

Consolidated Financial Results
for the Nine Months Ended December 31, 2018
(Prepared in Accordance with IFRS)

January 31, 2019

KONAMI HOLDINGS CORPORATION

Address: 7-2, Akasaka 9-chome, Minato-ku, Tokyo, Japan
 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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 (Phone: +81-3-5771-0222)
 Beginning date of dividend payment: -

(Amounts are rounded to the nearest million, except percentages and per share amounts)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2018

(1) Consolidated Results of Operations

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

	Revenue	Operating profit	Profit before income taxes	Profit for the period	Profit attributable to owners of the parent	Total comprehensive income for the period
Nine months ended December 31, 2018	192,631	39,440	39,186	27,222	27,215	28,136
% change from previous year	7.8%	2.4%	2.8%	4.5%	4.5%	4.9%
Nine months ended December 31, 2017	178,668	38,532	38,133	26,043	26,034	26,814
% change from previous year	9.0%	30.2%	32.1%	26.0%	26.1%	24.9%

	Basic earnings per share (attributable to owners of the parent) (yen)	Diluted earnings per share (attributable to owners of the parent) (yen)
Nine months ended December 31, 2018	201.25	198.17
Nine months ended December 31, 2017	192.50	189.60

(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
December 31, 2018	363,308	269,352	268,588	73.9%
March 31, 2018	363,108	254,539	253,782	69.9%

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, 2018	-	30.00	-	38.00	68.00
Year ending March 31, 2019					
Regular dividends	-	35.50	-		
Commemorative dividends (note)	-	25.00	-		
Total	-	60.50	-		
Year ending March 31, 2019 (Forecast)					
Regular dividends				35.50	71.00
Commemorative dividends (note)				25.00	50.00
Total				60.50	121.00

Note: Recently announced change in dividend forecasts for the fiscal year ending March 31, 2019 during the three months ended December 31, 2018: No

To celebrate the 50th anniversary of its founding on March 21, 2019 (the 35th anniversary of its listing in the same year), KONAMI HOLDINGS CORPORATION intends to award commemorative dividends in addition to regular dividends for the year ending March 31, 2019. Please refer to "Notice on Commemorative Dividend for 50th Anniversary of Founding" announced on May 10, 2018, for further details.

3. Consolidated Earnings Forecast for the Year Ending March 31, 2019

(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, 2019	250,000	50,000	49,000	32,000	236.63
% change from previous year	4.4%	10.7%	9.6%	4.9%	

Note: Recently announced change in earnings forecasts for the fiscal year ending March 31, 2019 during the three months ended December 31, 2018: No

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: Yes
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 December 31, 2018	143,500,000 shares
As of March 31, 2018	143,500,000 shares
2. Number of treasury shares:

As of December 31, 2018	8,266,784 shares
As of March 31, 2018	8,266,259 shares
3. Average number of shares outstanding:

Nine months ended December 31, 2018	135,233,376 shares
Nine months ended December 31, 2017	135,235,259 shares

Earnings release (Kessan Tanshin) regarding these consolidated financial results is not subject to auditing procedures.

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, Amusement businesses, and Gaming & Systems; (vi) our ability to successfully expand the scope of our business and broaden our customer base through our Sports 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 page 9, 10, 11, and 12 for further information regarding our business forecasts.

KONAMI HOLDINGS CORPORATION (the "Company") disclosed the supplemental data for the consolidated financial statements via the Company's website on January 31, 2019.

1. Business Performance

(1) Analysis of Business Performance

(i) Business Overview

For the nine months ended December 31, 2018, the Japanese economy has been gradually recovering with continuing improvements in corporate earnings and employment environment. On the other hand, the global economy continues to remain uncertain due to concerns about the declining global economy, including U.S.-China trade frictions, instability in the Middle East and the Brexit impasse.

Under such circumstances, in terms of the business results of Konami Group for the nine months ended December 31, 2018, both total revenue and operating profit exceeded those for the same period of the previous fiscal year because our soccer and baseball series titles in the Digital Entertainment business continued to perform strongly, while the Amusement business was weaker compared with its healthy sales of leading titles for the same period of the previous fiscal year.

In terms of the consolidated results for the nine months ended December 31, 2018, total revenue amounted to ¥192,631 million (a year-on-year increase of 7.8%), operating profit was ¥39,440 million (a year-on-year increase of 2.4%), profit before income taxes was ¥39,186 million (a year-on-year increase of 2.8%), and profit attributable to owners of the parent was ¥27,215 million (a year-on-year increase of 4.5%).

