

# **KONAMI HOLDINGS CORPORATION**

Quarterly Condensed Consolidated Financial Statements  
for the Six Months Ended September 30, 2015

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the six-month period ended September 30, 2015 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, 2015 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 12, 2015. 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, 2015	As of September 30, 2015
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		¥64,654	¥81,015
Trade and other receivables		30,869	40,533
Inventories		12,844	19,701
Income tax receivables		2,055	377
Other current assets	8	5,951	6,926
<b>Total current assets</b>		<b>116,373</b>	<b>148,552</b>
<b>Non-current assets</b>			
Property, plant and equipment, net		79,261	79,706
Goodwill and intangible assets		61,037	60,449
Investments accounted for using the equity method		2,370	2,494
Other investments	8	1,323	1,287
Other financial assets	8	24,257	24,155
Deferred tax assets		23,019	26,438
Other non-current assets		3,952	3,851
<b>Total non-current assets</b>		<b>195,219</b>	<b>198,380</b>
<b>Total assets</b>		<b>311,592</b>	<b>346,932</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bonds and borrowings	8	6,009	6,403
Other financial liabilities	8	4,355	3,996
Trade and other payables		27,717	28,429
Income tax payables		1,248	5,909
Other current liabilities	5	12,270	37,713
<b>Total current liabilities</b>		<b>51,599</b>	<b>82,450</b>
<b>Non-current liabilities</b>			
Bonds and borrowings	8	14,943	14,951
Other financial liabilities	8	18,448	17,612
Deferred tax liabilities		708	740
Other non-current liabilities		7,395	7,175
<b>Total non-current liabilities</b>		<b>41,494</b>	<b>40,478</b>
<b>Total liabilities</b>		<b>93,093</b>	<b>122,928</b>
<b>Equity</b>			
Share capital		47,399	47,399
Share premium		74,175	74,175
Treasury shares		(11,271)	(11,276)
Other components of equity	6	5,012	4,408
Retained earnings		102,474	108,588
Total equity attributable to owners of the parent		217,789	223,294
Non-controlling interests		710	710
<b>Total equity</b>		<b>218,499</b>	<b>224,004</b>
<b>Total liabilities and equity</b>		<b>¥311,592</b>	<b>¥346,932</b>

## (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, 2014 and 2015

		Millions of Yen	
	Note	Six months ended September 30, 2014	Six months ended September 30, 2015
Revenue			
Product sales revenue		¥37,429	¥43,988
Service and other revenue		61,290	63,730
Total revenue		98,719	107,718
Cost of revenue			
Cost of product sales revenue		(22,588)	(24,767)
Cost of service and other revenue		(44,950)	(44,136)
Total cost of revenue		(67,538)	(68,903)
Gross profit		31,181	38,815
Selling, general and administrative expenses		(23,583)	(24,491)
Other income and other expenses, net		(1,120)	(1,880)
Operating profit		6,478	12,444
Finance income		871	132
Finance costs		(564)	(548)
Profit from investments accounted for using the equity method		42	158
Profit before income taxes		6,827	12,186
Income taxes		(2,896)	(4,339)
Profit for the period		3,931	7,847
Profit attributable to:			
Owners of the parent		3,892	7,847
Non-controlling interests		¥39	¥0

		Yen	
	Note	Six months ended September 30, 2014	Six months ended September 30, 2015
Earnings per share (attributable to owners of the parent)			
Basic	9	¥28.08	¥56.61
Diluted		-	-

### Three months ended September 30, 2014 and 2015

Millions of Yen			
	Note	Three months ended September 30, 2014	Three months ended September 30, 2015
Revenue			
Product sales revenue		¥18,735	¥24,476
Service and other revenue		31,378	32,040
Total revenue		50,113	56,516
Cost of revenue			
Cost of product sales revenue		(12,124)	(13,747)
Cost of service and other revenue		(22,396)	(21,946)
Total cost of revenue		(34,520)	(35,693)
Gross profit		15,593	20,823
Selling, general and administrative expenses		(11,686)	(13,327)
Other income and other expenses, net		(901)	(1,536)
Operating profit		3,006	5,960
Finance income		1,150	50
Finance costs		(276)	(840)
Profit from investments accounted for using the equity method		29	154
Profit before income taxes		3,909	5,324
Income taxes		(1,646)	(1,765)
Profit for the period		2,263	3,559
Profit attributable to:			
Owners of the parent		2,245	3,565
Non-controlling interests		¥18	¥(6)

