

**Consolidated Financial Results
for the Year Ended March 31, 2020
(Prepared in Accordance with IFRS)**

May 14, 2020

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: Kimihiko Higashio, Representative Director, President
 Contact: Junichi Motobayashi, Corporate Officer, General Manager, Finance and Accounting
 (Phone: +81-3-6636-0589)
 Date of General Shareholders Meeting: June 25, 2020
 Beginning date of dividend payment: June 10, 2020

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

1. Consolidated Financial Results for the Year Ended March 31, 2020

(1) Consolidated Results of Operations

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

| | Revenue | Operating profit | Profit before income taxes | Profit for the year | Profit attributable to owners of the parent | Total comprehensive income for the year |
|-----------------------------|---------|------------------|----------------------------|---------------------|---|---|
| Year ended March 31, 2020 | 262,810 | 30,972 | 30,395 | 19,897 | 19,892 | 18,234 |
| % change from previous year | 0.1% | (38.7)% | (39.6)% | (41.9)% | (41.8)% | (48.2)% |
| Year ended March 31, 2019 | 262,549 | 50,522 | 50,310 | 34,217 | 34,196 | 35,189 |
| % change from previous year | 9.6% | 11.8% | 12.5% | 12.2% | 12.1% | 21.5% |

| | Basic earnings per share (attributable to owners of the parent) (yen) | Diluted earnings per share (attributable to owners of the parent) (yen) | Return on profit attributable to owners of the parent | Ratio of profit before income taxes to total assets | Ratio of operating profit to revenue |
|---------------------------|---|---|---|---|--------------------------------------|
| Year ended March 31, 2020 | 147.26 | 145.08 | 7.3% | 7.6% | 11.8% |
| Year ended March 31, 2019 | 252.86 | 249.02 | 12.9% | 13.6% | 19.2% |

Reference: Profit from investments accounted for using the equity method

Year ended March 31, 2020: ¥(26) million

Year ended March 31, 2019: ¥279 million

(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 | Equity attributable to owners of the parent per share (yen) |
|----------------|--------------|--------------|---|--|---|
| March 31, 2020 | 419,134 | 268,943 | 268,141 | 64.0% | 2,012.85 |
| March 31, 2019 | 378,037 | 276,404 | 275,627 | 72.9% | 2,038.16 |

(3) Consolidated Cash Flows

(Millions of Yen)

| | Net cash provided by (used in) | | | Cash and cash equivalents at the end of year |
|---------------------------|--------------------------------|----------------------|----------------------|--|
| | Operating activities | Investing activities | Financing activities | |
| Year ended March 31, 2020 | 51,166 | (62,147) | (15,869) | 131,432 |
| Year ended March 31, 2019 | 49,131 | (22,527) | (22,416) | 159,242 |

2. Cash Dividends

| Record Date | Cash dividends per share (yen) | | | | | Total cash dividends (annual) | Payout ratio (consolidated) | Cash dividend rate for equity attributable to owners of the parent (consolidated) |
|---------------------------------------|--------------------------------|--------------------|-------------------|----------|--------|-------------------------------|-----------------------------|---|
| | First quarter end | Second quarter end | Third quarter end | Year end | Annual | | | |
| Year ended March 31, 2019 | | | | | | | | |
| Regular dividends | - | 35.50 | - | 40.50 | 76.00 | ¥10,278 million | 30.0% | 3.9% |
| Commemorative dividends | - | 25.00 | - | 25.00 | 50.00 | ¥6,761 million | 19.8% | 2.5% |
| Total | - | 60.50 | - | 65.50 | 126.00 | ¥17,039 million | 49.8% | 6.4% |
| Year ended March 31, 2020 | - | 38.00 | - | 7.00 | 45.00 | ¥6,071 million | 30.6% | 2.2% |
| Year ending March 31, 2021 (Forecast) | - | - | - | - | - | | - | |

Note) Dividend forecasts for the fiscal year ending March 31, 2021 has not been determined at present.

3. Consolidated Earnings Forecast for the Year Ending March 31, 2021

It is difficult to reasonably calculate the impact of coronavirus outbreak on our projected consolidated results at present. Projected consolidated results for the fiscal year ending March 31, 2021 has consequently not been determined. We will carefully assess the projections and announce it promptly when we can disclose it.

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 March 31, 2020 | 143,500,000 shares |
| As of March 31, 2019 | 143,500,000 shares |
2. Number of treasury shares:

| | |
|----------------------|-------------------|
| As of March 31, 2020 | 10,285,500 shares |
| As of March 31, 2019 | 8,266,959 shares |
3. Average number of shares outstanding:

| | |
|---------------------------|--------------------|
| Year ended March 31, 2020 | 135,077,487 shares |
| Year ended March 31, 2019 | 135,233,307 shares |

(Reference) Summary of Non-consolidated Financial Results

Results for the Year Ended March 31, 2020

(1) Non-consolidated Results of Operation (Millions of Yen, except percentages and per share amounts)

| | Operating revenues | Operating income | Ordinary income | Net income |
|-----------------------------|--------------------|------------------|-----------------|------------|
| Year ended March 31, 2020 | 38,747 | 35,740 | 35,983 | 35,286 |
| % change from previous year | 55.8% | 63.5% | 63.6% | 61.4% |
| Year ended March 31, 2019 | 24,870 | 21,860 | 21,989 | 21,860 |
| % change from previous year | 51.3% | 62.3% | 61.8% | 59.4% |

| | Basic net income per share (yen) | Diluted net income per share (yen) |
|---------------------------|-------------------------------------|---------------------------------------|
| Year ended March 31, 2020 | 261.23 | 256.85 |
| Year ended March 31, 2019 | 161.65 | 158.99 |

