market.

Under such circumstances, in the Digital Entertainment segment, the mobile games continued to enjoy strong performance, including *JIKKYOU PAWAFURU PUROYAKYU*, *Yu-Gi-Oh! DUEL LINKS*, *PROFESSIONAL BASEBALL SPIRITS A (Ace)* and *Winning Eleven 2017* (known overseas as *PRO EVOLUTION SOCCER 2017*). As for card games, we distributed the *Yu-Gi-Oh! TRADING CARD GAME* series worldwide, and hosted the game's world championship in Japan. Another championship for the mobile game, *Yu-Gi-Oh! DUEL LINKS*, was also held at the same time. This enabled users to have fun through eSports, as well. As for computer and video games, *Winning Eleven 2018* (known overseas as *PRO EVOLUTION SOCCER 2018*) was released and received favorable reviews. In addition, *SUPER BOMBERMAN R* (known overseas as *Super Bomberman R*) and *JIKKYOU PAWAFURU PUROYAKYU 2016* continued to enjoy strong performance.

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 have intended to promote and spread the Konami Sports Club's services supporting the concept of sustainable fitness. As for products related to health and fitness, we began to develop new products with the aim of enhancing its degree of recognition and increasing its market share in the health and fitness equipment market. This market is expanding centered on household machines.

In our Gaming & Systems segment, we have promoted sales of *Concerto*, a key product of the video slot machine series, the long-selling *Podium* series and the *SYNKROS* casino management system mainly in the U.S, Asian and Oceanian markets.

In our Amusement segment, our arcade game titles, *MAH-JONG FIGHT CLUB HG* and the music genre game *NOSTALGIA FORTE* were launched. These titles continued to operate steadily. As for medal game machines, *Anima Lotta: Otogi no Kuni no Anima* continued to enjoy strong performance. As for pachislot and pachinko machines, we launched the latest pachislot machine, *Lucky VEGAS* and *PACHISLOT Akumajou Dracula*. Furthermore, *G1 Derby Club*, which was launched in the previous fiscal year, has continued a top-ranked level of long-term stable operation among the pachislot machine 5.5 units which were adapted to meet new standards and has performed strongly with support by additional orders and favorable market reviews.

In terms of the consolidated results for the six months ended September 30, 2017, total revenue amounted to ¥115,356 million (a year-on-year increase of 13.8%), operating profit was ¥24,951 million (a year-on-year increase of 46.4%), profit before income taxes was ¥24,836 million (a year-on-year increase of 52.9%), and profit attributable to owners of the parent was ¥17,180 million (a year-on-year increase of 40.6%).

(2) Performance by Business Segment

Summary of total revenue by business segment:

Millions of Yen, except percentages			
	Six months ended September 30, 2016	Six months ended September 30, 2017	% change
Total revenue:			
Digital Entertainment	¥44,894	¥57,765	28.7
Health & Fitness	35,023	33,017	(5.7)
Gaming & Systems	13,789	12,641	(8.3)
Amusement	7,938	12,553	58.1
Intersegment eliminations	(243)	(620)	-
Total revenue	¥101,401	¥115,356	13.8

Digital Entertainment

The mobile games continued to receive favorable reviews, including *JIKKYOU PAWAFURU PUROYAKYU* and *PROFESSIONAL BASEBALL SPIRITS A (Ace)*. In addition, titles for global markets, *Yu-Gi-Oh! DUEL LINKS*, *Winning Eleven 2017* (known overseas as *PRO EVOLUTION SOCCER 2017*) and *Winning Eleven CLUB MANAGER* (known overseas as *PES CLUB MANAGER*) continued stable performance.

As for card games, the *Yu-Gi-Oh! TRADING CARD GAME* series continued to develop in the global market. In August 2017, we hosted the world championship in Japan together with that for the mobile game *Yu-Gi-Oh! DUEL LINKS*. By distributing video of the venue worldwide, many customers were able to enjoy this championship. In addition, we continued to work to revitalize the contents, including the release of new cards with additional rules which appeared in the new television animated series in the Western countries as well.

As for computer and video games, we released *Winning Eleven 2018* (known overseas as *PRO EVOLUTION SOCCER 2018*), and it has received favorable reviews. Also, *SUPER BOMBERMAN R* (known overseas as *Super Bomberman R*) and *JIKKYOU PAWAFURU PUROYAKYU 2016* continued perform well. Starting in August 2017, we began hosting nationwide qualifying rounds for the booming “PAWAPURO CHAMPIONSHIPS 2017” eSports tournament, which is officially recognized by the Nippon Professional Baseball Organization (NPB).

In terms of financial performance, total revenue for the six months ended September 30, 2017 in this segment amounted to ¥57,765 million (a year-on-year increase of 28.7%) and segment profit for the six months ended September 30, 2017 amounted to ¥19,252 million (a year-on-year increase of 24.5%).