Yen			
	Note	Three months ended September 30, 2014	Three months ended September 30, 2015
Earnings per share (attributable to owners of the parent)			
Basic	9	¥16.20	¥25.72
Diluted		-	-

## Quarterly Condensed Consolidated Statements of Comprehensive Income

### Six months ended September 30, 2014 and 2015

		Millions of Yen	
	Note	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit for the period		¥3,931	¥7,847
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		1,280	(574)
Net change in fair values of available-for-sale financial assets		35	(30)
Total items that may be reclassified to profit or loss		1,315	(604)
Total other comprehensive income		1,315	(604)
<b>Total comprehensive income for the period</b>		5,246	7,243
Comprehensive income attributable to:			
Owners of the parent		5,207	7,243
Non-controlling interests		¥39	¥0

### Three months ended September 30, 2014 and 2015

		Millions of Yen	
	Note	Three months ended September 30, 2014	Three months ended September 30, 2015
Profit for the period		¥2,263	¥3,559
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		1,722	(1,227)
Net change in fair values of available-for-sale financial assets		47	2
Total items that may be reclassified to profit or loss		1,769	(1,225)
Total other comprehensive income		1,769	(1,225)
<b>Total comprehensive income for the period</b>		4,032	2,334
Comprehensive income attributable to:			
Owners of the parent		4,014	2,340
Non-controlling interests		¥18	¥(6)

### (3) Quarterly Condensed Consolidated Statement of Changes in Equity

Millions of Yen									
	Note	Equity attributable to owners of the parent						Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
<b>Balance at April 1, 2014</b>		¥47,399	¥74,175	¥(11,264)	¥1,779	¥96,091	¥208,180	¥659	¥208,839
Profit for the period						3,892	3,892	39	3,931
Other comprehensive income					1,315		1,315		1,315
Total comprehensive income for the period		-	-	-	1,315	3,892	5,207	39	5,246
Purchase of treasury shares				(4)			(4)		(4)
Disposal of treasury shares			0	1			1		1
Dividends	7					(2,356)	(2,356)		(2,356)
Total transactions with the owners		-	0	(3)	-	(2,356)	(2,359)	-	(2,359)
<b>Balance at September 30, 2014</b>		¥47,399	¥74,175	¥(11,267)	¥3,094	¥97,627	¥211,028	¥698	¥211,726

Millions of Yen									
	Note	Equity attributable to owners of the parent						Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
<b>Balance at April 1, 2015</b>		¥47,399	¥74,175	¥(11,271)	¥5,012	¥102,474	¥217,789	¥710	¥218,499
Profit for the period						7,847	7,847	0	7,847
Other comprehensive income					(604)		(604)		(604)
Total comprehensive income for the period		-	-	-	(604)	7,847	7,243	0	7,243
Purchase of treasury shares				(5)			(5)		(5)
Disposal of treasury shares			0	0			0		0
Dividends	7					(1,733)	(1,733)		(1,733)
Total transactions with the owners		-	0	(5)	-	(1,733)	(1,738)	-	(1,738)
<b>Balance at September 30, 2015</b>		¥47,399	¥74,175	¥(11,276)	¥4,408	¥108,588	¥223,294	¥710	¥224,004