Starting from the three-month period ended September 30, 2018, the name of a reporting segment previously stated as “Health & Fitness” business has been changed to “Sports” business. This change is limited to the name only, hence there is no impact to its segment information.

(ii) Performance by Business Segment

Summary of total revenue by business segment:

Millions of Yen, except percentages			
	Nine months ended December 31, 2017	Nine months ended December 31, 2018	% change
Total revenue:			
Digital Entertainment	¥89,655	¥105,806	18.0
Amusement	19,800	18,179	(8.2)
Gaming & Systems	20,658	21,946	6.2
Sports	49,708	47,912	(3.6)
Intersegment eliminations	(1,153)	(1,212)	-
Total revenue	¥178,668	¥192,631	7.8

Digital Entertainment

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

Under such circumstances, as for mobile games in the Digital Entertainment segment, *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*), which was implemented a large-scale update, has received favorable reviews in the global market. *Yu-Gi-Oh! DUEL LINKS* has also received favorable reviews from many players following an update in the second quarter. In the domestic market, the sales of *PROFESSIONAL BASEBALL SPIRITS A (Ace)* increased, which marks the third anniversary since its release. Furthermore, *JKKYOU PAWAFURU PUROYAKYU* and *JKKYOU POWERFUL SOCCER*, which mark the fourth and second anniversary since their releases, respectively, performed strongly through developing various measures.

As for card games, we continue to revitalize the *Yu-Gi-Oh! TRADING CARD GAME* series through developing marketing measures to celebrate its milestone, including the 20th-anniversary-year-project *Yu-Gi-Oh! TRADING CARD GAME* which celebrates its 20th anniversary once it goes on sale in February 2019.

As for computer and video games, *myClub*, the online mode of *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*), has continued to perform well immediately following its release. As part of our continued active efforts in eSports, we started hosting the online qualifying round at the eSports Global Championship "PES LEAGUE WORLD TOUR 2019" for *Winning Eleven 2019* (known

overseas as *PRO EVOLUTION SOCCER 2019*) and hosted the regional final round of the first phase in Europe and South America. In regard to baseball contents, the ePennant race and eLeague championship for “eBASEBALL PAWAPURO Pro League” were held along with Nippon Professional Baseball (NPB). This is a PUROYAKYU (professional baseball) eSports league whose competition title is *JIKKYOU PAWAFURU PUROYAKYU 2018*. The atmosphere in the venue was electric with the excitement of the players and audience, and was watched by many viewers via live stream. In addition, the eSports tournament of the *JIKKYOU PAWAFURU PUROYAKYU* series was held for the Culture Program at the 73rd National Sports Festival, “Fukui Shiawase Genki Kokutai.”

In terms of financial performance, total revenue for the nine months ended December 31, 2018 in this segment amounted to ¥105,806 million (a year-on-year increase of 18.0%) and segment profit for the nine months ended December 31, 2018 amounted to ¥32,286 million (a year-on-year increase of 8.5%).

Amusement

There are signs of recovery in the amusement industry market owing to measures taken by the industry as a whole, including increases in users with families at arcade game areas in shopping malls and senior users who play medal games since amusement facilities are becoming more recognized from a wide range of users as a place where anyone can play. Furthermore, following the spread and development of eSports in recent years, various experiences through amusement games are being offered, such as numerous tournaments held not only in Japan but also all over the world.

Under such circumstances, in regard to our video games, the latest title of the online versus mah-jong game *MAH-JONG FIGHT CLUB* series, *MAH-JONG FIGHT CLUB GRAND MASTER*, continued to perform strongly. *BOMBER GIRL*, which is based on the popular video game series *Bomberman*, has also continued to perform well. This title features fun online battles with added team-battle elements where teams try to occupy the home bases of their opponents. Furthermore, a full-scale professional baseball card game, *BASEBALL COLLECTION*, has been launched sequentially. As for the medal games, we launched *BOMBERMAN THE MEDAL*, which is based on *Bomberman* and allows up to eight players. In addition, *ColorCoLotta: The Sun and the Secret Island*, the latest title in the *ColorCoLotta* series of lottery medal games, and *OLYMPUS GATE* and *TwinkleDrop DINNER*, the latest games in the *FEATURE PREMIUM* series of single-medal video machines, were released. Furthermore, the latest title in the *SENGOKU COLLECTION* series, *SENGOKU COLLECTION! Ieyasu Tokugawa*, was released.