(2) Non-consolidated Financial Position (Millions of Yen, except percentages)

| | Total assets | Total net assets | Equity ratio | Net assets per share (yen) |
|----------------|--------------|------------------|--------------|-------------------------------|
| March 31, 2020 | 278,767 | 238,758 | 85.6% | 1,792.29 |
| March 31, 2019 | 243,568 | 223,972 | 92.0% | 1,656.20 |

Reference: Total Stockholders' equity

Year ended March 31, 2020: ¥238,758 million

Year ended March 31, 2019: ¥223,972 million

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, and Gaming & Systems businesses; (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 from 11 to 13 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 May 14, 2020.

1. Business Performance

(1) Overview of Business Performance

(i) Business Performance

For the fiscal year ended March 31, 2020, the Japanese economy went through a phase of contraction from the gradual recovery with continuing improvements in corporate earnings and personal consumption. In addition to prolonged U.S.-China trade frictions, instability in the Middle East and the Brexit impact, there are concerns about a global recession triggered by coronavirus outbreak.

Under such circumstances, in terms of the business results of Konami Group for the fiscal year ended March 31, 2020, operating profit decreased due to temporary expenses related the building we formerly occupied. The temporary expenses were incurred by the relocation to our owned new building, "Konami Creative Center Ginza," and mainly consist of rent expenses for the remaining contract period until the fiscal year ending March 31, 2021. Furthermore, impairment loss for property, plant and equipment in sports business and advance investments in new technologies were incurred. The worldwide spread of COVID-19 also affected our product and service supply for the fiscal year ended March 31, 2020.

In terms of the consolidated results for the fiscal year ended March 31, 2020, total revenue amounted to ¥262,810 million (a year-on-year increase of 0.1%), operating profit was ¥30,972 million (a year-on-year decrease of 38.7%), profit before income taxes was ¥30,395 million (a year-on-year decrease of 39.6%), and profit attributable to owners of the parent was ¥19,892 million (a year-on-year decrease of 41.8%).

(ii) Performance by Business Segment

Summary of total revenue by business segment:

| | Millions of Yen, except percentages | | |
|---------------------------|-------------------------------------|------------------------------|----------|
| | Year ended March 31, 2019 | Year ended March 31, 2020 | % change |
| Total revenue: | | | |
| Digital Entertainment | ¥141,699 | ¥153,395 | 8.3 |
| Amusement | 27,837 | 23,718 | (14.8) |
| Gaming & Systems | 31,170 | 28,401 | (8.9) |
| Sports | 63,487 | 58,984 | (7.1) |
| Intersegment eliminations | (1,644) | (1,688) | - |
| Total revenue | ¥262,549 | ¥262,810 | 0.1 |

Digital Entertainment

In the entertainment market, future development of game contents is expected through the functional enhancement of various devices, including mobile devices and video game consoles, and the standardization of next generation communication systems. 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, new experiences through game content are being offered in various ways, including eSports, which is regarded as a form of sports competition and is becoming well-known to a wide range of users and attracting more and more fans.

Under such circumstances, in the global market, as for mobile games in the Digital Entertainment segment, *Yu-Gi-Oh! DUEL LINKS* that marked third anniversary since its release and *eFootball Winning Eleven 2020* (Known overseas as *eFootball PES 2020*) have received favorable reviews. In the domestic market, *PROFESSIONAL BASEBALL SPIRITSA (Ace)* has continued to perform well and updated for the coming 2020 seasons version. As part of our continued active efforts in eSports, we hosted the final round for “PAWAPURO APP CHAMPIONSHIPS 2019,” an eSports tournament that decides the best players in the *JIKKYOU PAWAFURU PUROYAKYU* series.

As for card games, we continued to expand the *Yu-Gi-Oh! OFFICIAL CARD GAME* as well as to perform sales promotions for the release of *Yu-Gi-Oh! Rush Duel*, a new title in the *Yu-Gi-Oh!* series, in order to introduce the series to more users.

As for computer and video games, for the first part of the 25th anniversary celebration of *eFootball Winning Eleven 2020* (Known overseas as *eFootball PES 2020*), the Iconic Moment series was introduced. The *PC Engine mini*, a compact version of the classic home console released in 1987 as the *PC Engine*, was released and the console contains a range of game titles previously released for the original system. In addition, we released the match-type card game, *Yu-Gi-Oh! Legacy of the Duelist: Link Evolution* for PlayStation®4, Xbox One, and Steam®. As part of our continued active efforts in eSports, the “eBASEBALL Pro League,” which was

organized along with the Nippon Professional Baseball (NPB), 2019 season, eClimax Series and eNippon Series were held. The game was getting much more attention over last year. Here, representative players of the twelve teams who performed well in the “eBASEBALL Pro League” played “Professional Baseball Virtual Opening Game 2020” due to the postponement of the actual pro baseball opening games. The live stream of the opening game was viewed by many baseball fans. Furthermore, the “eFootball League 2019-20 Season,” the new eSports official tournaments in the *Winning Eleven* series, has begun. In regard to “eFootball.Pro,” players belonging to professional soccer clubs from European countries are competing for their clubs through exciting matches.