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

				Millions of Yen		
		Note	Six months ended September 30, 2014	Six months ended September 30, 2015		
<b><i>Operating activities</i></b>						
Profit for the period			¥3,931		¥7,847	
Depreciation and amortization			8,450		8,736	
Impairment losses			1,036		1,500	
Interest and dividends income			(149)		(127)	
Interest expense			564		480	
Loss on sale or disposal of property, plant and equipment			84		128	
Profit from investments accounted for using the equity method			(42)		(158)	
Income taxes			2,896		4,339	
Decrease (increase) in trade and other receivables			10,326		(9,812)	
Increase in inventories			(1,226)		(6,957)	
Increase (decrease) in trade and other payables			(2,364)		1,798	
Increase in prepaid expense			(546)		(701)	
Increase (decrease) in deferred revenue			(711)		23,577	
Other, net			269		1,763	
Interest and dividends received			168		120	
Interest paid			(555)		(512)	
Income taxes paid			160		(1,437)	
<b><i>Net cash provided by operating activities</i></b>			22,291		30,584	
<b><i>Investing activities</i></b>						
Capital expenditures			(13,698)		(11,466)	
Decrease in lease deposits, net			144		79	
Decrease (increase) in term deposits, net			564		(5)	
Other, net			(99)		1	
<b><i>Net cash used in investing activities</i></b>			(13,089)		(11,391)	
<b><i>Financing activities</i></b>						
Increase (decrease) in short-term borrowings, net			(4,400)		405	
Principal payments under capital lease and financing obligations			(1,069)		(1,075)	
Dividends paid		7	(2,354)		(1,732)	
Other, net			(2)		(4)	
<b><i>Net cash used in financing activities</i></b>			(7,825)		(2,406)	
Effect of exchange rate changes on cash and cash equivalents			219		(426)	
Net increase in cash and cash equivalents			1,596		16,361	
Cash and cash equivalents at the beginning of the period			50,024		64,654	
<b><i>Cash and cash equivalents at the end of the period</i></b>			¥51,620		¥81,015	



# 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 Pachislot & Pachinko Machines businesses. The operations of each business segment are presented in Note 4 “Segment Information”.

In addition, the Company changed its trade name to KONAMI HOLDINGS CORPORATION from KONAMI CORPORATION on October 1, 2015.

## 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” and are 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, 2015, 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, 2015.

### 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, 2015.

### 4. Segment Information

Konami Group's reportable segments are determined based on the operating segments which constitute those units of the Konami Group for which separate financial information is available, and on which 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, computer and video games, arcade games and card games.
b) Health & Fitness:	Operation of health and fitness clubs, and production, manufacture and sale of health and fitness related goods.
c) Gaming & Systems:	Development, manufacture, sale and service of gaming machines and casino management systems for overseas markets.

d) Pachislot & Pachinko Machines:	Production, manufacture and sale of pachislot machines and pachinko machines.
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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.

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, 2015.

## (1) Operating segment information

Revenue for the six months ended September 30, 2014 and 2015

	Millions of Yen	
	Six months ended September 30, 2014	Six months ended September 30, 2015
<b>Revenue:</b>		
Digital Entertainment –		
External customers	¥43,828	¥51,661
Intersegment	165	41
Total	¥43,993	¥51,702
Health & Fitness –		
External customers	¥36,781	¥35,724
Intersegment	178	165
Total	¥36,959	¥35,889
Gaming & Systems –		
External customers	¥13,640	¥14,979
Intersegment	-	-
Total	¥13,640	¥14,979
Pachislot & Pachinko Machines –		
External customers	¥4,470	¥5,354
Intersegment	3	0
Total	¥4,473	¥5,354
Intersegment eliminations and Eliminations	(346)	(206)
Consolidated	¥98,719	¥107,718

Revenue for the three months ended September 30, 2014 and 2015

	Millions of Yen	
	Three months ended September 30, 2014	Three months ended September 30, 2015
<b>Revenue:</b>		
Digital Entertainment –		
External customers	¥23,465	¥27,847
Intersegment	108	26
Total	¥23,573	¥27,873
Health & Fitness –		
External customers	¥18,828	¥18,226
Intersegment	89	79
Total	¥18,917	¥18,305
Gaming & Systems –		
External customers	¥6,823	¥8,150
Intersegment	-	-
Total	¥6,823	¥8,150
Pachislot & Pachinko Machines –		
External customers	¥997	¥2,293
Intersegment	2	0
Total	¥999	¥2,293
Intersegment eliminations and Eliminations	(199)	(105)
Consolidated	¥50,113	¥56,516

Segment profit (loss) for the six months ended September 30, 2014 and 2015

	Millions of Yen	
	Six months ended September 30, 2014	Six months ended September 30, 2015
<b>Segment profit (loss):</b>		
Digital Entertainment	¥7,366	¥12,695
Health & Fitness	833	1,506
Gaming & Systems	2,011	1,732
Pachislot & Pachinko Machines	(829)	247
Total segment profit and loss, net	9,381	16,180
Corporate expenses and eliminations	(1,783)	(1,856)
Other income and other expenses, net	(1,120)	(1,880)
Finance income and finance costs, net	307	(416)
Profit from investments accounted for using the equity method	42	158
Profit before income taxes	¥6,827	¥12,186