Meanwhile, the business results of the Amusement business for the nine months ended December 31, 2018 was affected by decrease in orders, compared with the healthy repeat sales of *GI Derby Club* in the same period of the previous fiscal year.

In terms of financial performance, total revenue for the nine months ended December 31, 2018 in this segment amounted to ¥18,179 million (a year-on-year decrease of 8.2%) and segment profit for the nine months ended December 31, 2018 amounted to ¥5,186 million (a year-on-year decrease of 20.3%).

Gaming & Systems

The gaming market is continuing to see growth with the worldwide development and opening of new casino facilities and integrated resorts (IR) which include casinos. Furthermore, measures to revitalize the industry were implemented mainly targeting young people, including the introduction of slot machines designed to reflect players' skill levels, which allow them to increase their chances at winning, in addition eSports tournament.

Under such circumstances, with respect to our slot machines, we launched the latest cabinet in the *Concerto*[™] series, including *Concerto Crescent*[™] and *Concerto Stack*[™], as well as *Concerto Opus*[™], which features a 4K Ultra HD 65-inch display. In addition, we promoted market revitalization by providing new entertainments with the installation of *Fortune Cup*[™], which is a horserace betting station with a model track and leveraged our expertise and technology accumulated through Konami Group's amusement machines. In regards to participation agreements (in which profits are shared with casino operators), we expanded our lineup of game content, including a key product, the *Concerto*[™] series, a premium linked progressive machine, *Smash Smash Festival*[™], and titles for a new game rule, *Strike Zone*, which increases the probability of credit bonuses, wheel bonuses, and hitting jackpots using additional high-priced betting. The *SYNKROS*[®] casino management system continued to be introduced steadily into casinos at large cruise ships in service overseas.

In terms of financial performance, total revenue for the nine months ended December 31, 2018 in this segment amounted to ¥21,946 million (a year-on-year increase of 6.2%) and segment profit for the nine months ended December 31, 2018 amounted to ¥3,051 million (a year-on-year increase of 14.6%).

Sports

In connection with the sports industry, we continue to see a growing awareness of sports throughout society, including the government's efforts to achieve a "sports society of all 100 million citizens," which aims to increase the number of people that

participate in sports, by formulating the second phase of their “Basic Sports Plan.” With the holding of the world’s largest sports event, further activation and growth of the sports market is also expected.

Under such circumstances, as for fitness programs, we launched a “Membership Promotion Plan,” a plan to promote the importance of sustainable fitness to customers through the development of “*BeautyHip*,” our in-house development program, and by proposing the best ways to use our fitness services to new customers by supporting, counseling, and measuring their training. In addition, we continued to make efforts to improve our services that offer a comfortable and fit lifestyle for customers by improvement of facility environments through renovations such as Konami Sports Club Sakae, reopened in 2018, and continuous expansion of training programs. As for school programs, we have moved forward with the further expansion of our sports classes. For example, we held a sprint running class for children called *Learn to run! Kakekko Class* incorporating running methods developed with Dai Tamesue, a medalist at the World Championships in Athletics, as well as opened a new *Table Tennis School* at 15 facilities and new *Swimming School* at the Konami Sports Club Fuchu.

As for products relating to sports, we continued to expand our specially selected lineup of “Konami Sports Club Selection” brand products as well as our “Konami Sports Club Original” Konami Sports Club brand products and redesigned our online shop to improve usability and service.

For the nine months ended December 31, 2018, total revenue and segment profit from this business decreased due to closing of the facilities, the effects of repeated natural disasters, and prior investments of renovations of existing facilities including fitness machine renewals and launch of the new school programs.

In terms of financial performance, total revenue for the nine months ended December 31, 2018 in this segment amounted to ¥47,912 million (a year-on-year decrease of 3.6%) and segment profit for the nine months ended December 31, 2018 amounted to ¥2,543 million (a year-on-year decrease of 15.8%).

Please refer to “(1) Quarterly Condensed Consolidated Statement of Financial Position” and “(4) Quarterly Condensed Consolidated Statement of Cash Flows” in “2. Quarterly Condensed Consolidated Financial Statements and Notes” regarding the financial position and cash flows.