The segment profit from this business decreased due to increase of production costs for new titles and research and development costs.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2020 in this segment amounted to ¥153,395 million (a year-on-year increase of 8.3%) and segment profit for the fiscal year ended March 31, 2020 amounted to ¥43,198 million (a year-on-year decrease of 1.4%).

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. *BOMBERGIRL*, which is based on the video game series *Bomberman* and added team-battle elements, has also continued to perform well. Furthermore, *beatmania IIDX LIGHTNING MODEL*, which is a new cabinet and became the global standard in the *beatmania IIDX* series at eSports tournaments, and *CARDCONNECT*, a card vending cabinet which delivers new experiences through cards connecting various KONAMI titles, were released. As for medal games, *GI Derby Club* and *ELDORA CROWN: the victor of Guren* have received favorable reviews. Furthermore, *ColorCoLotta: Aim for the win! Dream Treasure Island*, the latest title in the *ColorCoLotta* series of lottery medal games with color roulette wheels and balls, and *SMASH STADIUM*, a pusher medal game whose concept involves the dynamic movement of pin-balls, were released from the fourth quarter of the fiscal year ended March 31, 2020. For prize games, we launched *TREASURE ROAD*, which featured a new style of gameplay using belt

conveyors. We also released *Magical Halloween 7*, the latest title in the *Magical Halloween* series, and *SKYGIRLS: Wings of Zero*, the latest title in the *SKYGIRLS* series.

For the fiscal year ended March 31, 2020, due to changes of the business environment, the timing revision of product launches such as timing transition of several products' release to the next period and the stagnation of supply chain triggered by coronavirus outbreak affected our performance in this business.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2020 in this segment amounted to ¥23,718 million (a year-on-year decrease of 14.8%) and segment profit for the fiscal year ended March 31, 2020 amounted to ¥5,339 million (a year-on-year decrease of 36.7%).

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, the online gaming business continues growing mainly in Europe and measures to revitalize the industry were implemented targeting young people.

Under such circumstances, with respect to our slot machines, the sales of the new upright cabinet, *KX 43™* continued to perform strongly. In addition, the sales of *Concerto™* series, including *Concerto Crescent™*, *Concerto Stack™* and *Concerto Opus™*, were mainly enhanced in North American market as well as Oceanian, South American and European market. Especially in Oceanian market, *All Aboard*, which was introduced in the last fiscal year, and *Money Trails* continued to perform well and strongly.

In regard to participation agreements (in which profits are shared with casino operators), we expanded our lineup of game content, including the *Concerto Opus™*, *Treasure Ball™* and *Triple Sparkle* linked progressive machine with mystery trigger, which are compatible with any video game platform. As a result, the revenue from the participation steadily increased. The *SYNKROS®* casino management system continued to be introduced steadily into major casino operators in North American and Oceanian market, including casinos at large cruise ships in service around the world.

For the fiscal year ended March 31, 2020, our performance in this business was affected by increased operating expenses due to advance investments for the expansion of our lineup, delivery delay by stagnation of material supply chain and the temporary closure of casinos around the world triggered by the spread of COVID-19.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2020 in this segment amounted to ¥28,401 million (a year-on-year decrease of 8.9%) and segment profit for the fiscal year ended March 31, 2020 amounted to ¥1,782 million (a year-on-year decrease of 62.3%).

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."

Under such circumstances, as for fitness programs, we made efforts to improve multiple services that offer a more comfortable and fit lifestyle for customers through activities such as personal improvement programs, which provide one-on-one support and training by instructors, and a new studio program, "Club Style," which delivers our popular programs in darkly lit studios.

As for the operation of school programs, we opened a "Small Group Swimming School" at two facilities in Tokyo. At the school, swimming coaches, who are former members of Japan's national swimming team, provide individual instruction to children based on their needs to help them improve their swimming skills.

The "Konami Sports Club: My Best Challenge Support Program" was certified as a "beyond2020 My Best Support Program," a certification system promoted by the Cabinet Secretariat Headquarters of Japan for the Promotion of the Tokyo Olympic and Paralympic Games. In addition, a collaboration project with our partner program, "Konami Sports Club and FiNC My Best Resolution Support Project," was also certified. These were regarded and certified as a "Sports Yell Company in the first year of the Reiwa era," and a participating organization in the "Sport in Life Project," promoted by the Japan Sports Agency.

As for the operation of outsourced facilities, we started the operation of new outsourced facilities such as the Machida City Gymnasium (Machida City, Tokyo), Oita Prefectural Budo Sports Center (Oita City, Oita Prefecture), and Kusatsu City Arena (Kusatsu City, Shiga Prefecture).

As for products relating to sports, we continued to expand our lineup of products including our "Konami Sports Club Original" Konami Sports Club brand products.

For the fiscal year ended March 31, 2020, total revenue and profit from this business decreased due to the closure of the directly-managed facilities, the effects of natural disasters and impairment loss for property, plant and equipment.