Segment profit (loss) for the three months ended September 30, 2014 and 2015

	Millions of Yen	
	Three months ended September 30, 2014	Three months ended September 30, 2015
<b>Segment profit (loss):</b>		
Digital Entertainment	¥3,753	¥6,246
Health & Fitness	632	1,053
Gaming & Systems	735	1,096
Pachislot & Pachinko Machines	(269)	9
Total segment profit and loss, net	4,851	8,404
Corporate expenses and eliminations	(944)	(908)
Other income and other expenses, net	(901)	(1,536)
Finance income and finance costs, net	874	(790)
Profit from investments accounted for using the equity method	29	154
Profit before income taxes	¥3,909	¥5,324

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

**(2) Geographic Information**

Revenue from external customers for the six months ended September 30, 2014 and 2015

	Millions of Yen	
	Six months ended September 30, 2014	Six months ended September 30, 2015
<b>Revenues:</b>		
Japan	¥76,916	¥78,520
United States	15,589	19,715
Europe	2,777	5,564
Asia/Oceania	3,437	3,919
Consolidated	¥98,719	¥107,718

Revenue from external customers for the three months ended September 30, 2014 and 2015

	Millions of Yen	
	Three months ended September 30, 2014	Three months ended September 30, 2015
<b>Revenues:</b>		
Japan	¥39,045	¥39,855
United States	7,850	11,611
Europe	1,459	3,127
Asia/Oceania	1,759	1,923
Consolidated	¥50,113	¥56,516

For the purpose of presenting operations in the geographic areas above, Konami Group attributes revenues from external customers to individual countries in each

area based on where Konami Group sold products or rendered services, and attributes assets based on where assets are located.

## 5. Other current liabilities

The following is a breakdown of other current liabilities as of March 31, 2015 and September 30, 2015.

	Millions of Yen	
	As of March 31, 2015	As of September 30, 2015
Deferred revenue	¥8,004	¥31,469
Others	4,266	6,244
Total	¥12,270	¥37,713

## 6. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Six months ended September 30, 2014	Six months ended September 30, 2015
<b><i>Exchange differences on translation of foreign operations</i></b>		
Balance at the beginning of the period	¥1,704	¥4,873
Net change during the period	1,280	(574)
Transfer to retained earnings	-	-
Balance at the end of the period	¥2,984	¥4,299
<b><i>Available-for-sale financial assets</i></b>		
Balance at the beginning of the period	¥75	¥139
Net change during the period	35	(30)
Transfer to retained earnings	-	-
Balance at the end of the period	¥110	¥109

## 7. Dividends

The Company paid dividends 17 yen per share and the total amount of 2,356 million yen for the six months ended September 30, 2014.

The Company paid dividends 12.50 yen per share and the total amount of 1,733 million yen for the six months ended September 30, 2015.

The board of directors' meeting held on October 30, 2015 resolved a cash dividend of 10.50 yen per share and the total amount of 1,455 million yen will be paid for shareholders on record as of September 30, 2015.

## **8. 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 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 of principal and interest as discounted by 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 of identical assets in equity markets. The fair value of unlisted securities is calculated through valuation techniques using observable inputs such as the comparable company's market prices and unobservable inputs.

#### 3. 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 of principal and interest as discounted by 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 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.

### **(3) Fair value of financial instruments**

The table is a breakdown of financial instruments that are stated in carrying amount and measured at fair value as of March 31, 2015 and September 30, 2015.

	Millions of Yen			
	As of March 31, 2015		As of September 30, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>				
Other financial assets	¥24,611	¥25,477	¥24,592	¥25,358
Other investments	¥1,323	¥1,323	¥1,287	¥1,287
<b>Financial liabilities:</b>				
Bonds and borrowings	¥20,952	¥20,752	¥21,354	¥21,170
Other financial liabilities	¥22,803	¥23,730	21,608	¥22,592

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, 2015 and September 30, 2015.

