

**Consolidated Financial Results
for the Three Months Ended June 30, 2016
(Prepared in Accordance with IFRS)**

July 29, 2016

KONAMI HOLDINGS CORPORATION

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 Stock code number, TSE: 9766
 Ticker symbol, LSE: KNM
 URL: <https://www.konami.com/>
 Shares listed: Tokyo Stock Exchange and London Stock Exchange
 Representative: Takuya Kozuki, Representative Director, President
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(Amounts are rounded to the nearest million, except percentages and per share amounts)

1. Consolidated Financial Results for the Three months ended June 30, 2016

(1) Consolidated Results of Operations

| | Revenue | Operating profit | Profit before income taxes | Profit for the period | Profit attributable to owners of the parent | Total comprehensive income for the period |
|----------------------------------|---------|------------------|----------------------------|-----------------------|---|---|
| Three months ended June 30, 2016 | 49,417 | 9,089 | 8,419 | 5,822 | 5,814 | 2,808 |
| % change from previous year | (3.5)% | 40.2% | 22.7% | 35.8% | 35.8% | (42.8)% |
| Three months ended June 30, 2015 | 51,202 | 6,484 | 6,862 | 4,288 | 4,282 | 4,909 |
| % change from previous year | 5.3% | 86.7% | 135.1% | 157.0% | 159.9% | 304.0% |

| | Basic earnings per share (attributable to owners of the parent) (yen) | Diluted earnings per share (attributable to owners of the parent) (yen) |
|----------------------------------|--|--|
| Three months ended June 30, 2016 | 42.99 | 42.37 |
| Three months ended June 30, 2015 | 30.89 | 30.89 |

(2) Consolidated Financial Position (Millions of Yen, except percentages and per share amounts)

| | Total assets | Total equity | Total equity attributable to owners of the parent | Ratio of equity attributable to owners of the parent |
|----------------|--------------|--------------|---|--|
| June 30, 2016 | 315,588 | 214,585 | 213,852 | 67.8% |
| March 31, 2016 | 328,187 | 213,475 | 212,750 | 64.8% |

2. Cash Dividends

| Record Date | Cash dividends per share (yen) | | | | |
|---------------------------------------|--------------------------------|--------------------|-------------------|----------|--------|
| | First quarter end | Second quarter end | Third quarter end | Year end | Annual |
| Year ended March 31, 2016 | - | 10.50 | - | 12.50 | 23.00 |
| Year ending March 31, 2017 | - | | | | |
| Year ending March 31, 2017 -Forecast- | | 17.00 | - | 17.00 | 34.00 |

Note: Recently announced change in dividend forecasts for the fiscal year ending March 31, 2017 during the three months ended June 30, 2016: None

3. Consolidated Earnings Forecast for the Year Ending March 31, 2017

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

| | Revenue | Operating profit | Profit before income taxes | Profit attributable to owners of the parent | Basic earnings per share (attributable to owners of the parent) (yen) |
|-----------------------------|---------|------------------|----------------------------|---|---|
| Year ending March 31, 2017 | 210,000 | 25,000 | 24,000 | 15,000 | 110.91 |
| % change from previous year | (16.0)% | 1.3% | 1.0% | 42.6% | |

Note: Recently announced change in earnings forecasts for the fiscal year ending March 31, 2017 during the three months ended June 30, 2016: None

Noted Items

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

(2) Changes in accounting policies and accounting estimate

1. Changes in accounting policies required by IFRS: No
2. Other changes: No
3. Changes in accounting estimate: No

(3) Number of shares issued (Share capital)

1. Number of shares issued: (Treasury shares included)
 - As of June 30, 2016 143,500,000 shares
 - As of March 31, 2016 143,500,000 shares
2. Number of treasury shares:
 - As of June 30, 2016 8,260,539 shares
 - As of March 31, 2016 8,258,617 shares
3. Average number of shares outstanding:
 - Three months ended June 30, 2016 135,240,272 shares
 - Three months ended June 30, 2015 138,608,645 shares

Information regarding the audit review procedure:

This report is outside the scope of the procedures for review of quarterly consolidated financial statements as required under the Financial Instruments and Exchange Act of Japan. The aforementioned procedures have not been completed for the quarterly financial statements included in this document as of the time of disclosure of this document.

