

**Consolidated Financial Results**  
**for the Year Ended March 31, 2015**  
**(Prepared in Accordance with U.S. GAAP)**

May 8, 2015

**KONAMI CORPORATION**

Address: 7-2, Akasaka 9-chome, Minato-ku, Tokyo, Japan  
 Stock code number, TSE: 9766  
 Ticker symbol, NYSE: KNM  
 URL: <http://www.konami.co.jp/en>  
 Shares listed: Tokyo Stock Exchange and London Stock Exchange  
 Representative: Takuya Kozuki, Representative Director, President  
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 (Phone: +81-3-5771-0222)  
 Date of General Shareholders Meeting: June 26, 2015  
 Date of dividend payment: June 5, 2015  
 Adoption of U.S. GAAP: Yes

(Amounts are rounded to the nearest million)

**1. Consolidated Financial Results for the Year Ended March 31, 2015**

**(1) Consolidated Results of Operations**

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

	Net revenues	Operating income	Income before income taxes and equity in net income of affiliated company	Net income attributable to KONAMI CORPORATION
Year ended March 31, 2015	218,157	14,451	15,947	9,479
% change from previous year	0.3%	87.8%	72.8%	147.3%
Year ended March 31, 2014	217,595	7,696	9,228	3,834
% change from previous year	(3.7)%	(64.8)%	(57.9)%	(70.9)%

Note: Comprehensive income attributable to KONAMI CORPORATION

Year ended March 31, 2015: ¥12,719 million a year-on-year increase of 129.4%

Year ended March 31, 2014: ¥5,544 million a year-on-year decrease of 67.2%

	Basic net income attributable to KONAMI CORPORATION per share (yen)	Diluted net income attributable to KONAMI CORPORATION per share (yen)	Return on stockholders' equity attributable to KONAMI CORPORATION	Ratio of income before income taxes to total assets	Ratio of operating income to net revenues
Year ended March 31, 2015	68.38	68.38	4.1%	4.9%	6.6%
Year ended March 31, 2014	27.66	27.66	1.7%	2.9%	3.5%

Reference: Equity in net income of affiliated company

Year ended March 31, 2015: ¥154 million

Year ended March 31, 2014: ¥22 million

**(2) Consolidated Financial Position**

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

	Total assets	Total equity	KONAMI CORPORATION stockholders' equity	KONAMI CORPORATION stockholders' equity ratio	KONAMI CORPORATION stockholders' equity per share (yen)
March 31, 2015	329,760	235,020	234,310	71.1%	1,690.44
March 31, 2014	320,251	225,792	225,133	70.3%	1,624.19

**(3) Consolidated Cash Flows**

(Millions of Yen)

	Net cash provided by (used in)			Cash and cash equivalents at end of year
	Operating activities	Investing activities	Financing activities	
Year ended March 31, 2015	30,022	(9,263)	(6,807)	64,654
Year ended March 31, 2014	9,027	(26,734)	3,448	50,024

**2. Cash Dividends**

Record Date	Cash dividends per share (yen)					Total cash dividends (annual)	Payout ratio (consolidated)	Cash dividend rate for stockholders' equity (consolidated)
	First quarter end	Second quarter end	Third quarter end	Year end	Annual			
Year ended March 31, 2014	-	17.00	-	17.00	34.00	¥4,713 million	122.9%	2.1%
Year ended March 31, 2015	-	8.50	-	12.50	21.00	¥2,912 million	30.7%	1.3%
Year ending March 31, 2016 -Forecast-	-	10.50	-	10.50	21.00		30.6%	

**3. Consolidated Earnings Forecast for the Year Ending March 31, 2016**

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

	Revenue	Operating profit	Profit before income tax	Profit attributable to owners of the parent	Basic earnings per share from profit for the year (yen)
Year ending March 31, 2016	228,000	17,000	16,000	9,500	68.54
% change from previous year	4.5%	17.6%	0.3%	0.2%	

**4. 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 for consolidated financial statements
1. Changes accompanying amendment of accounting standard: None
  2. Other: None

**(3) Number of shares issued (Common Stock)**

## 1. Number of shares issued: (Treasury stock included)

Year ended March 31, 2015	143,500,000 shares
Year ended March 31, 2014	143,500,000 shares

## 2. Number of Treasury Stock:

Year ended March 31, 2015	4,890,951 shares
Year ended March 31, 2014	4,887,679 shares

## 3. Average number of shares outstanding:

Year ended March 31, 2015	138,610,956 shares
Year ended March 31, 2014	138,614,929 shares

**(Reference) Summary of Non-consolidated Financial Results****1. Results for the Year Ended March 31, 2015****(1) Non-consolidated Results of Operations**

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

	Operating revenues	Operating income	Ordinary income	Net income
Year ended March 31, 2015	14,560	9,792	11,951	11,259
% change from previous year	(9.0) %	(10.2) %	(4.6) %	(7.5) %
Year ended March 31, 2014	15,995	10,905	12,534	12,170
% change from previous year	(43.8) %	(51.5) %	(47.7) %	(49.1) %