<b>Balance at March 31, 2015</b>	Millions of Yen			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Other investments	¥606	-	¥717	¥1,323
Total	¥606	-	¥717	¥1,323

<b>Balance at September 30, 2015</b>	Millions of Yen			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Other investments	¥569	-	¥718	¥1,287
Total	¥569	-	¥718	¥1,287

Other investments include marketable equity securities and unlisted securities. Fair values of marketable equity securities are measured based on the quoted market prices of identical assets in equity markets, classified as Level 1. As for unlisted securities, Konami Group determines the fair value based on valuation techniques using observable inputs such as the comparable company's market prices and unobservable inputs, and therefore unlisted securities are classified as Level 3.

There were no significant changes in the nature of Level 3 securities during the period.



## 9. Earnings per Share

The breakdown of the basic net income attributable to owners of the parent per share for the six months ended September 30, 2014 and 2015 is as follows:

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net income attributable to owners of the parent	3,892 million yen	7,847 million yen
Basic weighted average ordinary shares outstanding	138,611,811 shares	138,608,132 shares
Basic earnings per share for the period	28.08 yen	56.61 yen

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

The breakdown of the basic net income attributable to owners of the parent per share for the three months ended September 30, 2014 and 2015 is as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2015
Net income attributable to owners of the parent	2,245 million yen	3,565 million yen
Basic weighted average ordinary shares outstanding	138,611,500 shares	138,607,601 shares
Basic earnings per share for the period	16.20 yen	25.72 yen

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

## 10. Subsequent Events

There have been no events after September 30, 2015 that would require adjustments to the quarterly condensed consolidated financial statements or disclosures in the notes to the quarterly condensed consolidated financial statements.

## 11. Approval of Consolidated Financial Statements

The quarterly consolidated financial statements were approved by Representative Director, President, Takuya Kozuki, on November 10, 2015.

## 2. Business Review

### (1) Business Overview

The business environment surrounding the Konami Group showed signs of gradual recovery, including solid corporate earnings and improvement in employment conditions and personal incomes in Japan. In terms of the global economy, the economic environment for growth remained uncertain due to concerns that a sharp economic slowdown in China may affect foreign economies, including emerging countries, although the U.S. economy continued a steady recovery supported by strong personal consumption owing to lasting improvement in employment conditions. In the entertainment market, along with the rapid spread of smartphones and tablet PCs, which spurred a worldwide increase in users, as well as enhanced device functionality and the development of information and telecommunications infrastructure, game contents continue to diversify. As new video game consoles also continue to spread at a record-setting pace in Western countries, 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. In addition, we released *METAL GEAR SOLID V: THE PHANTOM PAIN*, which is the latest title in the *METAL GEAR* series, and *PES 2016 - Pro Evolution Soccer -*, which is the latest title in the U.S. and Europe of the *Winning Eleven* series, and received favorable reviews.

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 the Konami Sports Club's services supporting the concept of "sustainable fitness."

In our Gaming & Systems segment, sales of the *Podium* video slot machine and the *SYNKROS* casino management system continued to be strong, mainly in the U.S. and Australian markets.

In the Pachislot and Pachinko Machines segment, we released a new pachislot machine, *GUN SWORD*, which is derived from the popular animation series, as well as *SKYGIRLS—Zero, Again*, which is the latest version in the *SKYGIRLS* series with leveraging our original content.

In terms of the consolidated results for the six months ended September 30, 2015, total revenue amounted to ¥107,718 million (a year-on-year increase of 9.1%), operating profit was ¥12,444 million (a year-on-year increase of 92.1%), profit before income taxes was ¥12,186 million (a year-on-year increase of 78.5%), and profit attributable to owners of the parent was ¥7,847 million (a year-on-year increase of 101.6%).