Furthermore, measures taken to avoid the spread of COVID-19 including the temporary closure of schools and temporary closure of our facilities in some areas affected our performance in this business.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2020 in this segment amounted to ¥58,984 million (a year-on-year decrease of 7.1%) and segment profit for the fiscal year ended March 31, 2020 amounted to ¥3,300 million (a year-on-year decrease of 98.5%).

(iii) Outlook for the Fiscal Year Ending March 31, 2021

There are concerns about a global recession triggered by measures taken to avoid the spread of COVID-19. For Konami Group, as a result of voluntary temporal closure of stores and lockdown in line with the governments of various nations' policies, it is expected that business stagnations and slowdown of future demands caused by temporal closure of amusement facilities, casino facilities and sports clubs will affect Konami Group's performance. It is difficult to reasonably calculate the impact on our projected consolidated results under the circumstances that we could not predict when the outbreak settles down and consumption trend recovers. Projected consolidated results and dividend forecasts for the fiscal year ending March 31, 2021 have not been determined consequently. We will carefully assess the projections and announce it promptly when we can disclose it.

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 part of our new efforts, *Yu-Gi-Oh! Rush Duel*, a new title in the card game series, has been released. We are gradually expanding the game content and intend to bring in many fans.

As for computer and video games, *eBASEBALL PAWAFURU PUROYAKYU 2020*, the latest title in the *JIKKYOU PAWAFURU PUROYAKYU* series in which up to four players can enjoy cooperative play, is scheduled to be released. In addition, *Momotaro Dentetsu: Showa, Heisei, Reiwa mo teiban*, the latest title in the *Momotaro Dentetsu* series, is intended to be released and we intend to share the fun content with new players.

Furthermore, in regard to our continued efforts, for mobile titles including *PROFESSIONAL BASEBALL SPIRITSA (Ace)* and *Yu-Gi-Oh! DUEL LINKS*, we continue to focus on adding new features to the titles as well as holding events and promotions to attract players. In the *Yu-Gi-Oh! OFFICIAL CARD GAME* series, the revised rules in April 2020 provided players a wide range of tactics, and it has received favorable reviews for its deep gameplay. In regard to eSports, "eBASEBALL Pro League," which is organized along with the Nippon Professional Baseball (NPB), 2020 season was decided to be held. We continue to host the "eFootball League 2019-20 Season," the eSports official tournaments in the *Winning Eleven* series. We will continue to attract baseball fans by providing new experiences through eSports.

Amusement

Konami Group intends to provide new entertainment that can be enjoyed only at an amusement facility through person-to-person communication using the e-amusement system. As for arcade games, we continue to make efforts to develop the global market through the expansion of eSports tournaments including the “KONAMI Arcade Championship,” creating the entertainment where we can share the impression and experience.

“BEMANI PRO LEAGUE,” the first eSports Pro League for music games in Japan, was launched. The league is intended to begin in 2020 and will deliver new entertainment mixing music and eSports.

As for the *MAH-JONG FIGHT CLUB* brand, we further develop the professional mah-jong league (M League), where we strive to deliver new and fun entertainment for game and mah-jong fans through exciting battles between club teams and our “KONAMI MAH-JONG FIGHT CLUB” as part of the league.

In the global market, we will strive to strengthen its business development by expanding sales and service operations of Konami Group products, including amusement machines, in the Southeast Asian region where the economy is growing rapidly.

The impact of coronavirus outbreak on future business activities is uncertain at present, thus it is expected to continue affecting our performance for the fiscal year ending March 31, 2021.

Gaming & Systems

As for slot machines, we continue to make efforts to enhance our sales focusing on *KX 43™*, a key cabinet, and the *Concerto™* series. We also continue to enhance the product range by adding *Dimension 49J™*, a new cabinet featuring J-curve display, into the lineup. In addition, we focus on developing new products by leveraging our new technology to boost our market presence through adding *Concerto Dual™*, featuring 43-inch dual display, into the *Concerto™* series. In regard to participation agreements, we continue to expand our lineup of game content, including a key product, the *Concerto™* series, *Treasure Ball™*, which continues to perform strongly, and *Golden Blocks™*.

As for the casino management system, we will promote new installments of *SYNKROS®* for large casinos in North America and Oceania, increasing the number of system connection. In addition to *SynkConnect™*, which can display and manage personal accounts on mobile devices, *SynkVision*, a function of delivering the players optimized information by cutting-edge biometric technology, and *SYNK31™*, money laundering prevention system, were also introduced. We continue to make efforts to enhance product appeal, including the development of new functions.

The impact of coronavirus outbreak on future business activities is uncertain at present, thus it is expected to continue affecting our performance for the fiscal year ending March 31, 2021.

Sports

We continue to enhance our fitness services and provide personal programs matching their purposes to support as many customers as possible to have longer fitness by satisfying their various needs, including collaboration with partners.

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. In addition to expansion of the number of school providing the school programs, we will continue to expand the number of classes of our existing facilities.

In order to contribute to local governments and schools to resolve various issues including facility maintenance and changes in work environments, we will make a full-scale expansion into the operation of outsourced swimming classes for preschools, elementary schools and junior high schools. Furthermore, we intend to contribute to the spread and various 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 support for corporate companies working on health and productivity management.