	Basic net income per share (yen)	Diluted net income per share (yen)
Year ended March 31, 2015	81.23	-
Year ended March 31, 2014	87.80	-

**(2) Non-consolidated Financial Position**

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

	Total assets	Total net assets	Equity ratio	Net assets per share
March 31, 2015	242,053	207,051	85.5%	1,493.78
March 31, 2014	222,893	199,293	89.4%	1,437.77

Reference:	Total Stockholders' equity	
	Year ended March 31, 2015:	¥207,051 million
	Year ended March 31, 2014:	¥199,293 million

***Information Regarding the Audit Review Procedures:***

This report is outside the scope of the procedures for audit of consolidated financial statements as required under the Financial Instruments and Exchange Act of Japan. The aforementioned procedures have not been completed 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 9, 10 and 11 for further information regarding our business forecasts.

The Company disclosed the supplemental data for the consolidated financial statements via the Company's website on May 8, 2015.

# 1. Business Performance

## 1. Analysis of Business Performance

### (1) Business Overview

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

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

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

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

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

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

In the Pachislot and Pachinko Machines segment, we released 5 new pachislot machines, including *MAH-JONG FIGHT CLUB*, *Dororon Enma-kun Meeramera*, and *SENGOKU COLLECTION 2*, each of which has continued to operate steadily at pachinko parlors. We also released the first pachinko machine

developed by the Konami Group, *CR PACHINKO MAGICAL HALLOWEEN*, which was converted from our popular original series of pachislot machines, *MAGICAL HALLOWEEN*.

In terms of the consolidated results for the year ended March 31, 2015, net revenues amounted to ¥218,157 million (a year-on-year increase of 0.3%), operating income was ¥14,451 million (a year-on-year increase of 87.8%), income before income taxes and equity in net income of affiliated company was ¥15,947 million (a year-on-year increase of 72.8%), and net income attributable to KONAMI CORPORATION was ¥9,479 million (a year-on-year increase of 147.3%).

## (2) Performance by Business Segment

Summary of net revenues by business segment:

	Millions of Yen except percentages		
	Year ended March 31, 2014	Year ended March 31, 2015	% change
Digital Entertainment	¥104,335	¥96,975	(7.1)
Health & Fitness	76,511	73,340	(4.1)
Gaming & Systems	31,600	33,825	7.0
Pachislot & Pachinko Machines	5,788	14,691	153.8
Eliminations	(639)	(674)	5.5
Consolidated net revenues	¥217,595	¥218,157	0.3

### Digital Entertainment

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

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

In regards to arcade games, our e-AMUSEMENT Participation system titles, centered on *MAH-JONG FIGHT CLUB* and music genre games, continued to operate steadily. Meanwhile, *Disney TSUM TSUM*, a smartphone application converted into an arcade game, received favorable reviews. The kids' card game

machine, *Monster Retsuden ORECA BATTLE*, continued to be extremely popular, especially among elementary school age boys.

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

In terms of financial performance, consolidated net revenues for the year ended March 31, 2015 in this segment amounted to ¥96,975 million (a year-on-year decrease of 7.1%) and consolidated operating income the year ended March 31, 2015 in this segment amounted to ¥13,272 million (a year-on-year increase of 13.1%).

### ***Health & Fitness***

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

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

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

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

In terms of financial performance, consolidated net revenues for the year ended March 31, 2015 in this segment amounted to ¥73,340 million (a year-on-year decrease of 4.1%) and consolidated operating loss for the year ended March 31, 2015 in this segment amounted to 913 million (a year-on-year decrease of 77.3%) mainly due to a recognition of impairment charges for property and equipment, and other intangible assets.

### ***Gaming & Systems***

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

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

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

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

In terms of financial performance, consolidated net revenues for the year ended March 31, 2015 in this segment amounted to ¥33,825 million (a year-on-year increase of 7.0%) and consolidated operating income for the year ended March 31, 2015 in this segment amounted to 6,329 million (a year-on-year decrease of 13.6%).

### ***Pachislot & Pachinko Machines***

We placed 5 new pachislot machines on the market for the fiscal year ended March 31, 2015. We released *MAH-JONG FIGHT CLUB*, which integrated the online mah-jong games operating with favorable reviews at amusement arcades and the features of pachislot machines. This received a favorable reception from users and business operators. Against the backdrop of solid operation, sales volume has increased, including *Senritsu no Stratus*, which was next introduced, and a product utilizing original content from the Konami



Group, *Dororon Enma-kun Meeramera*, which was derived from the popular animation series, and *SENGOKU COLLECTION 2*, which was the latest title converted from our popular original series of mobile games. These developments have spurred a recovery trend in our business performance.

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

In terms of financial performance, consolidated net revenues for the year ended March 31, 2015 in this segment amounted to ¥14,691 million (a year-on-year increase of 153.8%) and consolidated operating income for the year ended March 31, 2015 in this segment amounted to 322 million (for the year ended March 31, 2014, consolidated operating loss amounted to 1,911 million).