## (2) Performance by Business Segment

Summary of total revenue by business segment:

	Millions of Yen, except percentages		
	Six months ended September 30, 2014	Six months ended September 30, 2015	% change
<b>Total revenue:</b>			
Digital Entertainment	¥43,993	¥51,702	17.5
Health & Fitness	36,959	35,889	(2.9)
Gaming & Systems	13,640	14,979	9.8
Pachislot & Pachinko Machines	4,473	5,354	19.7
Intersegment eliminations	(346)	(206)	-
Total revenue	¥98,719	¥107,718	9.1

### Digital Entertainment

As for mobile games, *JIKKYOU PAWAFURU PUROYAKYU* has surpassed 16 million downloads in the ten months since its distribution started, and contributed to business results. Moreover, we continued to enjoy steady sales, including the *WORLD SOCCER COLLECTION* series, the *CROWS×WORST* series and the *Professional Baseball Dream Nine* series and *Winning Eleven CLUB MANAGER* (known in overseas as *PES CLUB MANAGER*), which is a club management game and the game engine has been optimized for use in a mobile game based on that of *WORLD SOCCER Winning Eleven 2015* (known in the U.S. and Europe as *Pro Evolution Soccer 2015*). In overseas markets, *Star Wars™: Force Collection*, based on the Star Wars™ film series, and *PES COLLECTION* (known in China as *Shikuangjulebu*) continued stable operation.

As for computer and video games, *METAL GEAR SOLID V: THE PHANTOM PAIN*, which is the latest title in the *METAL GEAR* series, was released worldwide in September 2015. In addition, we released *PES 2016 - Pro Evolution Soccer -*, which is the latest title in the *Winning Eleven* series, in North America, Central and South

America, Europe and Asia. This title celebrates the 20th anniversary of its first release with improved controllability and reality.

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. As for family-friendly items, while we released *Matsuri de FEVER!!*, *Monster Retsuden ORECA BATTLE*, which is the kids' card game machine, 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, including the world tournament was held in Kyoto, Japan, in August 2015.

In terms of financial performance, total revenue for the six months ended September 30, 2015 in this segment amounted to ¥51,702 million (a year-on-year increase of 17.5%) and segment profit for the six months ended September 30, 2015 amounted to ¥12,695 million (a year-on-year increase of 72.3%).

## **Health & Fitness**

With respect to the management of facilities that we operate directly, we developed the services, including the addition of a free exercise plan without limitation on frequency of use and discounted ticket books to be sold year-round, as well as we revised pricing plans so that customers can select the pricing plan based on frequency of use. As for our new facilities, we opened the Nasu Highland Golf Club - Konami Sports Club Beginners' Golf Course in August 2015. We intend to widely expand player population by offering a new operation style with over 20 years experience of operation in golf school facilities. In addition, we reopened Grancise Yebisu Garden in September 2015. Consequently, there are now three Grancise facilities, Otemachi, Aoyama and Yebisu, and we continue to provide high-quality, valuable time and atmosphere.

We also renewed the programs in the facilities with our long-term expertise of fitness guidance and effects, including *V-BODY*, a body conditioning program, and *BIOMETRICS*, a dieting program. The personal training programs, which combine training, diet and supplements, are receiving favorable reviews from a wide range of customers, both men and women. At the *OyZ* exercise school program which mainly targets individuals ages 60 and older, we added the new program, "brain activation course," aimed at preventing senile dementia, to the existing national program "strengthening legs and hip course." In addition, we released *LOCOPIN*, an amino acid beverage produced in response to *OyZ* customer feedback and *PROTEIN PRO 10* supports effective body building for women, by ingesting protein immediately after training. This promotion of supplements is intended to have a synergistic effect with programs.

In addition, we have introduced the "Konami Fitness Methods" web video series demonstrating the correct ways to perform various physical activities and condensing it into an easily understandable format as "Konami Methods Matome." The videos feature athletes affiliated with Konami Sports Club Gymnastic Team and Swimming Team, and provide parents ideas for how to stay active with their children. These developments were part of our efforts to make people more and more familiar with exercise, promote parent-child communication and enhance the Konami Sports Club brand power.

For the six months ended September 30, 2015, sales from this business decreased mainly due to the closing of large-scale facilities and a reduction in the number of facilities with management outsourced to Konami Group in the previous fiscal year. On the other hand, expenses were reduced due to improved operational efficiency.

In terms of financial performance, total revenue for the six months ended September 30, 2015 in this segment amounted to ¥35,889 million (a year-on-year decrease of 2.9%) and segment profit for the six months ended September 30, 2015 amounted to 1,506 million (a year-on-year increase of 80.8%).