There are continued concerns about the impact of coronavirus outbreak on our sports business; however, we continue to support measures to avoid the spread of infection so that customers can feel safe using our facilities. Furthermore, as a “total health partner” for our customers, we continue to make efforts providing services for physical and mental health promotion in order to help foster a fulfilling life for as many people as possible.

(2) Consolidated Financial Position

(i) Total Assets, Total Liabilities and Total Equity

Total Assets:

Total assets amounted to ¥419,134 million as of March 31, 2020, increasing by ¥41,097 million compared with March 31, 2019. This mainly resulted from an increase in property, plant and equipment, net due to recognition of right-of-use assets by adoption of IFRS 16 “Leases” (hereafter, “IFRS 16”) and recognition of investment property, despite a decrease in cash and cash equivalents.

As for the building recognized as investment property, commencement of owner-occupation is scheduled from February 1, 2022 due to expiration of current fixed-term building lease agreement on January 31, 2022. Property is transferred from investment property to property, plant and equipment, net as of commencement of owner-occupation.

Total Liabilities:

Total liabilities amounted to ¥150,191 million as of March 31, 2020, increasing by ¥48,558 million compared with March 31, 2019. This primarily resulted from an increase in bonds and borrowings and increase in other financial liabilities due to recognition of lease liabilities by adoption of IFRS 16.

Total Equity:

Total equity amounted to ¥268,943 million as of March 31, 2020, decreasing by ¥7,461 million compared with March 31, 2019. This mainly resulted from an increase in treasury shares due to purchase of treasury shares.

Total equity attributable to owners of the parent was 64.0%, decreasing by 8.9 points compared with March 31, 2019.

(ii) Cash Flows

| | Millions of Yen | | |
|--|------------------------------|------------------------------|-----------|
| | Year ended March 31, 2019 | Year ended March 31, 2020 | Change |
| Cash flow summary: | | | |
| Net cash provided by operating activities | ¥49,131 | ¥51,166 | ¥2,035 |
| Net cash used in investing activities | (22,527) | (62,147) | (39,620) |
| Net cash used in financing activities | (22,416) | (15,869) | 6,547 |
| Effect of exchange rate changes on cash and cash equivalents | 569 | (960) | (1,529) |
| Net increase (decrease) in cash and cash equivalents | 4,757 | (27,810) | (32,567) |
| Cash and cash equivalents at the end of the year | ¥159,242 | ¥131,432 | ¥(27,810) |

Cash and cash equivalents (hereafter, referred to as “Net cash”), as of March 31, 2020, amounted to ¥131,432 million, a decrease of ¥27,810 million compared to the year ended March 31, 2019.

Cash flow summary for each activity for the year ended March 31, 2020 is as follows:

Cash flows from operating activities:

Net cash provided by operating activities amounted to ¥51,166 million for the year ended March 31, 2020, a year-on-year increase of 4.1%. This primarily resulted from an increase in depreciation and amortization by adoption of IFRS 16 despite a decrease in profit for the year.

Cash flows from investing activities:

Net cash used in investing activities amounted to ¥62,147 million for the year ended March 31, 2020, a year-on-year increase of 175.9%. This mainly resulted from an increase in capital expenditures.

Cash flows from financing activities:

Net cash used in financing activities amounted to ¥15,869 million for the year ended March 31, 2020, a year-on-year decrease of 29.2%. This primarily resulted from proceeds from short-term borrowings despite an expenditure in purchase of treasury shares for the year ended March 31, 2020.

(iii) 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.

As the payment of year-end dividend for the consolidated year ended March 31, 2020 was intended to maintain the same level of regular dividends for the year ended March 31, 2019 which was based on the record profits achieved, we announced the year-end dividend forecast for the consolidated year ended March 31, 2020 would be 38.00 yen per share. However, it is a shared value with all shareholders to maintain the foundation for sustainable growth and prepare for its stable management and employment even under the severe business environment from the next fiscal year that would be concerned about the impact of coronavirus outbreak. Thus, we will revise the year-end dividend to be 7.00 yen per share for the fiscal year ended March 31, 2020. Since the dividends on an annual basis will be 45.00 yen per share, including the distributed second-quarter-end dividend (38.00 yen per share), we maintain a consolidated payout ratio of more than 30% as our basic policy on the distribution on profits.

As a result, the total annual returns will be 12.6 billion yen (approximately 93.00 yen per share), which includes 6.1 billion yen (45.00 yen per share) of total dividends for the consolidated year ended March 31, 2020, with adding 6.5 billion yen of treasury shares acquired on March 27, 2020. Thus, the total return ratio will be 63.2%.

It is difficult to reasonably calculate the impact of coronavirus outbreak at present, hence dividend forecasts for the fiscal year ending March 31, 2021 has not been determined.

