

**Consolidated Financial Results**  
**for the Six Months Ended September 30, 2018**  
**(Prepared in Accordance with IFRS)**

October 31, 2018

**KONAMI HOLDINGS CORPORATION**

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 Stock code number, TSE: 9766  
 Ticker symbol, LSE: KNM  
 URL: <https://www.konami.com/>  
 Shares listed: Tokyo Stock Exchange and London Stock Exchange  
 Representative: Takuya Kozuki, Representative Director, President  
 Contact: Junichi Motobayashi, Corporate Officer, General Manager, Finance and Accounting  
 (Phone: +81-3-5771-0222)  
 Beginning date of dividend payment: November 20, 2018

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

**1. Consolidated Financial Results for the Six Months Ended September 30, 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
Six months ended September 30, 2018	122,168	25,027	24,948	17,197	17,196	19,363
% change from previous year	5.9%	0.3%	0.5%	0.1%	0.1%	8.7%
Six months ended September 30, 2017	115,356	24,951	24,836	17,186	17,180	17,816
% change from previous year	13.8%	46.4%	52.9%	40.5%	40.6%	105.1%

	Basic earnings per share (attributable to owners of the parent) (yen)	Diluted earnings per share (attributable to owners of the parent) (yen)
Six months ended September 30, 2018	127.16	125.22
Six months ended September 30, 2017	127.04	125.12

**(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
September 30, 2018	368,494	268,761	268,003	72.7%
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 September 30, 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 September 30, 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 September 30, 2018	143,500,000 shares
As of March 31, 2018	143,500,000 shares
2. Number of treasury shares:	
As of September 30, 2018	8,266,718 shares
As of March 31, 2018	8,266,259 shares
3. Average number of shares outstanding:	
Six months ended September 30, 2018	135,233,431 shares
Six months ended September 30, 2017	135,235,621 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, and 11 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 October 31, 2018.

# 1. Business Performance

## (1) Analysis of Business Performance

### (i) Business Overview

For the six months ended September 30, 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 uncertainty because of concerns about the declining global economy, including U.S.-China trade frictions and instability in the Middle East.

Under such circumstances, in terms of the business results of Konami Group for the six months ended September 30, 2018, both total revenue and operating profit exceeded those for the same period of the previous fiscal year because its leading titles, including *JIKKYOU PAWAFURU PUROYAKYU* series and *Winning Eleven* series, continued to perform strongly with encouragement of its efforts towards eSports, while the Amusement business was weaker compared with its healthy sales for the same period of the previous fiscal year.

In terms of the consolidated results for the six months ended September 30, 2018, total revenue amounted to ¥122,168 million (a year-on-year increase of 5.9%), operating profit was ¥25,027 million (a year-on-year increase of 0.3%), profit before income taxes was ¥24,948 million (a year-on-year increase of 0.5%), and profit attributable to owners of the parent was ¥17,196 million (a year-on-year increase of 0.1%).

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		
	Six months ended September 30, 2017	Six months ended September 30, 2018	% change
<b>Total revenue:</b>			
Digital Entertainment	¥57,765	¥66,816	15.7
Amusement	12,553	11,342	(9.6)
Gaming & Systems	12,641	12,798	1.2
Sports	33,017	32,024	(3.0)
Intersegment eliminations	(620)	(812)	-
Total revenue	¥115,356	¥122,168	5.9

### 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 2018* (known overseas as *PRO EVOLUTION SOCCER 2018*) performed strongly in the global market following the first quarter with supported by worldwide “soccer fever.” *Yu-Gi-Oh! DUEL LINKS* was implemented a large-scale update and continue to increase the number of users. In the domestic market, various titles also continued to perform stably, including *JIKKYOU PAWAFURU PUROYAKYU* and *PROFESSIONAL BASEBALL SPIRITS A (Ace)*.

As for card games, we continue to revitalize the *Yu-Gi-Oh! TRADING CARD GAME* series through developing various measures to celebrate its milestone, including the 20<sup>th</sup>-anniversary-year-project *Yu-Gi-Oh! TRADING CARD GAME* which celebrates its 20th anniversary once it goes on sale in February 2019 as well as the hosting of “Yu-Gi-Oh! World Championship 2018,” the eSports World Championship which decides who is number one in the *Yu-Gi-Oh!* series.

As for computer and video games, we released the latest title in the *Winning Eleven* series, *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*). Due to the recent global interest in soccer, it has received favorable reviews, including the online mode, *myClub*. As part of our continued active efforts in eSports, *Winning Eleven 2018* (known overseas as *PRO EVOLUTION SOCCER 2018*) was selected as a demonstration competition for the “18th Asian Games Jakarta-

Palembang 2018” and attracted much attention. In addition, the selection of *Winning Eleven 2019* as a title to be used for competition of the Culture Program at the 74th National Sports Festival, “Iki Iki Ibaraki Yume Kokutai,” was announced. A competition was also held at the “Ibaraki Pre-Tournament” to celebrate one year until the big tournament is held. In regard to baseball content, the *JIKKYOU PAWAFURU PUROYAKYU* series was also selected as a competition title for the Culture Program at the 73rd National Sports Festival, “Fukui Shiawase Genki Kokutai,” and the “eBASEBALL PAWAPURO Pro League” was decided to be held along with Nippon Professional Baseball (NPB). This is a PUROYAKYU (professional baseball) eSports league whose competition title is *JIKKYOU PAWAFURU PUROYAKYU 2018*. The e-draft conference also decided the teams for 36 PUROYAKYU eBASEBALL players.