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

Statements made in this document with respect to our current plans, estimates, strategies and beliefs, including the above forecasts, are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of information currently available to it and, therefore, you should not place undue reliance on them. A number of important factors could cause actual results to be materially different from and worse than those discussed in forward-looking statements. Such factors include, but are not limited to: (i) changes in economic conditions affecting our operations; (ii) fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro; (iii) our ability to continue to win acceptance of our products, which are offered in highly competitive markets characterized by the

continuous introduction of new products, rapid developments in technology and subjective and changing consumer preferences; (iv) the timing of the release of new game titles and products, especially game titles and products that are part of historically popular series; (v) our ability to successfully expand internationally with a focus on our Digital Entertainment business and Gaming & Systems business; (vi) our ability to successfully expand the scope of our business and broaden our customer base through our Health & Fitness business; (vii) regulatory developments and changes and our ability to respond and adapt to those changes; (viii) our expectations with regard to further acquisitions and the integration of any companies we may acquire; and (ix) the outcome of existing contingencies.

Please refer to pages 11, 12, 13 and 14 for further information regarding our business forecasts.

The Company disclosed the supplemental data for the consolidated financial statements via the Company's website on July 29, 2016.

1. Business Performance

(1) Analysis of Business Performance

(i) Business Overview

The business environment surrounding the Konami Group in Japan remains weak personal consumption despite solid employment conditions and personal incomes. While the basic conditions of the rising yen and declining stock prices continued since the beginning of 2016 owing to concerns over an economic slowdown in emerging countries and unstable financial markets, the trend sharply accelerated in June, 2016 due to concerns over the U.S. economy and “Brexit,” the vote in the U.K. to leave the European Union (EU). There have been concerns in the global economy regarding the economic environment, with fears of long-term volatility and further global uncertainty owing to Brexit.

In the entertainment market, along with the development of information and telecommunications infrastructure and enhanced various device functionality, including mobile devices and video game consoles, game contents continue to diversify. There are high expectations that, as device markets utilizing virtual reality (VR) grow and become more popular, the game industry will be revitalized and business opportunities will increase. 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, game industry is also placing emphasis on providing opportunities to share experience, such as video distribution services and e-Sports. Points of contact between customers and games are expanding further, and game contents are contributing to the increasing popularity.

In the gaming industry, opportunities of gaming business are expected to grow as the casino market worldwide continues to see the spread supported by development of resources related to tourism and opening new casino facilities.

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 exercise to improve personal appearance, and other diversification of needs. Markets for new household training machines continue to grow. This is because household health and fitness equipment has dropped in price, and because a wide variety of machines were released by primarily overseas manufacturers.

Against this background, in the Digital Entertainment segment of the Konami Group, mobile games, including *JIKKYOU PAWAFURU PUROYAKYU*, the *World*

Soccer Collection series and *PROFESSIONAL BASEBALL SPIRITS A (Ace)*, continued to enjoy steady sales. As for card games, to commemorate the release of the cinematic version of *Yu-Gi-Oh! THE DARK SIDE OF DIMENSIONS*, we produced and sold related merchandise and cooperated in measures related to the film. This received favorable reviews from a lot of users. As for computer and video games, we released *JIKKYOU PAWAFURU PUROYAKYU 2016* and *UEFA EURO 2016/Winning Eleven 2016* (known in overseas as *PES 2016 - Pro Evolution Soccer -*) in April 2016. These titles are available to provide long-term enjoyment through continuing operation.

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 the new cabinet *Concerto* of the video slot machine as well as the *Podium* cabinet series and the *SYNKROS* casino management system mainly in the U.S. and Australian markets.

While business in the pachislot and pachinko machines was conducted in an unusual environment, including the nationwide self-imposed moratorium on replacement of pachislot and pachinko machines due to the impact of the G7 Ise-Shima Summit, *MAGICAL HALLOWEEN 5*, a pachislot machine released in the previous fiscal year, was sold with additional orders. It maintained a top-class level of operation among the pachislot machine market.

In terms of the consolidated results for the three months ended June 30, 2016, total revenue amounted to ¥49,417 million (a year-on-year decrease of 3.5%), operating profit was ¥9,089 million (a year-on-year increase of 40.2%), profit before income taxes was ¥8,419 million (a year-on-year increase of 22.7%), and profit attributable to owners of the parent was ¥5,814 million (a year-on-year increase of 35.8%).

(ii) Performance by Business Segment

Summary of total revenue by business segment:

| | Millions of Yen, except percentages | | |
|-------------------------------|-------------------------------------|-------------------------------------|----------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2016 | % change |
| Total revenue: | | | |
| Digital Entertainment | ¥23,829 | ¥25,162 | 5.6 |
| Health & Fitness | 17,584 | 17,230 | (2.0) |
| Gaming & Systems | 6,829 | 6,774 | (0.8) |
| Pachislot & Pachinko Machines | 3,061 | 360 | (88.2) |
| Intersegment eliminations | (101) | (109) | - |
| Total revenue | ¥51,202 | ¥49,417 | (3.5) |

Digital Entertainment

As for mobile games, *JIKKYOU PAWAFURU PUROYAKYU*, surpassed 25 million downloads, and *PROFESSIONAL BASEBALL SPIRITS A (Ace)*, reproduced the real experience of a professional baseball game with top-quality graphics, continue to be available to provide long-term enjoyment. Moreover, the *WORLD SOCCER COLLECTION* series and the *Professional Baseball Dream Nine* series are enjoying strong performance. In overseas markets, *Star Wars™: Force Collection* and *Winning Eleven CLUB MANAGER* (known in overseas as *PES CLUB MANAGER*) continued stable operation.