(2) Outlook for the Fiscal Year Ending March 31, 2019

Digital Entertainment

With the spread of entertainment offered through networks, the available means of providing games continue to diversify. 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, we are eagerly working on *LOVEPLUS EVERY*, the latest title in the *LOVEPLUS* series, and new title, *DANKIRA!!! – Boys, be DANCING!*, to be released to meet customer expectations. In addition, monthly promotions and various measures are expected to be held in 2019 to celebrate the 25th anniversary of the *JIKKYU PAWAFURU PUROYAKYU* series and the 15th anniversary of the *PROFESSIONAL BASEBALL SPIRITS* series.

As for card games, *Yu-Gi-Oh! TRADING CARD GAME* will celebrate its 20th anniversary once it goes on sale in February 2019. To celebrate this milestone, we have developed various measures for the 20th anniversary. We will continue to revitalize the content through appropriate measures to meet customer expectations. Furthermore, as part of our progress made with promoting eSports in 2019, we will host the qualifying rounds in various regions for “Yu-Gi-Oh! World Championship 2019,” the eSports world championship which decides who the best players are in the *Yu-Gi-Oh!* series.

As for computer and video games, we are working on the latest title in the *PROFESSIONAL BASEBALL SPIRITS* series, *PROFESSIONAL BASEBALL SPIRITS 2019*, to respond to the high expectations of fans. We will continue to host the qualifying rounds for the eSports world championship “PES LEAGUE WORLD TOUR 2019” for *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*) in various regions and build up to the world final round. The title was officially selected as a competition title for the Culture Program at the 74th national Sports Festival, “Iki Iki Ibaraki Yume Kokutai.” We are seeing a rise in the number of eSports competitions featuring the *Winning Eleven* series, increasing amount of attention paid to eSports. In regard to baseball contents, we will host the “eBASEBALL PAWAPURO Pro League 2018-19 SMBC eNippon Series,” which decides who the first best players at the “eBASEBALL PAWAPURO Pro League” in Japan, that we organize along with Nippon Professional Baseball (NPB).

Amusement

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 person-to-person communication using the *e-amusement* system as well as by holding the “8th KONAMI Arcade Championship,” an official eSports tournament to decide the best arcade game players, at amusement facilities throughout Japan

and in Asian and North American regions. With the goal of improving customer convenience, we also intend to make efforts to improve the infrastructure environment to contribute to the development of the industry, including starting the operation of Amusement IC Cards, which feature unified user authentication IC card specifications, to play network games at amusement facilities.

As for music games, *DanceDanceRevolution* celebrated its 20th anniversary. We intend to develop various measures for the 20th anniversary, including starting with an in-game event for *DanceDanceRevolution A*. As for mah-jong content, we further developed the *MAH-JONG FIGHT CLUB* brand, where we strive to deliver new and fun entertainment for game and mah-jong fans by participating in the professional mah-jong league (M League) that opened from October 2018. As for medal games, *GRANDCROSS LEGEND*, a large pusher medal game upgraded for better performance and gameplay, and *Anima Lotta: Anima and the Big Tree of Clouds*, a lottery medal game, are intended to be released. Furthermore, *GI Derby Club 2*, the latest title in the *GI Derby Club* series, is intended to be released.

In addition, the local subsidiary in the Kingdom of Thailand started its full operation toward the Southeast Asian region where the economy is growing rapidly. Moving forward, we will strive to strengthen its business development in the global market, by expanding sales and service operations of Konami Group products, including amusement machines.

Gaming & Systems

As for slot machines, we continue to make efforts to enhance our sales focusing on the *Concerto*[™] series, a key product in our video slot machine series, as well as enhance the product range, including introduction of the new upright cabinet, *KX 43*[™]. In addition, we continue to develop the products, including introduction of multi-station machines, such as *Crystal Cyclone*[™], a ball-drawing game that delivers new entertainment factors, and *Beat Square*[™], a slot machine based on *jubeat* from the *BEMANI* series which is one of our music genre game series for amusement machines. *Beat Square*[™] includes features that reflect player skill levels. We continue to focus on developing new products and services by leveraging our expertise and technology accumulated through Konami Group's amusement machines to boost our market presence. In regard to participation agreements, we continue to expand our lineup of game content, including a key product, the *Concerto*[™] series, and *Treasure Ball*[™] and *Golden Blocks*[™] linked progressive machines.