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. Basic Policy on the Selection of Accounting Standards

The Company has voluntarily adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2015, for the purpose of enhancing comparability with the financial information of overseas companies in the same industry.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

| | Millions of Yen | |
|---|-------------------------|-------------------------|
| | As of March 31, 2019 | As of March 31, 2020 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | ¥159,242 | ¥131,432 |
| Trade and other receivables | 32,475 | 29,894 |
| Inventories | 8,315 | 10,000 |
| Income tax receivables | 339 | 1,924 |
| Other current assets | 7,350 | 14,493 |
| Total current assets | 207,721 | 187,743 |
| Non-current assets | | |
| Property, plant and equipment, net | 82,241 | 116,631 |
| Goodwill and intangible assets | 38,080 | 34,423 |
| Investment property | - | 32,484 |
| Investments accounted for using the equity method | 3,233 | 3,128 |
| Other investments | 1,220 | 1,554 |
| Other financial assets | 22,038 | 17,229 |
| Deferred tax assets | 21,143 | 23,735 |
| Other non-current assets | 2,361 | 2,207 |
| Total non-current assets | 170,316 | 231,391 |
| Total assets | 378,037 | 419,134 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Bonds and borrowings | 10,547 | 28,265 |
| Other financial liabilities | 4,323 | 12,187 |
| Trade and other payables | 31,530 | 31,264 |
| Income tax payables | 4,771 | 2,997 |
| Other current liabilities | 19,660 | 22,053 |
| Total current liabilities | 70,831 | 96,766 |
| Non-current liabilities | | |
| Bonds and borrowings | 9,803 | 9,855 |
| Other financial liabilities | 9,922 | 34,553 |
| Provisions | 9,182 | 6,674 |
| Deferred tax liabilities | - | 886 |
| Other non-current liabilities | 1,895 | 1,457 |
| Total non-current liabilities | 30,802 | 53,425 |
| Total liabilities | 101,633 | 150,191 |
| Equity | | |
| Share capital | 47,399 | 47,399 |
| Share premium | 74,426 | 74,399 |
| Treasury shares | (21,325) | (27,836) |
| Other components of equity | 1,583 | (89) |
| Retained earnings | 173,544 | 174,268 |
| Total equity attributable to owners of the parent | 275,627 | 268,141 |
| Non-controlling interests | 777 | 802 |
| Total equity | 276,404 | 268,943 |
| Total liabilities and equity | ¥378,037 | ¥419,134 |

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

Consolidated Statement of Profit or Loss

| | Millions of Yen | |
|--|------------------------------|------------------------------|
| | Year ended March 31, 2019 | Year ended March 31, 2020 |
| Revenue | | |
| Product sales revenue | ¥74,724 | ¥69,298 |
| Service and other revenue | 187,825 | 193,512 |
| Total revenue | 262,549 | 262,810 |
| Cost of revenue | | |
| Cost of product sales revenue | (36,166) | (36,431) |
| Cost of service and other revenue | (119,192) | (126,612) |
| Total cost of revenue | (155,358) | (163,043) |
| Gross profit | 107,191 | 99,767 |
| Selling, general and administrative expenses | (52,631) | (55,470) |
| Other income and other expenses, net | (4,038) | (13,325) |
| Operating profit | 50,522 | 30,972 |
| Finance income | 326 | 352 |
| Finance costs | (817) | (903) |
| Profit (loss) from investments accounted for using the equity method | 279 | (26) |
| Profit before income taxes | 50,310 | 30,395 |
| Income taxes | (16,093) | (10,498) |
| Profit for the year | 34,217 | 19,897 |
| Profit attributable to: | | |
| Owners of the parent | 34,196 | 19,892 |
| Non-controlling interests | ¥21 | ¥5 |

| | Yen | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2019 | Year ended March 31, 2020 |
| Earnings per share (attributable to owners of the parent) | | |
| Basic | ¥252.86 | ¥147.26 |
| Diluted | ¥249.02 | ¥145.08 |

Consolidated Statement of Comprehensive Income

| | Millions of Yen | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2019 | Year ended March 31, 2020 |
| Profit for the year | ¥34,217 | ¥19,897 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss: | | |
| Net change in fair value of equity financial assets measured at fair value through other comprehensive income | (68) | (28) |
| Share of other comprehensive income of entity accounted for using the equity method | (0) | 0 |
| Total items that will not be reclassified to profit or loss | (68) | (28) |
| Items that may be reclassified to profit or loss: | | |
| Exchange differences on foreign operations | 1,040 | (1,635) |
| Total items that may be reclassified to profit or loss | 1,040 | (1,635) |
| Total other comprehensive income | 972 | (1,663) |
| Total comprehensive income for the year | 35,189 | 18,234 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 35,169 | 18,229 |
| Non-controlling interests | ¥20 | ¥5 |

(3) 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, 2018 | ¥47,399 | ¥74,426 | ¥(21,321) | ¥610 | ¥152,668 | ¥253,782 | ¥757 | ¥254,539 |
| Profit for the year | | | | | 34,196 | 34,196 | 21 | 34,217 |
| Other comprehensive income | | | | 973 | | 973 | (1) | 972 |
| Total comprehensive income for the year | - | - | - | 973 | 34,196 | 35,169 | 20 | 35,189 |
| Purchase of treasury shares | | | (4) | | | (4) | | (4) |
| Disposal of treasury shares | | 0 | 0 | | | 0 | | 0 |
| Dividends | | | | | (13,320) | (13,320) | | (13,320) |
| Total transactions with the owners | - | 0 | (4) | - | (13,320) | (13,324) | - | (13,324) |
| Balance at March 31, 2019 | ¥47,399 | ¥74,426 | ¥(21,325) | ¥1,583 | ¥173,544 | ¥275,627 | ¥777 | ¥276,404 |