In regards to arcade games, our e-AMUSEMENT Participation system titles, centered on *MAH-JONG FIGHT CLUB ZERO* and music genre games, continued to operate steadily. As for the online match quiz game *Quiz Magic Academy Tokyo Grimoire*, QMA JAPAN TOUR 2016 was held in June 2016. This tour was to determine the best player of the video game in Japan. We have given official certification to a variety of competitions that in the past were held individually at amusement facilities nationwide. Combining this with proactive support for such official matches, we will work to raise the motivation of customers to play.

As for card games, the *Yu-Gi-Oh! TRADING CARD GAME* series continued to develop in the global market. In Japan in particular, to commemorate the release of the cinematic version of *Yu-Gi-Oh! THE DARK SIDE OF DIMENSIONS*, we produced and sold related merchandise and cooperated in measures related to the film. This continues to receive favorable reviews from many customers. In addition, qualifying rounds of the annual tournament for the *Yu-Gi-Oh! TRADING CARD GAME* are gaining in excitement in each country, with an eye toward participation in the global tournament, "Yu-Gi-Oh! World Championship 2016," to be held in the U.S in August 2016.

As for computer and video games, we released *JIKKYOU PAWAFURU PUROYAKYU 2016* in April 2016, a long-awaited the latest title in the series, as well as started the simultaneous distribution of *JIKKYOU PAWAFURU PUROYAKYU SUCCESS*

SPECIAL, an online-only title that is free of charge for basic functionality. Also, we released *UEFA EURO 2016/Winning Eleven 2016* (known in overseas as *PES 2016 - Pro Evolution Soccer -*) in April 2016, featuring UEFA EURO 2016, one of the pinnacles of soccer competition worldwide, with national soccer teams representing Europe's various countries and regions competing.

In terms of financial performance, total revenue for the three months ended June 30, 2016 in this segment amounted to ¥25,162 million (a year-on-year increase of 5.6%) and segment profit for the three months ended June 30, 2016 amounted to ¥8,661 million (a year-on-year increase of 34.3%).

Health & Fitness

With respect to the management of facilities that we operate directly, we developed 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, regardless of whether they are individual or corporate customers. At some facilities, new swimming and gymnastics school programs were also launched and additional classes were scheduled on weekend, which are in high demand. In addition, the "Konami Method Matome" web video series that has been shown since last year has received favorable reviews. "Konami Method Matome" series features athletes affiliated with the Konami Sports Club Gymnastics and Swimming Teams and introduces correct ways to perform and practice physical activities. This led to increases in new members of swimming and gymnastics school programs and trial participants, as we worked to show the fun of exercise to more people and reach a wider range of customers. In June 2016, web video commercials featuring Kohei Uchimura and Ryohei Kato of the Konami Sports Club Gymnastics Team were released on the Company's website and electronic advertisement in trains. This measure promoted acquisition of new members, increased value of the KONAMI brand, and broader recognition of the Konami Sports Club.

In regard to the management of sports club facilities, we commenced management of 29 facilities outsourced to the Konami Group during this first quarter, as we utilize our expertise in operations and guidance that we have developed to enhance health promotion in local communities through management of commissioned facilities.

As for products relating to health and fitness, a revamped product was released, which updated part of the design and specifications of the home fitness bike *S-BODY*.

For the three months ended June 30, 2016, sales from this business decreased mainly due to the previous fiscal year closing of facilities operated directly. On the other hand, expenses were reduced due to improved operational efficiency.

In terms of financial performance, total revenue for the three months ended June 30, 2016 in this segment amounted to ¥17,230 million (a year-on-year decrease of 2.0%) and segment profit for the three months ended June 30, 2016 amounted to 1,006 million (a year-on-year increase of 122.0%).

Gaming & Systems

The North American market environment saw harsh conditions due to the entry of European manufacturers and the resulting intensified competition, and increasingly prudent investments by casino operators when purchasing machines. On the other hand, the *Podium* series, including the *Concerto* new cabinet for video slot machine, continued to have strong sales. We also committed a wider offering in the Central and South American and European markets. In addition, we expanded our lineup of premium products 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, which was introduced into casinos in multiple states in North America, enjoyed strong sales. The system was steadily introduced at facilities not only on land, but also in large cruise ships in service overseas.