### ***(3) Outlook for the Fiscal Year Ending March 31, 2015***

#### ***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 our content continues to increase steadily. The smartphone version of the game *JIKKYOU PAWAFURU PUROYAKYU* was downloaded 8 million times. The number of downloads of this game continues to increase and is expected to contribute toward our profits. 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. We also intend to develop more content for new platforms overseas, not only for the U.S. and European markets but also for Asian markets. We also plan to enhance new releases with attractive content by creating synergies with our established content.

As for computer and video games, we are working toward inclusion of a sustained operation game mode that utilizes the operational expertise of mobile games, while also continuing global introduction of titles that have been carefully chosen according to selection and concentration. Further, the new game mode *myClub*, which has been newly adopted for *WORLD SOCCER Winning Eleven 2015* (known in the U.S. and Europe as *Pro Evolution Soccer 2015*), is expected to provide a sustained contribution to our profits from online payments. In addition, the upcoming September 2015 release of *METAL GEAR SOLID V: THE PHANTOM PAIN*, which is the latest title in the *METAL GEAR* series and one of the Konami Group's leading products, has garnered great response from home and abroad.

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. We intend to propose innovative services that will lead the industry. 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.

As for card games, we will continue the global development of the *Yu-Gi-Oh! TRADING CARD GAME* series.

### ***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 continue to support each customer by offering services that provide the exercises best suited to each individual's lifestyle, centered around the theme of "sustainable fitness" as well as "pricing plans based on the frequency of use" that enable customers to select a plan based on the number of times they use Konami Sports Club.

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 health and fitness equipment development and marketing. 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 facilities outsourced to the Konami Group, we commenced management of 8 facilities in April, 2015. By leveraging our expertise in operation and guidance established in our direct operating facilities, we intend to continue taking full advantage of the strengths as one of the largest operators running a large number of sports facilities in Japan. Through exercise activities, we intend to contribute as a "Total Health Partner" to the promotion of our customers' health: helping our customers maintain and enhance their health in diverse settings. We also intend to establish ourselves as the most reliable partner for all of our customers in relation to every aspect of their health and bodies.

### ***Gaming & Systems***

In regard to slot machine sales, we will promote the strengthening of sales together with product expansion, focusing on the *Podium* series of video slot machines, including *Podium Monument*, which has received positive reviews, and slot machines mounted with *KP3*, our newest software-controlled platform and one capable of rendering high-resolution 3D graphics in real-time. We also intend to stabilize our operational results by increasing periodical income through the expansion of participation agreements as part of our strategy of profit sharing with operators and adequately responding to the market, as well as enhance sales and address the needs of casino operators by expanding our product lineup, including *Podium Goliath*, a larger size version of *Podium*. In the Asian, Central and South American and European markets, we plan to continue to develop sales by adapting to local needs.

The *SYNKROS* casino management system, including *True-Time Tournaments* whose features allow casino operators to configure on-demand slot tournaments, has received positive reviews from major operators at

various trade shows and business conferences. Looking ahead, we intend to actively pursue sales of *SYNKROS* in other markets and make efforts to enhance product strength while developing new product features.

### ***Pachislot & Pachinko Machines***

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 ensure the profitability of the business to boost our market presence by working in unity with production, manufacturing and sales.

For the purpose of achieving a higher rate of operation, we intend to develop our products with added value that is available only from the Konami Group, including leveraging the Group's accumulated expertise in the Digital Entertainment business and incorporating anticipated needs of users into product development. 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 thorough KPE-TAKASAGO Sales Co., Ltd.

Projected consolidated results for the fiscal year ending March 31, 2016 are as follows: revenue of ¥228,000 million; operating profit of ¥17,000 million; profit before income tax of ¥16,000 million; and profit attributable to owners of the parent of ¥9,500 million.

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.

## 2. Consolidated Financial Position

### *(1) Total Assets, Total Liabilities and Total KONAMI CORPORATION Stockholders' Equity*

#### Total Assets:

Total assets amounted to ¥329,760 million as of March 31, 2015, increasing by ¥9,509 million compared with March 31, 2014. This increase mainly resulted from increases in cash and cash equivalents and inventories despite a decrease in deferred income taxes, net and the recognition of impairment charges for identifiable intangible assets and others.

#### Total Liabilities:

Total liabilities amounted to ¥94,740 million as of March 31, 2015, increasing by ¥281 million compared with March 31, 2014. This increase primarily resulted from increases in deferred revenue and accrued income taxes despite a decrease in capital lease and financing obligations.

#### Total KONAMI CORPORATION Stockholders' Equity:

Total KONAMI CORPORATION stockholders' equity amounted to ¥234,310 million as of March 31, 2015, increasing by ¥9,177 million compared with March 31, 2014. This increase mainly resulted from a recognition of net income and an increase in accumulated other comprehensive income (loss) including foreign currency translation adjustments. KONAMI CORPORATION stockholders' equity ratio was 71.1%, increasing by 0.8 points compared with March 31, 2014.