Health & Fitness

With respect to the management of facilities that we operate directly, we continued to make efforts to develop the services to meet diversifying individual needs. In addition to pricing plans that customers can select based on their frequency of use, we have promoted a per-use plan for customers who are unable to visit facilities regularly. The service developments included improvements to facility settings and drastic replacements of studio programs and training machines. In addition, we re-branded the sports club brand *XAX*, a former pioneer in the sports club industry that was always ahead of the times, and opened *XAX Nishikujo* (Konohana-ku, Osaka prefecture), a compact facility specializing in machines and studios. Furthermore, supported by people's increasing interest in sports in anticipation of 2020, we launched a sport climbing business in the spring of this year. We opened bouldering facilities for sport climbing at Konami Sports Club Kawagoe following that at Konami Sports Club Ikebukuro. As for our fitness program, we revamped our popular dieting program, *BIOMETRICS*, to create a more effective dieting program. We also enabled customers who were not already members of the Konami Sports Club to join the program. For our studio program, we also added new 15-minute classes that made it easier for customers to participate. These measures were to create a service that allowed more people to participate. In addition, we began offering the smartphone application *Konami Sports Club Official App* for the purpose of supporting customers' smart and pleasant fitness lifestyles.

As for products relating to health and fitness, as new additions to the "Konami Sports Club Original" product lineup, we began selling the *Konami Sports Club Yoga Mat*, the *Konami Sports Club Fitness Pole*, and the *Konami Sports Club Body Ball*. We also began distributing how-to-use videos featuring instructors from Konami Sports Club in order to help users use these new products more effectively.

For the six months ended September 30, 2017, sales from this business decreased mainly due to closing of the facilities operated directly. Meanwhile, the segment profit decreased compared with those for the same period of the previous fiscal year because of investments aiming to increase its members, including opening new facilities, renovation of existing ones and promotion to invite new members, despite some recovery in number of members.

In terms of financial performance, total revenue for the six months ended September 30, 2017 in this segment amounted to ¥33,017 million (a year-on-year

decrease of 5.7%) and segment profit for the six months ended September 30, 2017 amounted to ¥1,814 million (a year-on-year decrease of 31.3%).

Gaming & Systems

With respect to our slot machines, we expanded our *Concerto* series in the North American market, including new cabinets of *Concerto Crescent*, which utilizes KONAMI's first curved screen, and *Concerto Stack*, which utilizes a large-scale vertical screen, in order to meet the various demands from players and casino operators. We also focused on sales of the long-selling *Podium* series, which has a richly diverse product lineup and continues to receive favorable reviews in the Central and South American, African and Asian markets. In addition, we expanded our lineup of premium products and game contents which are subject to a participation agreement (in which profits are shared with casino operators), including the *Concerto* series. These premium products raised higher expectations and willingness from players. The *SYNKROS* casino management system performed well, which included the steady introduction into casino facilities in the various states of the U.S, as well as the introduction into large cruise ships in service overseas.

For the six months ended September 30, 2017, total revenue from this segment decreased because number of installation of new slot machines decreased so that opening of new casino facilities were limited and a part of installations of casino management system were postponed in the second half of this fiscal year.

In terms of financial performance, total revenue for the six months ended September 30, 2017 in this segment amounted to ¥12,641 million (a year-on-year decrease of 8.3%) and segment profit for the six months ended September 30, 2017 amounted to ¥1,236 million (a year-on-year decrease of 22.2%).

Amusement

In regards to arcade games, we launched the new cabinet *MAH-JONG FIGHT CLUB HG* to celebrate the 15th anniversary of operation of the online versus mahjong game *MAH-JONG FIGHT CLUB*. The new cabinet provides a comfortable playing environment that allows customers to enjoy playing on large-sized monitors, using devices for USB charging terminals, and new designs that offer more legroom. Because game content was also enriched by the installation of new modes, the new cabinet has received favorable reviews from customers. In terms of music genre games, we launched *NOSTALGIA FORTE*. This game captures the feel and enjoyment of playing the piano. We sought to incorporate these elements in its gameplay and upgraded game content to allow a wide range of customers to have fun. In terms of medal games, the latest title in the *Anima* medal game series, *Anima Lotta: Otogi no*

Kuni no Anima, continues to perform strongly. The *Anima* series is made up of medal games of chance which are played with balls and a roulette. Since its introduction in 2011, its easy-to-learn gameplay has won it high praise and legions of fans both in Japan and overseas. In addition, we started the launch and sequential introduction of the *Thincaterminal* multi-electronic money payment system services for amusement facilities. Through this service, we continue to promote building environments where amusement-facility users can enjoy arcade games more easily to use electronic money that they already have.

As for pachislot and pachinko machines, in addition to the release of the latest pachislot machines, *Lucky Vegas* and *PACHISLOT Akumajou Dracula*, additional orders of *G1 Derby Club* were sold. Launched in the previous fiscal year, this game has players groom and train racehorses based on real horses, and has gained a large following due to its strong gameplay. This machine has continued a top-ranked level of long-term stable operation among the pachislot machine 5.5 units which were adapted to meet new standards and has performed strongly with support by additional orders and favorable market reviews.

In terms of financial performance, total revenue for the six months ended September 30, 2017 in this segment amounted to ¥12,553 million (a year-on-year increase of 58.1%) and segment profit for the six months ended September 30, 2017 amounted to ¥4,613 million (a year-on-year increase of 156.3%).

3. Risk Factors

For the six month period ended September 30, 2017, there is no significant change in risk factors which were described on the Annual Report for the year ended March 31, 2017.

Responsibility Statement

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

Takuya Kozuki, Representative Director, President, confirms that:

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