In the Asian and Oceanian market, we developed a richly diverse product lineup, including the new cabinet *Concerto* and the *Podium* series. The products enjoyed strong sales in Asian market, especially in the Philippines.

In addition, we conducted the first reference exhibit of *Fortune Cup*, a horserace betting station with a model track at the largest gaming expo in the Asia, Global Gaming Expo Asia, held in Macau. We also exhibited *Brothers of Fortune* and *Rapid Revolver* with featuring vertically-mounted mechanical drums on the top box. The rich and diverse lineup for the Asian market received considerable attention from visitors.

For the three months ended June 30, 2016, although this business was strong mainly in the North American market, sales decreased due to the effect of exchange rate changes by the rising yen.

In terms of financial performance, total revenue for the three months ended June 30, 2016 in this segment amounted to ¥6,774 million (a year-on-year decrease of 0.8%) and segment profit for the three months ended June 30, 2016 amounted to ¥740 million (a year-on-year increase of 16.3%).

Pachislot & Pachinko Machines

During the first quarter, business in the pachislot and pachinko machines industry was conducted in an unusual environment, including the nationwide self-imposed

moratorium on replacement of pachislot and pachinko machines over a period of one month in May 2016 due to the impact of the G7 Ise-Shima Summit. Against this background, *MAGICAL HALLOWEEN 5*, a pachislot machine released in the previous fiscal year, was sold with additional orders. In the previous fiscal year, it maintained a top-class level of operation among the pachislot machines adapted to new standards after the test methods changed.

Meanwhile, sales in the first quarter were limited because new product releases for this fiscal year are mainly scheduled for the third quarter or later.

In terms of financial performance, total revenue for the three months ended June 30, 2016 in this segment amounted to ¥360 million (a year-on-year decrease of 88.2%) and segment loss for the three months ended June 30, 2016 amounted to 258 million (for the three months ended June 30, 2015, segment profit amounted to 238 million).

(2) Consolidated Financial Position

(i) Total Assets, Total Liabilities and Total equity

Total Assets:

Total assets amounted to ¥315,588 million as of June 30, 2016, decreasing by ¥12,599 million compared with March 31, 2016. This mainly resulted from decreases in cash and cash equivalents and trade and other receivables.

Total Liabilities:

Total liabilities amounted to ¥101,003 million as of June 30, 2016, decreasing by ¥13,709 million compared with March 31, 2016. This primarily resulted from decreases in trade and other payables and income tax payables.

Total Equity:

Total equity amounted to ¥214,585 million as of June 30, 2016, increasing by ¥1,110 million compared with March 31, 2016. This mainly resulted from a decrease in other components of equity including foreign currency translation adjustments, which offset an increase in retained earnings due to recognition of profit for the period.

Total equity attributable to owners of the parent was 67.8%, increasing by 3.0 points compared with March 31, 2016.

(ii) Cash Flows

| | Millions of Yen | | |
|--|-------------------------------------|-------------------------------------|-----------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2016 | Change |
| Cash flow summary: | | | |
| Net cash provided by operating activities | ¥13,422 | ¥2,086 | ¥(11,336) |
| Net cash used in investing activities | (4,897) | (3,273) | 1,624 |
| Net cash used in financing activities | (2,257) | (2,178) | 79 |
| Effect of exchange rate changes on cash and cash equivalents | 130 | (1,700) | (1,830) |
| Net increase (decrease) in cash and cash equivalents | 6,398 | (5,065) | (11,463) |
| Cash and cash equivalents at the end of the period | ¥71,052 | ¥108,842 | ¥37,790 |

Cash and cash equivalents (hereafter, referred to as “Net cash”), as of June 30, 2016, amounted to ¥108,842 million, a decrease of ¥5,065 million compared to the year ended March 31, 2016.

Cash flow summary for each activity for the three months ended June 30, 2016 is as follows:

Cash flows from operating activities:

Net cash provided by operating activities amounted to ¥2,086 million for the three months ended June 30, 2016, a year-on-year decrease of 84.5%. This primarily resulted from an increase in income tax paid, which offset an increase in deferred revenue.

Cash flows from investing activities:

Net cash used in investing activities amounted to ¥3,273 million for the three months ended June 30, 2016, a year-on-year decrease of 33.2%. 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 ¥2,178 million for the three months ended June 30, 2016, a year-on-year decrease of 3.5%. This primarily resulted from decreases in principal payments under capital lease and financing obligations and dividends paid.