As for the *SYNKROS*[®] casino management system, we provide a variety of functions, including the business intelligence function *SYNKROS Dashboards*[™], which enables casino operators to analyze necessary information for management, and *SYNKROS Offers Management*, which offers privileges and customer-friendly information to customers. In addition, *SynkConnect*[™], which can display and

manage personal accounts on mobile devices, was also introduced. We continue to make efforts to enhance product appeal, including the development of new functions.

Sports

We continue to enhance our fitness services to support as many customers as possible to have longer sustainable fitness through the provision of new plans. These new plans include a “Membership Promotion Plan,” which proposes the best ways to use our fitness services for new members, and the “U-39 Plan,” which is a monthly membership plan that allows members from teenagers to those in their 30s to use the facilities without any limitations on the number of times they can use the facilities, any time after 5 p.m. on weekdays or all day on weekends and national holidays. As for the operation of school programs, we offer various kinds of sports classes for infants to seniors by utilizing our expertise in providing guidance, such as for visualizing the actions needed to make progress, which we have accumulated over many years. As for the table tennis school program that we launched in 2018, we will continue to launch the program at other facilities. We also intend to continue to increase the number of facilities that offer sports lesson school programs.

In 2019, to celebrate the 50th anniversary of Konami Group’s founding, we intend to develop various promotions, products, and services. As a first promotion, we are offering a special course for a limited time to celebrate our 50th anniversary. This course will be a great support for the customers who want to keep exercising. Furthermore, we intend to contribute to development in the sports field, including cooperation with local governments to take part in health promotion plans for local residents and to revitalize the region, and taking full advantage of our strengths as one of the largest operators of many sports facilities in Japan by leveraging our expertise in operations and guidance for not only our directly operated facilities, but also franchise facilities and those outsourced to us.

As for sports related products, we intend to enhance their appeal to customers through e-commerce site and sports facilities to expand our market share.

Projected consolidated results for the fiscal year ending March 31, 2019 are as follows: total revenue of ¥250,000 million; operating profit of ¥50,000 million; profit before income tax of ¥49,000 million; and profit attributable to owners of the parent of ¥32,000 million. Thus, there is no change from the forecast figures released in the “Consolidated Financial Results for the Year Ended March 31, 2018” dated May 10, 2018.

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. Quarterly Condensed Consolidated Financial Statements and Notes

(1) Quarterly Condensed Consolidated Statement of Financial Position

	Millions of Yen	
	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	¥154,485	¥149,451
Trade and other receivables	26,092	29,912
Inventories	6,840	8,845
Income tax receivables	714	285
Other current assets	7,541	7,590
Total current assets	195,672	196,083
Non-current assets		
Property, plant and equipment, net	79,077	78,670
Goodwill and intangible assets	36,870	39,274
Investments accounted for using the equity method	3,034	2,991
Other investments	1,313	1,222
Other financial assets	22,578	22,240
Deferred tax assets	21,951	20,516
Other non-current assets	2,613	2,312
Total non-current assets	167,436	167,225
Total assets	363,108	363,308
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	11,903	11,657
Other financial liabilities	3,876	3,822
Trade and other payables	31,252	27,514
Income tax payables	7,599	371
Other current liabilities	14,660	18,117
Total current liabilities	69,290	61,481
Non-current liabilities		
Bonds and borrowings	14,744	9,790
Other financial liabilities	13,105	11,162
Provisions	9,109	9,182
Other non-current liabilities	2,321	2,341
Total non-current liabilities	39,279	32,475
Total liabilities	108,569	93,956
Equity		
Share capital	47,399	47,399
Share premium	74,426	74,426
Treasury shares	(21,321)	(21,324)
Other components of equity	610	1,524
Retained earnings	152,668	166,563
Total equity attributable to owners of the parent	253,782	268,588
Non-controlling interests	757	764
Total equity	254,539	269,352
Total liabilities and equity	¥363,108	¥363,308