### *(2) Cash Flows*

	Millions of Yen		
	Year ended March 31, 2014	Year ended March 31, 2015	Change
Net cash provided by operating activities	¥9,027	¥30,022	¥20,995
Net cash used in investing activities	(26,734)	(9,263)	17,471
Net cash provided by and used in financing activities	3,448	(6,807)	(10,255)
Effect of exchange rate changes on cash and cash equivalents	614	678	64
Net increase and decrease in cash and cash equivalents	(13,645)	14,630	28,275
Cash and cash equivalents, end of year	¥50,024	¥64,654	¥14,630

Cash and cash equivalents (hereafter, referred to as “Net cash”), for the year ended March 31, 2015, amounted to ¥64,654 million, an increase of ¥14,630 million compared to the year ended March 31, 2014, and a year-on-year increase of 29.2%.

Cash flow summary for each activity for the year ended March 31, 2015 is as follows:

Cash flows from operating activities:

Net cash provided by operating activities amounted to ¥30,022 million for the year ended March 31, 2015, a year-on-year increase of 232.6%. This primarily resulted from a decrease in the amount of income tax paid and recognition of net income.

Cash flows from investing activities:

Net cash used in investing activities amounted to ¥9,263 million for the year ended March 31, 2015, a year-on-year decrease of 65.4%. This mainly resulted from a decrease in capital expenditures for property and equipment.

Cash flows from financing activities:

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

The trends of cash flow index are as follows:

	Year ended March 31, 2014	Year ended March 31, 2015
Equity-assets ratio (%)	70.3	71.1
Equity-assets ratio at fair value (%)	103.2	94.6
Liabilities to cash flow ratio (years)	4.9	1.4
Interest coverage ratio (times)	7.6	29.2

Equity-assets ratio: Total stockholders' equity / Total assets

Equity-assets ratio at fair value: Total stockholders' equity at fair value / Total assets

Liabilities to cash flow ratio: Interest-bearing liabilities / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest expense

Notes:

1. Each index is calculated from figures prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).
2. Cash flows from operating activities derive from our consolidated cash flow statement.
3. Interest-bearing debt covers all liabilities with interest in our consolidated balance sheet.

### ***(3) Basic Policy on the Distribution of Profits***

Konami Group believes that the provision of dividends and the enhancement of corporate value are important ways to return profits to our shareholders. It is our policy to emphasize payment of dividends as a target of a consolidated payout ratio of more than 30% and to use retained earnings for investments focused on business fields with good future prospects in order to continually reinforce Konami Group's growth potential and competitiveness.

The term-end dividends for the consolidated year ended March 31, 2015 will be 12.50 yen per share as we

have announced. As a result, the dividends on an annual basis will be 21 yen per share, including a distributed interim dividend of 8.50 yen per share.

KONAMI CORPORATION intends to distribute dividends of 21 yen per share for the fiscal year ending March 31, 2016.

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. Organizational Structure of the Konami Group

The Konami Group is a corporate group engaged in the entertainment and health fitness industries providing customers with “High Quality Life.” The Konami Group is comprised of KONAMI CORPORATION (“the Company”) and its 21 consolidated subsidiaries and one equity-method affiliate.

The summary overview of the Company, the consolidated subsidiaries and the equity-method affiliate and the business segment in which they operate are as follows.