(3) Outlook for the Fiscal Year Ending March 31, 2017

Digital Entertainment

With the spread of smartphones and tablet PCs worldwide, the available means of providing games continue to diversify, and opportunities to reach an even greater audience for games are increasing. Against this background, we intend to develop ways of playing games that match the characteristics of each device.

As for mobile games, the total number of registered users of all contents we developed continues to increase steadily. *JIKKYOU PAWAFURU PUROYAKYU*, surpassed 25 million downloads, and *Winning Eleven CLUB MANAGER* (known in overseas as *PES CLUB MANAGER*), being distributed worldwide, are expected to continue to contribute toward our earnings. We are further focusing our managerial resources on the development of content that we believe will become major hits in order to produce more hit content, especially in the native application market. Looking ahead, we will continue to expand our lineup, utilizing previously established production and operational expertise and rich content resources. In addition, we are currently preparing the new titles *JIKKYOU POWERFUL SOCCER* and *Yu-Gi-Oh! DUEL LINKS*.

As for arcade games, Konami Group intends to work to revitalize the amusement arcade industry by providing new entertainment that can be enjoyed only at an amusement facility through “interpersonal communication” using the e-AMUSEMENT system. This will involve promoting the continual development of equipment compatible with the PASELI e-money service and e-AMUSEMENT Participation, as well as enhancements to and the expansion of various services. We also continue to promote medal games that are enjoyed by wide range of users including the release of *TwinkleDrop JUKE!*, additional lineup of the single medal *FEATURE Premium* series, and *Frozen Tower*.

As for card games, we will continue aggressive promotion of various measures for the *Yu-Gi-Oh! TRADING CARD GAME* series, to provide the enjoyment to players, not only in Japan, but in various regions of the world, with this year marking the twentieth anniversary of the start of the *Yu-Gi-Oh!* manga series.

As for computer and video games, we released *Yu-Gi-Oh! Duel Monsters: Saikyo Card Battle!* for free download in July 2016. This is intended to introduce the *Yu-Gi-Oh! TRADING CARD GAME* series to beginners, to provide them with opportunities to experience the fun and increase the number of players. In September 2016, we also intend global introduction of *Winning Eleven 2017* (known in overseas as *PES 2017 - Pro Evolution Soccer -*), the latest title the *Winning Eleven* series (known in overseas as the *Pro Evolution Soccer* series). The game mode *myClub*, adopted for the *Winning Eleven* series, is expected to provide a sustained enjoyment to our customers. As we continue to move with the times and take on new challenges, we aim to create and provide “Valuable Time” to

customers, including through the production of new games that utilize virtual reality (VR) and the serious development of e-Sports.

Health & Fitness

In our Health and Fitness business, we will continue striving to accurately grasp the needs of our increasingly diverse customer base and to increase the value of Konami Sports Clubs by offering a new lifestyle. We will strive to revitalize business by showing the appeal not only of payment plans based on customers' selected frequency of use of Konami Sports Clubs, but also continue to provide an abundant lineup of programs for pay-as-you-go members, provide programs suited to the purpose of exercise, and provide services that support customers' "sustainable fitness."

As Japan's population continues to age, the government continues to take measures to combat lifestyle diseases and also develop new plans for boosting sports clubs and other aspects of the healthy prolonged life industry as part of the governmental growth strategy. As part of an integrated approach from national and private organizations, we intend to continue to promote fitness club operation, and intend to develop and market health and fitness equipment. The aim of these efforts is to enhance customer satisfaction for a variety of users with diverse lifestyles and age ranges as the leading company in the health and fitness industry.

In regard to the management of sports club facilities, we commenced new franchise facilities in Amakusa City, Kumamoto prefecture, in July 2016. By leveraging our expertise in operations and guidance for not only our directly operated facilities, but also franchise facilities and those outsourced to us, we intend to continue taking full advantage of our strengths as one of the largest operators of a large number of sports facilities in Japan.

In addition, six athletes affiliated with the Konami Sports Club Gymnastics and Swimming Teams participate as representatives of Japan in this August's Rio de Janeiro Olympics. We look forward to their success, and will strive to increase recognition of the KONAMI brand and the Konami Sports Club.

As for health and fitness related products, the home fitness bike *AEROBIKE* products and various new products are to be released. We intend to promote these to members of our sports clubs and the general public through e-commerce site and new sales channels, as well as improve brand value and expand our market share. We also intend to distinguish ourselves through coordinated product development with facilities.

Gaming & Systems

In regard to slot machine sales, especially focusing on the new *Concerto* cabinet for video slot machine, which has received positive reviews, we will promote various

product expansions of the *Podium* series, including *Podium Monument*, *Podium Stack* and *Rapid Revolver*, to develop our rich product lineup and strengthen sales. We will also promote participation agreements by addressing the needs of casino operators and continuing to expand our product lineup in order to stabilize our operational results by increasing periodical income.