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, 2019 | ¥47,399 | ¥74,426 | ¥(21,325) | ¥1,583 | ¥173,544 | ¥275,627 | ¥777 | ¥276,404 |
| Changes in accounting policies | | | | | (5,180) | (5,180) | | (5,180) |
| Beginning balance after adjusting | 47,399 | 74,426 | (21,325) | 1,583 | 168,364 | 270,447 | 777 | 271,224 |
| Profit for the year | | | | | 19,892 | 19,892 | 5 | 19,897 |
| Other comprehensive income | | | | (1,663) | | (1,663) | 0 | (1,663) |
| Total comprehensive income for the year | - | - | - | (1,663) | 19,892 | 18,229 | 5 | 18,234 |
| Purchase of treasury shares | | | (6,511) | | | (6,511) | | (6,511) |
| Disposal of treasury shares | | 0 | 0 | | | 0 | | 0 |
| Dividends | | | | | (13,997) | (13,997) | | (13,997) |
| Changes in ownership interests in subsidiaries | | (27) | | | | (27) | 20 | (7) |
| Transfer from other components of equity to retained earnings | | | | (9) | 9 | - | | - |
| Total transactions with the owners | - | (27) | (6,511) | (9) | (13,988) | (20,535) | 20 | (20,515) |
| Balance at March 31, 2020 | ¥47,399 | ¥74,399 | ¥(27,836) | ¥(89) | ¥174,268 | ¥268,141 | ¥802 | ¥268,943 |

(4) Consolidated Statement of Cash Flows

| | Millions of Yen | |
|--|------------------------------|------------------------------|
| | Year ended March 31, 2019 | Year ended March 31, 2020 |
| <i>Operating activities</i> | | |
| Profit for the year | ¥34,217 | ¥19,897 |
| Depreciation and amortization | 14,093 | 26,585 |
| Impairment losses | 3,290 | 10,985 |
| Interest and dividends income | (306) | (312) |
| Interest expense | 797 | 882 |
| Loss on sale or disposal of property, plant and equipment | 428 | 1,353 |
| (Profit) loss from investments accounted for using the equity method | (279) | 26 |
| Income taxes | 16,093 | 10,498 |
| (Increase) decrease in trade and other receivables | (5,816) | 2,250 |
| Increase in inventories | (964) | (1,703) |
| Increase (decrease) in trade and other payables | 1,329 | (448) |
| Increase in prepaid expense | (413) | (444) |
| Increase (decrease) in contract liabilities | 5,152 | (2,289) |
| Other, net | (254) | (1,204) |
| Interest and dividends received | 282 | 309 |
| Interest paid | (774) | (873) |
| Income taxes paid | (17,744) | (14,346) |
| <i>Net cash provided by operating activities</i> | 49,131 | 51,166 |
| <i>Investing activities</i> | | |
| Capital expenditures | (23,809) | (62,565) |
| Payments for lease deposits | (614) | (739) |
| Proceeds from refunds of lease deposits | 621 | 1,627 |
| Payments into time deposits | (1) | (1,034) |
| Proceeds from withdrawal of time deposits | 1,282 | 357 |
| Other, net | (6) | 207 |
| <i>Net cash used in investing activities</i> | (22,527) | (62,147) |
| <i>Financing activities</i> | | |
| Proceeds from short-term (more than 3 months) borrowings | 12,177 | 33,721 |
| Repayments of short-term (more than 3 months) borrowings | (13,826) | (10,906) |
| Redemption of bonds | (5,000) | (5,000) |
| Principal payments of lease liabilities | (2,460) | (13,182) |
| Dividends paid | (13,303) | (13,984) |
| Purchase of treasury shares | (4) | (6,511) |
| Other, net | 0 | (7) |
| <i>Net cash used in financing activities</i> | (22,416) | (15,869) |
| Effect of exchange rate changes on cash and cash equivalents | 569 | (960) |
| Net increase (decrease) in cash and cash equivalents | 4,757 | (27,810) |
| Cash and cash equivalents at the beginning of the year | 154,485 | 159,242 |
| <i>Cash and cash equivalents at the end of the year</i> | ¥159,242 | ¥131,432 |

(5) Going Concern Assumption

None

(6) Changes in Accounting Policies

The significant accounting policies adopted for these consolidated financial statements are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2019 with the exception of the items described hereunder.

1. Changes in Accounting Policies

Konami Group has adopted the following standard from the fiscal year ended March 31, 2020.

| Standards | Title | Overview of new/revised Standards |
|-----------|--------|-----------------------------------|
| IFRS 16 | Leases | Revisions of lease accounting |

(Lessee)

In accordance with the transition provisions in IFRS 16 “Leases” (hereafter, “IFRS 16”), Konami Group has adopted this standard retrospectively with the cumulative effect of initially applying this standard recognized on the date of initial application.

On adoption of IFRS 16, Konami Group has elected the practical expedient detailed in IFRS 16 paragraph C3 and continued its assessments of whether contracts contain leases under IAS 17 “Leases” (hereafter, “IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease.” On the date of initial application, right-of-use assets and lease liabilities were recognized for leases which had previously been classified as operating leases under IAS 17. Lease liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of the date of initial application.