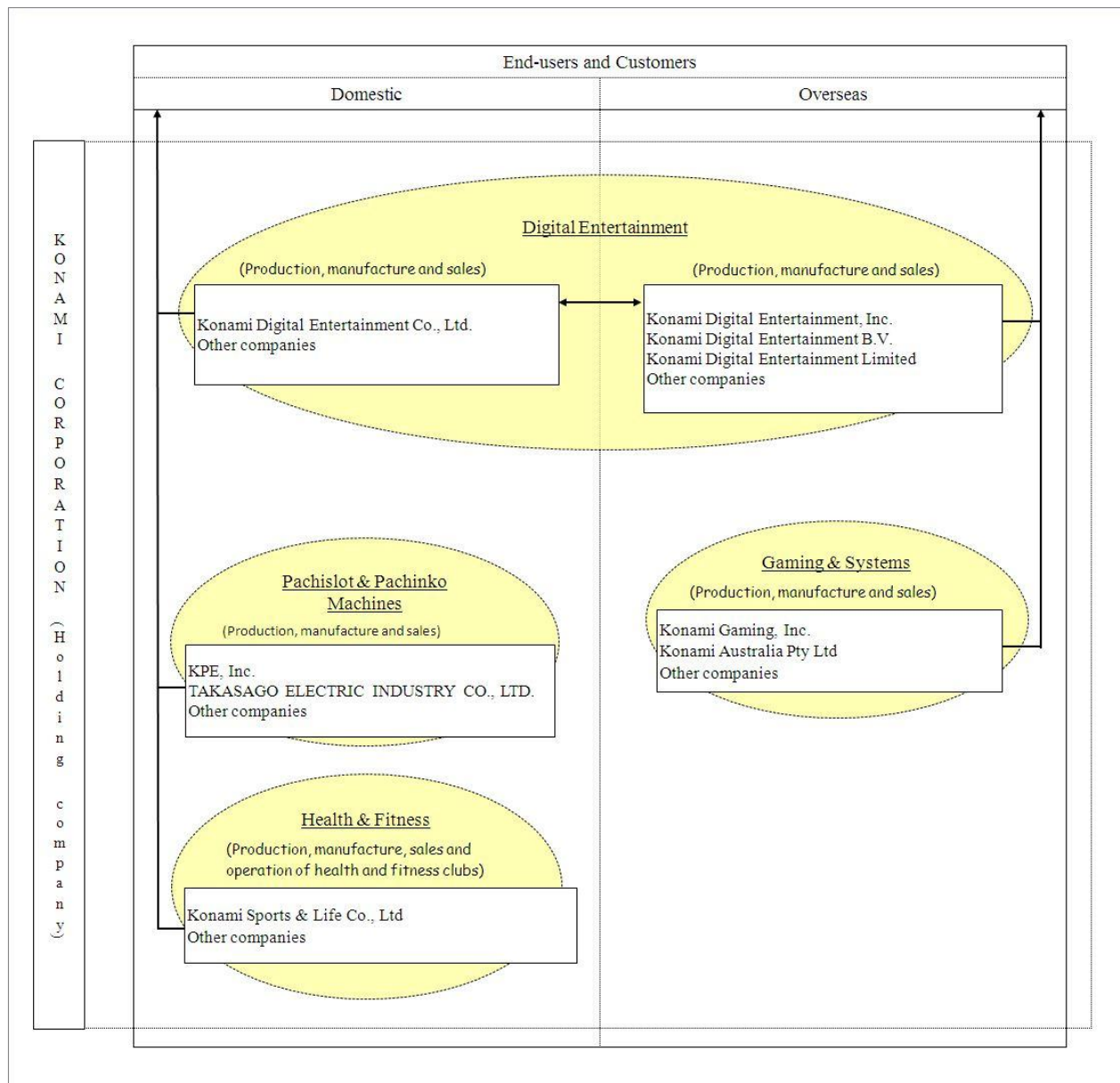
The four business segments shown below are based on the same categorization as described below in “6. Segment Information” under “5. Consolidated Financial Statements”.

<b>Business Segments</b>	<b>Major Companies</b>	
<b>Digital Entertainment</b>	Domestic	Konami Digital Entertainment Co., Ltd. (Note 2) Other companies
	Overseas	Konami Digital Entertainment, Inc. Konami Digital Entertainment B.V. Konami Digital Entertainment Limited Other companies
<b>Health &amp; Fitness</b>	Domestic	Konami Sports & Life Co., Ltd. Resort Solution Co., Ltd. (Note 3) Other companies
<b>Gaming &amp; Systems</b>	Overseas	Konami Gaming, Inc. Konami Australia Pty Ltd. Other companies
<b>Pachislot &amp; Pachinko Machines</b>	Domestic	KPE, Inc. Takasago Electric Industry Co., Ltd. Other companies

Notes:

1. Major companies that have operations in more than one business segment are included in each segment in which they operate.
2. Konami Digital Entertainment Co., Ltd. merged with Konami Manufacturing & Service, Inc. in April 2014.
3. Resort Solution Co., Ltd. is an equity-method affiliate.

# Business Organization





## 3. Management Policy

### 1. Management Policy

We, the Konami Group, are aiming to be a business group that is always highly regarded by all people, by creating and providing them with “Valuable Time.” Furthermore, our basic management policy is to “value shareholders” and to “maintain sound relationships with all stakeholders, including our shareholders, and contribute to society as a good corporate citizen.” We aim for the optimum use of the group's managerial resources with the following as specific guiding principles for management: to “follow global standards,” “engage in fair competition” and “pursue high profits.”

To “value shareholders,” our basic policy is to emphasize payment of dividends as a target for more than 30% in the consolidated payout ratio and enhance our corporate value to return profits to our shareholders. It is also our policy to focus the investment of retained earnings after dividends in highly promising fields so that we may increase corporate value and enlarge resources for the payment of dividends in the future.

To “maintain sound relationships with all stakeholders, including our shareholders, and contribute to society as a good corporate citizen,” we focus on maintaining sound relationships with shareholders, investors, customers, business partners, employees and society as a whole, as well as carrying out support activities in a wide range of fields including education, sports and culture. In accordance with such basic policies, Konami Group will continue to seek to deliver dreams and excitement to people around the world by creating and providing “Valuable Time.”

### 2. Profit Appropriation Policy

Konami Group aims to continually enhance profitability through the improvement of operational efficiency. Emphasis is placed on three managerial indexes: the ratio of operating income to net sales, the ratio of net income to net sales and return on equity.

## 3. Medium- to Long-term Corporate Strategies and Objectives

### ***Build a powerful organization that can respond to rapid changes in the global economy***

While the structure of the global economy is shifting away from China and other emerging countries as the leaders, and a global economy in which the prices of crude oil and other resources continue to increase, and returning to one in which the U.S. takes the leading role, it can be said that there is a gradual trend toward recovery, despite the presence of various risks. The business environment surrounding our businesses – Digital Entertainment, Health & Fitness, Gaming & Systems and Pachislot & Pachinko Machines – requires the ability to adapt to changes in consumer confidence and consumer behavior resulting from national economic trends. On the other hand, progress has been made in developing a network environment in the business environment in which we operate. In the process, users have begun sharing a variety of information, and communities are starting to emerge, each with distinct tastes.