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

Quarterly Condensed Consolidated Statement of Profit or Loss

	Millions of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Revenue		
Product sales revenue	¥65,450	¥52,434
Service and other revenue	113,218	140,197
Total revenue	178,668	192,631
Cost of revenue		
Cost of product sales revenue	(30,258)	(25,288)
Cost of service and other revenue	(74,306)	(88,516)
Total cost of revenue	(104,564)	(113,804)
Gross profit	74,104	78,827
Selling, general and administrative expenses	(34,691)	(38,538)
Other income and other expenses, net	(881)	(849)
Operating profit	38,532	39,440
Finance income	177	332
Finance costs	(635)	(622)
Profit from investments accounted for using the equity method	59	36
Profit before income taxes	38,133	39,186
Income taxes	(12,090)	(11,964)
Profit for the period	26,043	27,222
Profit attributable to:		
Owners of the parent	26,034	27,215
Non-controlling interests	¥9	¥7

	Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Earnings per share (attributable to owners of the parent)		
Basic	¥192.50	¥201.25
Diluted	¥189.60	¥198.17

Quarterly Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit for the period	¥26,043	¥27,222
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets at fair value through other comprehensive income	-	(66)
Share of other comprehensive income of entity accounted for using the equity method	-	(0)
Total items that will not be reclassified to profit or loss	-	(66)
Items that may be reclassified to profit or loss:		
Exchange differences on foreign operations	759	980
Net change in fair values of available-for-sale financial assets	12	-
Share of other comprehensive income of entity accounted for using the equity method	(0)	-
Total items that may be reclassified to profit or loss	771	980
Total other comprehensive income	771	914
Total comprehensive income for the period	26,814	28,136
Comprehensive income attributable to:		
Owners of the parent	26,805	28,129
Non-controlling interests	¥9	¥7

(3) Quarterly Condensed Consolidated Statement of Changes in Equity

Millions of Yen								
	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2017	¥47,399	¥74,426	¥(21,304)	¥2,157	¥131,763	¥234,441	¥751	¥235,192
Profit for the period					26,034	26,034	9	26,043
Other comprehensive income				771		771		771
Total comprehensive income for the period	-	-	-	771	26,034	26,805	9	26,814
Purchase of treasury shares			(15)			(15)		(15)
Disposal of treasury shares		0	1			1		1
Dividends					(9,602)	(9,602)		(9,602)
Total transactions with the owners	-	0	(14)	-	(9,602)	(9,616)	-	(9,616)
Balance at December 31, 2017	¥47,399	¥74,426	¥(21,318)	¥2,928	¥148,195	¥251,630	¥760	¥252,390

Millions of Yen								
	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2018	¥47,399	¥74,426	¥(21,321)	¥610	¥152,668	¥253,782	¥757	¥254,539
Profit for the period					27,215	27,215	7	27,222
Other comprehensive income				914		914	(0)	914
Total comprehensive income for the period	-	-	-	914	27,215	28,129	7	28,136
Purchase of treasury shares			(3)			(3)		(3)
Disposal of treasury shares		0	0			0		0
Dividends					(13,320)	(13,320)		(13,320)
Total transactions with the owners	-	0	(3)	-	(13,320)	(13,323)	-	(13,323)
Balance at December 31, 2018	¥47,399	¥74,426	¥(21,324)	¥1,524	¥166,563	¥268,588	¥764	¥269,352

(4) Quarterly Condensed Consolidated Statement of Cash Flows

	Millions of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
<i>Operating activities</i>		
Profit for the period	¥26,043	¥27,222
Depreciation and amortization	9,216	10,693
Impairment losses	758	384
Interest and dividends income	(92)	(209)
Interest expense	618	606
Loss on sale or disposal of property, plant and equipment	40	413
Profit from investments accounted for using the equity method	(59)	(36)
Income taxes	12,090	11,964
Increase in trade and other receivables	(1,200)	(3,259)
Increase in inventories	(370)	(1,594)
Decrease in trade and other payables	(277)	(1,741)
Increase in prepaid expense	(575)	(878)
Increase in deferred revenue	2,873	-
Increase in contract liabilities	-	4,417
Other, net	(1,335)	(1,113)
Interest and dividends received	97	210
Interest paid	(587)	(545)
Income taxes paid	(8,624)	(17,317)
<i>Net cash provided by operating activities</i>	38,616	29,217
<i>Investing activities</i>		
Capital expenditures	(13,871)	(15,794)
Decrease in lease deposits, net	414	488
(Increase) decrease in term deposits, net	(981)	1,281
Other, net	15	(7)
<i>Net cash used in investing activities</i>	(14,423)	(14,032)
<i>Financing activities</i>		
Decrease in short-term (within 3 months) borrowings, net	(1,121)	-
Proceeds from short-term (more than 3 months) borrowings	6,755	7,814
Repayments of short-term (more than 3 months) borrowings	(5,634)	(8,372)
Redemption of bonds	(5,000)	(5,000)
Principal payments under capital lease and financing obligations	(1,399)	(2,025)
Dividends paid	(9,583)	(13,293)
Other, net	(15)	(3)
<i>Net cash used in financing activities</i>	(15,997)	(20,879)
Effect of exchange rate changes on cash and cash equivalents	694	660
Net increase (decrease) in cash and cash equivalents	8,890	(5,034)
Cash and cash equivalents at the beginning of the period	134,743	154,485
<i>Cash and cash equivalents at the end of the period</i>	¥143,633	¥149,451