The reconciliation between the operating lease contracts disclosed at the end of the fiscal year ended March 31, 2019 applying IAS 17 and the lease liabilities recognized in the consolidated statement of financial position at the date of initial application is as follows,

| Millions of Yen | |
|--|---------|
| | Amounts |
| Operating lease contracts disclosed as at March 31, 2019 | ¥49,451 |
| Discounted using Konami Group's incremental borrowing rate of 0.34% | (1,068) |
| Add: finance lease liabilities recognized as at March 31, 2019 | 12,060 |
| Less: short-term leases recognized on a straight-line basis as expense | (2,632) |
| Lease liabilities recognized as at April 1, 2019 | ¥57,811 |

At the beginning of the first quarter of fiscal year ending March 31, 2020, the application of IFRS 16 mainly affected that right-of-use assets increased by ¥40,067 million and lease liabilities increased by ¥45,751 million, respectively, compared with the case that the previous standard was applied. Right-of-use assets are presented in property, plant and equipment and lease liabilities are presented in other financial liabilities, respectively, in the quarterly consolidated statement of financial position.

In applying IFRS16 for the first time, Konami Group has used the following practical expedients:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for leases with a remaining lease term of less than 12 months as at the date of initial application as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(Lessor)

Konami Group has classified leases as operating leases if they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets. In operating leases, the leases' underlying assets are carried on the Consolidated Statement of Financial Position and lease payments are recognized as income on a straight-line basis over the lease term.

2. Additions to Accounting Policies

Konami Group has adopted the following standard from the fiscal year ended March 31, 2020.

- IAS 40 “Investment Property”

Investment Property is presented at cost less any accumulated depreciation and any accumulated impairment losses. After initial recognition, investment property is measured by the cost model using estimated useful life and depreciation method on the same basis as property, plant and equipment.

(7) Segment Information

(i) Operating Segment Information

| | Millions of Yen | |
|---------------------------|------------------------------|------------------------------|
| | Year ended March 31, 2019 | Year ended March 31, 2020 |
| Revenue: | | |
| Digital Entertainment - | | |
| External customers | ¥140,955 | ¥152,725 |
| Intersegment | 744 | 670 |
| Total | ¥141,699 | ¥153,395 |
| Amusement - | | |
| External customers | ¥27,249 | ¥23,022 |
| Intersegment | 588 | 696 |
| Total | ¥27,837 | ¥23,718 |
| Gaming & Systems - | | |
| External customers | ¥31,170 | ¥28,401 |
| Intersegment | - | - |
| Total | ¥31,170 | ¥28,401 |
| Sports - | | |
| External customers | ¥63,175 | ¥58,662 |
| Intersegment | 312 | 322 |
| Total | ¥63,487 | ¥58,984 |
| Intersegment eliminations | ¥(1,644) | ¥(1,688) |
| Consolidated | ¥262,549 | ¥262,810 |

| | Millions of Yen | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2019 | Year ended March 31, 2020 |
| Segment profit (loss): | | |
| Digital Entertainment | ¥43,833 | ¥43,198 |
| Amusement | 8,434 | 5,339 |
| Gaming & Systems | 4,723 | 1,782 |
| Sports | 2,243 | 33 |
| Total segment profit and loss, net | 59,233 | 50,352 |
| Corporate expenses and eliminations | (4,673) | (6,055) |
| Other income and other expenses, net | (4,038) | (13,325) |
| Finance income and finance costs, net | (491) | (551) |
| Profit (loss) from investments accounted for using the equity method | 279 | (26) |
| Profit before income taxes | ¥50,310 | ¥30,395 |

(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.

(ii) Geographic Information

Revenue from external customers

| | Millions of Yen | |
|-----------------|------------------------------|------------------------------|
| | Year ended March 31, 2019 | Year ended March 31, 2020 |
| Revenue: | | |
| Japan | ¥201,775 | ¥204,518 |
| United States | 40,347 | 36,746 |
| Europe | 12,890 | 12,551 |
| Asia/Oceania | 7,537 | 8,995 |
| Consolidated | ¥262,549 | ¥262,810 |

(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.

(8) Impairment loss

For the fiscal year ended March 31, 2020, impairment loss of ¥10,985 million was incurred in other income and other expenses, net in the consolidated statements of profit or loss.

This is mainly due to impairment loss of ¥3,057 million for right-of-use assets. The asset, which had been a rental building, was identified as an idle asset by relocation to our owned new building, "Konami Creative Center Ginza." In addition, amidst the increasingly competitive environment surrounding the sports business, impairment loss of ¥6,445 million for property, plant and equipment and goodwill were also recognized, looking to improve and strengthen our profit structure.

(9) Earnings per Share

| | Year ended March 31, 2019 | Year ended March 31, 2020 |
|--|------------------------------|------------------------------|
| Profit attributable to owners of the parent | 34,196 million yen | 19,892 million yen |
| Adjustments for profit used in the calculation of diluted earnings per share | 36 million yen | 36 million yen |
| Profit used in the calculation of diluted earnings per share | 34,232 million yen | 19,928 million yen |
| Basic weighted average ordinary shares outstanding | 135,233,307 shares | 135,077,487 shares |
| Adjustments for convertible bond-type bonds with subscription rights to shares | 2,233,788 shares | 2,285,662 shares |
| Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share | 137,467,095 shares | 137,363,149 shares |
| Earnings per share attributable to owners of the parent for the year | | |
| Basic | 252.86 yen | 147.26 yen |
| Diluted | 249.02 yen | 145.08 yen |

(10) Subsequent Events

None