Konami Group has a holding company structure so that it may respond appropriately to this rapidly changing market environment and evolve into a flexible and sustainable entity. As such, there is now a clear separation between the management of the Konami Group and the execution of duties for each business segment. This is to enable on-target response to the needs of each market and changes of users as well as promote the agile development of each business. We also intend to promote the competitiveness and the sustainable growth of each group company. We believe that this will allow the Konami Group as a whole to make a leap forward.

### ***Enhance profitability and channel managerial resources to growth areas***

In the Digital Entertainment segment, with the spread of smartphones and tablet PCs worldwide and the development of an online environment, we expect to increase size of the population of users who seek new modes of play that emphasize network connectivity. The needs of such users are expected to become increasingly diverse. Given that we expect such diversity and globalization to be sought by users, Konami Group intends to channel appropriate managerial resources to respond in a selective and focused manner.

In the Health & Fitness segment, against the backdrop of higher health consciousness and an increase in people with more leisure time due to the retirement of baby boomers, it is anticipated that health consciousness will become even higher in the future while preferences and lifestyles will diversify. In order to achieve further growth, we will take proactive steps to create value-added Konami Sports Clubs that meet the diversifying consumer needs and offer a new lifestyle. We are promoting a new corporate vision, “Total Health Partner,” with the aim of establishing ourselves as a leading provider of new health-themed services, not only providing places for exercise but also becoming the most reliable provider of a wide range of health and body services for all of our customers, from children to senior citizens.

In the Gaming & Systems segment, as for the casino market where Konami Group operates, the legalization of gambling is progressing in various countries and regions around the world, and the number of casinos is increasing each year. Business opportunities are continuously increasing for Konami Group, which manufactures and markets slot machines and offers participation agreements and the casino management system that secure stable revenues for Konami Group. We will endeavor to expand our business in the future with strategic alliances with other companies.

In the Pachislot & Pachinko Machines segment, Konami Group will strive to increase its market share by providing products leveraging the Group’s extensive entertainment expertise in step with market developments such as changes in how games are played and user preferences.

Konami Group plans to allocate appropriate managerial resources not only to the existing Digital Entertainment, Health & Fitness, Gaming & Systems, and Pachislot & Pachinko Machines but also to new business fields where growth is anticipated in the medium to long-term.

## **4. Basic Policy for Adopting Accounting Standards**

The Company has expanded its operations globally with a focus on the Digital Entertainment and Gaming & Systems businesses. As we have already announced, the Company's delisting from the New York Stock Exchange became effective, and it has submitted to the Securities and Exchange Commission a request to have its registration terminated.

In light of this situation, starting from the Company's annual report filed under the Financial Instruments and Exchange Law of Japan for the fiscal year ending March 31, 2015, the Company will prepare and disclose its consolidated financial statements in accordance with International Financial Reporting Standards, instead of U.S. GAAP, in order to contribute to improve of international comparability for financial information.

## 5. Consolidated Financial Statements

### 1. Consolidated Balance Sheets (Unaudited)

	Millions of Yen			
	March 31, 2014		March 31, 2015	
		%		%
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	¥50,024		¥64,654	
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥469 million at March 31, 2014 and ¥227 million at March 31, 2015	29,069		30,878	
Inventories	30,229		32,847	
Deferred income taxes, net	18,773		14,755	
Prepaid expenses and other current assets	11,563		7,839	
Total current assets	139,658	43.6	150,973	45.8
PROPERTY AND EQUIPMENT, net	80,213	25.1	82,084	24.9
INVESTMENTS AND OTHER ASSETS:				
Investments in marketable securities	518		606	
Investments in affiliate	2,249		2,370	
Identifiable intangible assets	39,279		37,375	
Goodwill	19,947		20,032	
Lease deposits	26,381		25,897	
Deferred income taxes, net	1,913		1,970	
Other assets	10,093		8,453	
Total investments and other assets	100,380	31.3	96,703	29.3
TOTAL ASSETS	¥320,251	100.0	¥329,760	100.0