We introduced the *SYNKROS* casino management system and its many functions at various trade shows and business conferences, including demonstrations of *True-Time Tournaments*, those features allow casino operators to configure on-demand slot tournaments, and *SYNKiosk*. They received positive reviews from major operators. Looking ahead, we intend to actively pursue the distribution and make efforts to enhance product strength while developing new product features.

Pachislot & Pachinko Machines

In the Pachislot & Pachinko Machines business, we intend to release new pachislot machines, *SEVEN'S BEAT*, in collaboration with *beatmania*, a music genre game from the Konami Group, and *METAL GEAR SOLID SNAKE EATER*, which was derived from the ultra large-scale video game title *METAL GEAR series* (surpassed 49.2 million copies sold worldwide as of end of March 2016). This is the first model loaded on the next-generation cabinet *BIGBOSS*, featuring the industry's first full-HD surface 32-inch LCD, and equipped with a 124 GB large-capacity ROM for the LCD.

Although it is expected that the pachislot and pachinko machine market may continue to face challenging conditions due to a decrease in the number of customers and strengthening of the self-restrictions promulgated by pachislot and pachinko machine manufacturers' unions and other factors, we intend to stabilize profitability in the business to boost our market presence by working integrally with production, manufacture and sales.

To achieve a higher rate of operation, we intend to develop our products with added value that is available only from the Konami Group through incorporating anticipated user demands into product development and leveraging Konami Group's original contents, including accumulated expertise in the Digital Entertainment business. We also intend to continue providing the familiar pachislot and pachinko machines that have been cherished and enjoyed for many years. As for manufacturing, we continue to develop a production system that can increase production volume in accordance with market demand, as well as promote cost reduction and quality enhancement.

In sales activities, we will strive to maximize sales volume by deepening further our cooperation with sales agents and building a stronger sales base through KPE-TAKASAGO Sales Co., Ltd.

Projected consolidated results for the fiscal year ending March 31, 2017 are as follows: total revenue of ¥210,000 million; operating profit of ¥25,000 million; profit before income tax of ¥24,000 million; and profit attributable to owners of the parent of ¥15,000 million. Thus, there is no change from the forecast figures released in the “Consolidated Financial Results for the Year Ended March 31, 2016” dated May 10, 2016.

KONAMI, as a business affected by “hit” products, requires flexibility in how its products are released and is subject to fluctuations in sales throughout the course of the fiscal year. For this reason, projected consolidated results for the half year are not disclosed.

We will continue to elaborate on the disclosure for the quarterly financial results.

Special Note:

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

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

2. Other

(1) Changes in significant consolidated subsidiaries during the period (status changes of subsidiaries due to changes in the scope of consolidation):

None

(2) Changes in accounting principles, procedures and reporting policies:

None

3. Quarterly Condensed Consolidated Financial Statements

(1) Quarterly Condensed Consolidated Statement of Financial Position

| | Millions of Yen | |
|---|-------------------------|------------------------|
| | As of March 31, 2016 | As of June 30, 2016 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | ¥113,907 | ¥108,842 |
| Trade and other receivables | 23,401 | 16,996 |
| Inventories | 9,170 | 8,420 |
| Income tax receivables | 2,139 | 3,870 |
| Other current assets | 5,618 | 5,853 |
| Total current assets | 154,235 | 143,981 |
| Non-current assets | | |
| Property, plant and equipment, net | 80,264 | 78,501 |
| Goodwill and intangible assets | 39,470 | 40,756 |
| Investments accounted for using the equity method | 2,585 | 2,540 |
| Other investments | 1,268 | 1,191 |
| Other financial assets | 24,123 | 23,836 |
| Deferred tax assets | 22,651 | 21,348 |
| Other non-current assets | 3,591 | 3,435 |
| Total non-current assets | 173,952 | 171,607 |
| Total assets | 328,187 | 315,588 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Bonds and borrowings | 9,014 | 8,233 |
| Other financial liabilities | 4,126 | 4,041 |
| Trade and other payables | 24,757 | 19,212 |
| Income tax payables | 9,261 | 637 |
| Other current liabilities | 14,335 | 16,141 |
| Total current liabilities | 61,493 | 48,264 |
| Non-current liabilities | | |
| Bonds and borrowings | 24,606 | 24,624 |
| Other financial liabilities | 16,459 | 16,049 |
| Provisions | 8,679 | 8,682 |
| Deferred tax liabilities | 280 | 272 |
| Other non-current liabilities | 3,195 | 3,112 |
| Total non-current liabilities | 53,219 | 52,739 |
| Total liabilities | 114,712 | 101,003 |
| Equity | | |
| Share capital | 47,399 | 47,399 |
| Share premium | 74,426 | 74,426 |
| Treasury shares | (21,284) | (21,291) |
| Other components of equity | 2,407 | (607) |
| Retained earnings | 109,802 | 113,925 |
| Total equity attributable to owners of the parent | 212,750 | 213,852 |
| Non-controlling interests | 725 | 733 |
| Total equity | 213,475 | 214,585 |
| Total liabilities and equity | ¥328,187 | ¥315,588 |