### **Gaming & Systems**

The North American market environment was in severe conditions due to affected by the entry of European manufacturers and the resulting intensified competition and increasingly prudent investments by casino operators when purchasing machines. On the other hand, we have expanded the category of the *Podium* series video slot machine and accelerated the development of products which precisely meet each market's demands, including a wider offering in the Central and South American and European market. We also expanded our lineup of premium products in which are subject to a participation agreement (in which profits are shared with casino operators). These products raised higher expectations and willingness from players, by introducing products such as *Podium Goliath*, a larger size version of *Podium*, and contributed stable earnings. The *SYNKROS* casino management system was sequentially introduced into multiple states in North America, and enjoyed strong sales.

In the Oceania market, we continued to roll out a richly diverse product lineup, including *Podium Stack* of the *Podium* series. In the Malaysian market and the fastest-growing market of the Philippines, product sales were strong.

In addition, we exhibited our products at the largest gaming expo in Oceania, Australasian Gaming Expo, held in Sydney, Australia, and at the world's largest gaming expo, Global Gaming Expo, held in Las Vegas, U.S. The titles we exhibited include *Concerto*, a next generation machine revealed for the first time, *Podium Monument* in the *Podium* series, and *Frogger*, leveraging our original content. These rich products and new lineup received high acclaim from operators.

For the six months ended September 30, 2015, operating expenses of this segment increased mainly due to increases in product approval fees, product development costs resulting from expansion of the product lineup in the North American and Australian market, and advance investments including development of human resources for enhancement of the maintenance and other services.

In terms of financial performance, total revenue for the six months ended September 30, 2015 in this segment amounted to ¥14,979 million (a year-on-year increase of 9.8%) and segment profit for the six months ended September 30, 2015 amounted to ¥1,732 million (a year-on-year decrease of 13.9%).

### Pachislot & Pachinko Machines

As for pachislot machines, we released *GUN SWORD*, which was derived from the popular animation series. Following the first model adapted to new regulations after the test-methods changed, we released two models. *SKYGIRLS—Zero, Again*, the second pachislot machine version of our original content *SKYGIRLS*, was released in August 2015 and continues to operate steadily on the market with enhanced game properties.

In terms of financial performance, total revenue for the six months ended September 30, 2015 in this segment amounted to ¥5,354 million (a year-on-year increase of 19.7%) and segment profit for the six months ended September 30, 2015 amounted to 247 million (for the six months ended September 30, 2014, segment loss amounted to 829 million).

## (3) Cash Flows

	Millions of Yen		
	Six months ended September 30, 2014	Six months ended September 30, 2015	Change
<b>Cash flow summary:</b>			
Net cash provided by operating activities	¥22,291	¥30,584	¥8,293
Net cash used in investing activities	(13,089)	(11,391)	1,698
Net cash used in financing activities	(7,825)	(2,406)	5,419
Effect of exchange rate changes on cash and cash equivalents	219	(426)	(645)
Net increase in cash and cash equivalents	1,596	16,361	14,765
Cash and cash equivalents at the end of the period	¥51,620	¥81,015	¥29,395

Cash and cash equivalents (hereafter, referred to as “Net cash”), as of September 30, 2015, amounted to ¥81,015 million, an increase of ¥16,361 million compared to the year ended March 31, 2015.

Cash flow summary for each activity for the six months ended September 30, 2015 is as follows:

Cash flows from operating activities:

Net cash provided by operating activities amounted to ¥30,584 million for the six months ended September 30, 2015, a year-on-year increase of 37.2%. This primarily resulted from increases in deferred revenue and trade and other payables, which offset an increase in trade and other receivables.

Cash flows from investing activities:

Net cash used in investing activities amounted to ¥11,391 million for the six months ended September 30, 2015, a year-on-year decrease of 13.0%. This mainly resulted from a decrease in capital expenditures for property, plant and equipment.

Cash flows from financing activities:

Net cash used in financing activities amounted to ¥2,406 million for the six months ended September 30, 2015, a year-on-year decrease of 69.3%. This primarily resulted from a decrease in dividends paid and there has been no repayment of short-term borrowings which had been during the six months ended September 30, 2014.

### **3. Risk Factors**

For the six month period ended September 30, 2015, there is no significant change in risk factors which were described on the Annual Report for the year ended March 31, 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 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.