(5) Going Concern Assumption

None

(6) Changes in Accounting Policies

The significant accounting policies adopted for these quarterly condensed consolidated financial statements are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2018 with the exception of the changes in accounting policies described hereunder.

Standards	Title	Overview of new/revised Standards
IFRS 9	Financial Instruments	Revisions relating to classification and measurement of financial instruments, impairment and hedge accounting
IFRS 15	Revenue from Contracts with Customers	Revisions of accounting procedures relating to recognition of revenue

(i) Adoption of IFRS 9 “Financial Instruments”

Konami Group has adopted IFRS 9 “Financial Instruments” from the three-month-period ended June 30, 2018. The new standard replaces IAS 39 “Financial Instruments: Recognition and Measurement.” The standard deals with the classification, recognition and measurement (including impairment) of financial instruments. Konami Group takes advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement changes.

There is no material impact on Konami Group’s quarterly condensed consolidated financial statements from the application of IFRS 9.

(ii) Adoption of IFRS 15 “Revenue from Contracts with Customers”

Konami Group has adopted IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (collectively, “IFRS 15”) from the three-month-period ended June 30, 2018. Konami Group recognizes the cumulative effect of applying the new standard at the date of initial application, with no restatement of the comparative periods presented.

Konami Group recognizes revenue from contracts with customers based on the following five step approach, (excluding interest, dividend and other such income from financial instruments recognized in accordance with IFRS 9 and insurance revenues recognized in accordance with IFRS 4).

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized at the amount of consideration after deduction of returned goods, trade discounts, and rebates.

There is no material impact on Konami Group's quarterly condensed consolidated financial statements from the application of IFRS 15.

(7) Segment Information

(i) Operating Segment Information

	Millions of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Revenue:		
Digital Entertainment –		
External customers	¥89,136	¥105,274
Intersegment	519	532
Total	¥89,655	¥105,806
Amusement –		
External customers	¥19,401	¥17,731
Intersegment	399	448
Total	¥19,800	¥18,179
Gaming & Systems –		
External customers	¥20,658	¥21,946
Intersegment	-	-
Total	¥20,658	¥21,946
Sports –		
External customers	¥49,473	¥47,680
Intersegment	235	232
Total	¥49,708	¥47,912
Intersegment eliminations	¥(1,153)	¥(1,212)
Consolidated	¥178,668	¥192,631

	Millions of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Segment profit (loss):		
Digital Entertainment	¥29,747	¥32,286
Amusement	6,507	5,186
Gaming & Systems	2,663	3,051
Sports	3,019	2,543
Total segment profit and loss, net	41,936	43,066
Corporate expenses and eliminations	(2,523)	(2,777)
Other income and other expenses, net	(881)	(849)
Finance income and finance costs, net	(458)	(290)
Profit from investments accounted for using the equity method	59	36
Profit before income taxes	¥38,133	¥39,186

(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, card games and computer and video games.
b) Amusement:	Production, manufacture and sale of amusement machines.
c) Gaming & Systems:	Production, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
d) Sports:	Operation of fitness activities and sports classes, including swimming, gymnastics, dance, soccer, tennis, and golf, and production and sale of sports related goods.

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.
6. Starting from the three-month period ended September 30, 2018, the name of a reporting segment previously stated as “Health & Fitness” business has been changed to “Sports” business. This change is limited to the name only, hence there is no impact to its segment information.

(ii) Geographic Information

Revenue from external customers

	Millions of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Revenue:		
Japan	¥138,829	¥147,760
United States	26,708	29,440
Europe	7,682	10,072
Asia/Oceania	5,449	5,359
Consolidated	¥178,668	¥192,631

(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.