Millions of Yen				
	March 31, 2014		March 31, 2015	
	%		%	
LIABILITIES				
CURRENT LIABILITIES:				
Short-term borrowings	¥6,458		¥6,009	
Current portion of capital lease and financing obligations	2,078		1,996	
Trade notes and accounts payable	10,480		10,966	
Accrued income taxes	686		1,248	
Accrued expenses	17,522		17,252	
Deferred revenue	5,693		8,076	
Other current liabilities	2,411		3,194	
Total current liabilities	45,328	14.2	48,741	14.8
LONG-TERM LIABILITIES:				
Long-term debt, less current portion	15,000		15,000	
Capital lease and financing obligations, less current portion	20,487		18,448	
Accrued pension and severance costs	1,424		1,301	
Deferred income taxes, net	3,052		1,840	
Other long-term liabilities	9,168		9,410	
Total long-term liabilities	49,131	15.3	45,999	13.9
TOTAL LIABILITIES	94,459	29.5	94,740	28.7
COMMITMENTS AND CONTINGENCIES				
EQUITY				
KONAMI CORPORATION stockholders' equity:				
Common stock, no par value-				
Authorized 450,000,000 shares;				
issued 143,500,000 shares at March 31, 2014 and	47,399	14.8	47,399	14.4
March 31, 2015				
Additional paid-in capital	74,175	23.2	74,175	22.5
Legal reserve	284	0.1	284	0.1
Retained earnings	111,820	34.9	117,764	35.7
Accumulated other comprehensive income (loss)	2,719	0.8	5,959	1.8
Treasury stock, at cost-				
4,887,679 shares at March 31, 2014 and 4,890,951	(11,264)	(3.5)	(11,271)	(3.4)
shares at March 31, 2015				
Total KONAMI CORPORATION	225,133	70.3	234,310	71.1
stockholders' equity				
Noncontrolling interest	659	0.2	710	0.2
TOTAL EQUITY	225,792	70.5	235,020	71.3
TOTAL LIABILITIES AND EQUITY	¥320,251	100.0	¥329,760	100.0

## 2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Unaudited)

### Consolidated Statements of Income

	Millions of Yen			
	Year ended March 31, 2014		Year ended March 31, 2015	
	%		%	
NET REVENUES:				
Product sales revenue	¥97,649		¥95,298	
Service and other revenue	119,946		122,859	
Total net revenues	217,595	100.0	218,157	100.0
COSTS AND EXPENSES:				
Costs of products sold	61,352		57,151	
Costs of services rendered and others	90,927		93,657	
Selling, general and administrative	52,369		50,615	
Impairment charges for goodwill	2,031		-	
Impairment charges for property and equipment, and other intangible assets	3,220		2,283	
Total costs and expenses	209,899	96.5	203,706	93.4
Operating income	7,696	3.5	14,451	6.6
OTHER INCOME (EXPENSES):				
Interest income	233		293	
Interest expense	(1,187)		(1,029)	
Foreign currency exchange gain (loss), net	2,560		2,295	
Other, net	(74)		(63)	
Other income (expenses), net	1,532	0.7	1,496	0.7
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANY	9,228	4.2	15,947	7.3
INCOME TAXES	5,331	2.4	6,571	3.0
EQUITY IN NET INCOME OF AFFILIATED COMPANY	22	0.0	154	0.1
NET INCOME	3,919	1.8	9,530	4.4
NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	85	0.0	51	0.1
NET INCOME ATTRIBUTABLE TO KONAMI CORPORATION	¥3,834	1.8	¥9,479	4.3

## Consolidated Statements of Comprehensive Income

	Millions of Yen	
	Year ended March 31, 2014	Year ended March 31, 2015
Net income	¥3,919	¥9,530
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	1,658	3,174
Net unrealized gains on available-for-sale securities	50	64
Pension liability adjustment	2	2
Other comprehensive income	1,710	3,240
Comprehensive income	5,629	12,770
Comprehensive income attributable to the noncontrolling interest	85	51
Comprehensive income attributable to KONAMI CORPORATION	¥5,544	¥12,719

## PER SHARE DATA

	Yen	
	Year ended March 31, 2014	Year ended March 31, 2015
Basic net income attributable to KONAMI CORPORATION per share	¥27.66	¥68.38
Diluted net income attributable to KONAMI CORPORATION per share	27.66	68.38
Weighted-average common shares outstanding	138,614,929	138,610,956
Diluted weighted-average common shares outstanding	138,614,929	138,610,956

### 3. Consolidated Statements of Stockholders' Equity (Unaudited)

	Millions of Yen								
	Stockholders' Equity						Total KONAMI CORPORATION stockholders' equity	Non controlling Interest	Total Equity
	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at Cost			
Balance at March 31, 2013	¥47,399	¥74,175	¥284	¥113,808	¥1,009	¥(11,250)	¥225,425	¥574	¥225,999
Cash dividends attributable to KONAMI CORPORATION				(5,822)			(5,822)		(5,822)
Purchase of treasury stock						(15)	(15)		(15)
Reissuance of treasury stock		0				1	1		1
Comprehensive income									
Net income				3,834			3,834	85	3,919
Other comprehensive income					1,710		1,710		1,710
Total comprehensive income for the year							5,544	85	5,629
Balance at March 31, 2014	¥47,399	¥74,175	¥284	¥111,820	¥2,719	¥(11,264)	¥225,133	¥659	¥225,792
Cash dividends attributable to KONAMI CORPORATION				(3,535)			(3,535)		(3,535)
Purchase of treasury stock						(8)	(8)		(8)
Reissuance of treasury stock		0				1	1		1
Comprehensive income									
Net income				9,479			9,479	51	9,530
Other comprehensive income					3,240		3,240		3,240
Total comprehensive income for the year							12,719	51	12,770
Balance at March 31, 2015	¥47,399	¥74,175	¥284	¥117,764	¥5,959	¥(11,271)	¥234,310	¥710	¥235,020