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

Quarterly Condensed Consolidated Statements of Profit or Loss

| | Millions of Yen | |
|---|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2016 |
| Revenue | | |
| Product sales revenue | ¥19,512 | ¥17,187 |
| Service and other revenue | 31,690 | 32,230 |
| Total revenue | 51,202 | 49,417 |
| Cost of revenue | | |
| Cost of product sales revenue | (11,020) | (7,656) |
| Cost of service and other revenue | (22,190) | (22,195) |
| Total cost of revenue | (33,210) | (29,851) |
| Gross profit | 17,992 | 19,566 |
| Selling, general and administrative expenses | (11,164) | (10,357) |
| Other income and other expenses, net | (344) | (120) |
| Operating profit | 6,484 | 9,089 |
| Finance income | 617 | 60 |
| Finance costs | (243) | (740) |
| Profit from investments accounted for using the equity method | 4 | 10 |
| Profit before income taxes | 6,862 | 8,419 |
| Income taxes | (2,574) | (2,597) |
| Profit for the period | 4,288 | 5,822 |
| Profit attributable to: | | |
| Owners of the parent | 4,282 | 5,814 |
| Non-controlling interests | ¥6 | ¥8 |

| | Yen | |
|---|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2016 |
| Earnings per share (attributable to owners of the parent) | | |
| Basic | ¥30.89 | ¥42.99 |
| Diluted | ¥30.89 | ¥42.37 |

Quarterly Condensed Consolidated Statement of Comprehensive Income

| | Millions of Yen | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2016 |
| Profit for the period | ¥4,288 | ¥5,822 |
| Other comprehensive income | | |
| Items that may be reclassified to profit or loss: | | |
| Exchange differences on foreign operations | 653 | (2,963) |
| Net change in fair values of available-for-sale financial assets | (32) | (51) |
| Total items that may be reclassified to profit or loss | 621 | (3,014) |
| Total other comprehensive income | 621 | (3,014) |
| <i>Total comprehensive income for the period</i> | 4,909 | 2,808 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 4,903 | 2,800 |
| Non-controlling interests | ¥6 | ¥8 |

(3) Quarterly Condensed Consolidated Statement of Changes in Equity

Millions of Yen

| | 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 | | |
| Balance at April 1, 2015 | ¥47,399 | ¥74,175 | ¥(11,271) | ¥5,012 | ¥102,474 | ¥217,789 | ¥710 | ¥218,499 |
| Profit for the period | | | | | 4,282 | 4,282 | 6 | 4,288 |
| Other comprehensive income | | | | 621 | | 621 | | 621 |
| Total comprehensive income for the period | - | - | - | 621 | 4,282 | 4,903 | 6 | 4,909 |
| Purchase of treasury shares | | | (2) | | | (2) | | (2) |
| Dividends | | | | | (1,733) | (1,733) | | (1,733) |
| Total transactions with the owners | - | - | (2) | - | (1,733) | (1,735) | - | (1,735) |
| Balance at June 30, 2015 | ¥47,399 | ¥74,175 | ¥(11,273) | ¥5,633 | ¥105,023 | ¥220,957 | ¥716 | ¥221,673 |

Millions of Yen

| | 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 | | |
| Balance at April 1, 2016 | ¥47,399 | ¥74,426 | ¥(21,284) | ¥2,407 | ¥109,802 | ¥212,750 | ¥725 | ¥213,475 |
| Profit for the period | | | | | 5,814 | 5,814 | 8 | 5,822 |
| Other comprehensive income | | | | (3,014) | | (3,014) | | (3,014) |
| Total comprehensive income for the period | - | - | - | (3,014) | 5,814 | 2,800 | 8 | 2,808 |
| Purchase of treasury shares | | | (7) | | | (7) | | (7) |
| Dividends | | | | | (1,691) | (1,691) | | (1,691) |
| Total transactions with the owners | - | - | (7) | - | (1,691) | (1,698) | | (1,698) |
| Balance at June 30, 2016 | ¥47,399 | ¥74,426 | ¥(21,291) | ¥(607) | ¥113,925 | ¥213,852 | ¥733 | ¥214,585 |

(4) Quarterly Condensed Consolidated Statement of Cash Flows

| | Millions of Yen | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2016 |
| <i>Operating activities</i> | | |
| Profit for the period | ¥4,288 | ¥5,822 |
| Depreciation and amortization | 3,307 | 2,665 |
| Impairment losses | 83 | 115 |
| Interest and dividends income | (80) | (59) |
| Interest expense | 244 | 242 |
| Loss on sale or disposal of property, plant and equipment | 18 | 5 |
| Profit from investments accounted for using the equity method | (4) | (10) |
| Income taxes | 2,574 | 2,597 |
| Decrease in trade and other receivables | 9,572 | 5,801 |
| Decrease in inventories | 652 | 274 |
| Decrease in trade and other payables | (3,226) | (4,505) |
| Increase in prepaid expense | (942) | (992) |
| (Decrease) increase in deferred revenue | (1,661) | 1,762 |
| Other, net | 472 | (40) |
| Interest and dividends received | 88 | 37 |
| Interest paid | (239) | (225) |
| Income taxes paid | (1,724) | (11,403) |
| <i>Net cash provided by operating activities</i> | 13,422 | 2,086 |
| <i>Investing activities</i> | | |
| Capital expenditures | (4,951) | (3,455) |
| Decrease in lease deposits, net | 61 | 38 |
| (Increase) decrease in term deposits, net | (5) | 143 |
| Other, net | (2) | 1 |
| <i>Net cash used in investing activities</i> | (4,897) | (3,273) |
| <i>Financing activities</i> | | |
| Principal payments under capital lease and financing obligations | (544) | (496) |
| Dividends paid | (1,711) | (1,674) |
| Other, net | (2) | (8) |
| <i>Net cash used in financing activities</i> | (2,257) | (2,178) |
| Effect of exchange rate changes on cash and cash equivalents | 130 | (1,700) |
| Net increase (decrease) in cash and cash equivalents | 6,398 | (5,065) |
| Cash and cash equivalents at the beginning of the period | 64,654 | 113,907 |
| <i>Cash and cash equivalents at the end of the period</i> | ¥71,052 | ¥108,842 |

(5) Going concern assumption

None

(6) Significant changes in the equity attributable to owners of the parent

None

(7) Segment Information

(i) Operating segment information

| | Millions of Yen | |
|---|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2016 |
| Revenue: | | |
| Digital Entertainment – | | |
| External customers | ¥23,814 | ¥25,140 |
| Intersegment | 15 | 22 |
| Total | ¥23,829 | ¥25,162 |
| Health & Fitness – | | |
| External customers | ¥17,498 | ¥17,149 |
| Intersegment | 86 | 81 |
| Total | ¥17,584 | ¥17,230 |
| Gaming & Systems – | | |
| External customers | ¥6,829 | ¥6,774 |
| Intersegment | - | - |
| Total | ¥6,829 | ¥6,774 |
| Pachislot & Pachinko Machines – | | |
| External customers | ¥3,061 | ¥354 |
| Intersegment | 0 | 6 |
| Total | ¥3,061 | ¥360 |
| Intersegment eliminations and Eliminations | ¥(101) | ¥(109) |
| Consolidated | ¥51,202 | ¥49,417 |

| | Millions of Yen | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2016 |
| Segment profit (loss): | | |
| Digital Entertainment | ¥6,449 | ¥8,661 |
| Health & Fitness | 453 | 1,006 |
| Gaming & Systems | 636 | 740 |
| Pachislot & Pachinko Machines | 238 | (258) |
| Total segment profit and loss, net | 7,776 | 10,149 |
| Corporate expenses and eliminations | (948) | (940) |
| Other income and other expenses, net | (344) | (120) |
| Finance income and finance costs, net | 374 | (680) |
| Profit from investments accounted for using the equity method | 4 | 10 |
| Profit before income taxes | ¥6,862 | ¥8,419 |

(Notes)

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

| | |
|-----------------------------------|---|
| a) Digital Entertainment: | Production, manufacture and sale of digital content and related products including mobile games, arcade 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) Pachislot & Pachinko Machines: | Production, manufacture and sale of pachislot machines and pachinko machines. |

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

5. Other income and other expenses, net include impairment losses on property, plant and equipment and goodwill and intangible assets and profit or loss of sales and disposal on property, plant and equipment.

(ii) Geographic Information

Revenue from external customers

| | Millions of Yen | |
|------------------|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2016 |
| Revenues: | | |
| Japan | ¥38,665 | ¥37,520 |
| United States | 8,104 | 8,181 |
| Europe | 2,437 | 2,023 |
| Asia/Oceania | 1,996 | 1,693 |
| Consolidated | ¥51,202 | ¥49,417 |

(Note)

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