#### 4. Consolidated Statements of Cash Flows (Unaudited)

	Millions of Yen	
	Year ended March 31, 2014	Year ended March 31, 2015
<i>Cash flows from operating activities:</i>		
Net income	¥3,919	¥9,530
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,407	11,681
Bad debt expense (recoveries)	(20)	(88)
Impairment charges for goodwill	2,031	-
Impairment charges for property and equipment, and other intangible assets	3,220	2,283
Gain or loss on sale or disposal of property and equipment, net	101	185
Equity in net loss (income) of affiliated company	(22)	(154)
Deferred income taxes	636	3,211
Change in assets and liabilities, net of business acquired:		
Decrease (increase) in trade notes and accounts receivable	4,600	(860)
Decrease (increase) in inventories	(4,187)	(4,375)
Decrease (increase) in other receivables	683	810
Decrease (increase) in prepaid expenses	(775)	1,889
Increase (decrease) in trade notes and accounts payable	(5,111)	(369)
Increase (decrease) in accrued income taxes, net of tax refunds	(4,234)	1,431
Increase (decrease) in accrued expenses	(2,837)	(555)
Increase (decrease) in deferred revenue	(57)	2,202
Increase (decrease) in deposits	(379)	(21)
Other, net	1,052	3,222
Net cash provided by operating activities	9,027	30,022
<i>Cash flows from investing activities:</i>		
Capital expenditures, including interest capitalized	(26,555)	(10,538)
Decrease (increase) in lease deposits, net	204	523
Decrease (increase) in term deposits, net	(483)	886
Other, net	100	(134)
Net cash used in investing activities	(26,734)	(9,263)
<i>Cash flows from financing activities:</i>		
Increase (decrease) in short-term borrowings, net	1,600	(1,095)
Proceeds from issuance of bonds	15,000	-
Redemption of bonds	(5,000)	-
Principal payments under capital lease and financing obligations	(2,239)	(2,173)
Dividends paid	(5,814)	(3,532)
Other, net	(99)	(7)
Net cash provided by (used in) financing activities	3,448	(6,807)
Effect of exchange rate changes on cash and cash equivalents	614	678
Net decrease in cash and cash equivalents	(13,645)	14,630
Cash and cash equivalents, beginning of the year	63,669	50,024
Cash and cash equivalents, end of the year	¥50,024	¥64,654

## 5. Going concern assumption: None

## 6. Segment Information (Unaudited)

### (1) Segment information

Year ended March 31, 2014	Digital Entertainment	Health & Fitness	Gaming & Systems	Pachislot & Pachinko Machines	Corporate and Eliminations	Consolidated
(Millions of Yen)						
Net revenue:						
Customers	¥ 103,733	¥ 76,482	¥ 31,600	¥ 5,780	-	¥ 217,595
Intersegment	602	29	-	8	¥ (639)	-
Total	104,335	76,511	31,600	5,788	(639)	217,595
Operating expenses	92,597	80,535	24,279	7,699	4,789	209,899
Operating income (loss)	¥ 11,738	¥ (4,024)	¥ 7,321	¥ (1,911)	¥ (5,428)	¥ 7,696

Year ended March 31, 2015	Digital Entertainment	Health & Fitness	Gaming & Systems	Pachislot & Pachinko Machines	Corporate and Eliminations	Consolidated
(Millions of Yen)						
Net revenue:						
Customers	¥ 96,673	¥ 72,974	¥ 33,825	¥ 14,685	-	¥ 218,157
Intersegment	302	366	-	6	¥ (674)	-
Total	96,975	73,340	33,825	14,691	(674)	218,157
Operating expenses	83,703	74,253	27,496	14,369	3,885	203,706
Operating income (loss)	¥ 13,272	¥ (913)	¥ 6,329	¥ 322	¥ (4,559)	¥ 14,451

- Notes:
- Primary businesses of each segment are as follows:
    - Digital Entertainment Segment: Production, manufacture and sale of digital content and related products including mobile games, computer & video games, arcade games and card games.
    - Health & Fitness Segment: Operation of health and fitness clubs, and production, manufacture and sale of health and fitness related goods.
    - Gaming & Systems Segment: Development, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
    - Pachislot & Pachinko Machines Segment: Production, manufacture and sale of pachislot machines and pachinko machines.
  - “Corporate” primarily consists of administrative expenses not directly associated with specific segments.
  - “Eliminations” primarily consists of eliminations of intercompany sales and of intercompany profits on inventories.

**(2) Geographic information**

	<b>Millions of Yen</b>	
	<b>Year ended March 31, 2014</b>	<b>Year ended March 31, 2015</b>
<b>Net revenues from external customers:</b>		
Japan	¥ 155,364	¥ 161,976
United States	41,679	39,844
Europe	14,088	9,427
Asia/Oceania	6,464	6,910
Consolidated net revenues	¥ 217,595	¥ 218,157

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

Notes: (Unaudited)

- The consolidated financial statements presented herein were prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).
  
- Subsequent Events  
None