In terms of financial performance, total revenue for the six months ended September 30, 2018 in this segment amounted to ¥66,816 million (a year-on-year increase of 15.7%) and segment profit for the six months ended September 30, 2018 amounted to ¥20,423 million (a year-on-year increase of 6.1%).

### **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 regards to our video games, the new cabinet *MAH-JONG FIGHT CLUB Gouka Kenran* and continued to perform strongly. The addition of this high-grade model cabinet was to celebrate the 15th anniversary of the online versus mah-jong game *MAH-JONG FIGHT CLUB. BOMBER GIRL*, which is based on basic game features from the popular video game series *Bombberman*, 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, we have launched sequentially a full-scale professional baseball card game, *BASEBALL COLLECTION*, which uses a large-scale monitor and enables more ways to play, including managing teams and training players. As for the medal games, we launched *BOMBERMAN THE MEDAL*, which is based on *Bombberman* and allows up to eight players of all ages to play simultaneously. In addition, *ColorCoLotta: The Sun and the Secret Island* was released. This latest title in the *ColorCoLotta* series, a lottery medal game utilizing a colored roulette and multiple

ball, has received favorable reviews not only from fans of the series, but also from players new to medal games. Furthermore, the latest title in the *MAGICAL HALLOWEEN* series, *MAGICAL HALLOWEEN 6*, performed well.

Meanwhile, the business results of the Amusement business for the six months ended September 30, 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 six months ended September 30, 2018 in this segment amounted to ¥11,342 million (a year-on-year decrease of 9.6%) and segment profit for the six months ended September 30, 2018 amounted to ¥3,075 million (a year-on-year decrease of 33.3%).

### **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, allowing them to increase their chances at winning, in addition eSports tournament.

Under such circumstances, with respect to our slot machines, we expanded our *Concerto*<sup>™</sup> series focusing on the North American, Asian and Oceanian markets, including *Concerto Crescent*<sup>™</sup> and *Concerto Stack*<sup>™</sup>. In addition, we promoted market revitalization by providing new entertainments with the installation of *Fortune Cup*<sup>™</sup>, 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*<sup>™</sup> series, a premium linked progressive machine, *Smash Smash Festival*<sup>™</sup>, 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*<sup>®</sup> 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 six months ended September 30, 2018 in this segment amounted to ¥12,798 million (a year-on-year increase of 1.2%) and segment profit for the six months ended September 30, 2018 amounted to ¥1,587 million (a year-on-year increase of 28.4%).

## 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, in our Sports segment, we have promoted to increase usage of facilities through the introduction of pricing plans that customers can select based on their frequency of use. In addition, we continued to make efforts to improve services that offer a comfortable and fit lifestyle for customers, including enhancement of our new in-house development program, *BeautyHip*, which aims to respond to the needs of women who "want more beautiful curves, from the buttocks to the back side of the thighs," and improvement of facility environments through renovations. As for school programs, we have moved forward with the expansion of our exercise schools. For example, we held a sprint racing lesson class for children called *Learn to run! Kakekko Class* incorporating running methods developed by Dai Tamesue, who participated in the Olympic Games, as well as introduced new programs for a *Table Tennis School* and *Trampoline School*. In July 2018, we opened a new style of fitness area, *XAX Umeda X-STUDIO* (Kita-ku, Osaka Prefecture), with a new service style for the *XAX* sports club brand, to strongly support creating a "fulfilling life" as the key characteristic before health. This is one of our measures to invite new members.

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 six months ended September 30, 2018, total revenue from this business decreased mainly due to closing of the facilities, though there were some new openings and renovations.

In terms of financial performance, total revenue for the six months ended September 30, 2018 in this segment amounted to ¥32,024 million (a year-on-year decrease of 3.0%) and segment profit for the six months ended September 30, 2018 amounted to ¥1,865 million (a year-on-year increase of 2.8%).

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* to be released to meet customer expectations. In addition, our new title, *DANKIRA!!! – Boys, be DANCING!*, was revealed and received favorable reviews at Tokyo Game Show 2018.

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.

As for computer and video games, we will host the qualifying round at the eSports Global Championship “PES LEAGUE WORLD TOUR 2019” for *Winning Eleven 2019* (known overseas as *PRO EVOLUTION SOCCER 2019*) in many parts. With the increasing amount of attention paid to eSports in recent years, we are seeing a rise in the number of competitions featuring the *Winning Eleven* series, such as the Asian Games and National Sports Festival. We will continue to make stronger efforts in eSports in the future. In regard to baseball contents, the *JIKKYOU PAWAFURU PUROYAKYU* series was also selected as a competition title for the Culture Program at the 73rd National Sports Festival, “Fukui Shiawase Genki Kokutai,” and the “eBASEBALL PAWAPURO Pro League 2018” will be held along with Nippon Professional Baseball (NPB). This is a PUROYAKYU (professional baseball) eSports league whose competition title is *JIKKYOU PAWAFURU PUROYAKYU 2018*. In addition, we are working on the latest title in the *PROFESSIONAL BASEBALL SPIRITS* series to respond to the high expectations of fans.

### Amusement

As for arcade games, Konami Group intends to work to revitalize the amusement arcade industry by providing new entertainment that can be enjoyed only at an amusement facility through person-to-person communication using the *e-amusement* system and developing eSports tournament. 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 the promotion of the unification of IC card specifications for arcade games.

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. In the *SENGOKU COLLECTION* series, the previous title of which was highly acclaimed by the market, *SENGOKU COLLECTION! Ieyasu Tokugawa* is intended to be released as the first title which will be made in accordance with the new regulations.

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*<sup>™</sup> series, a key product in our video slot machine series, as well as enhance the product range, including introduction of the latest cabinet, *Concerto Opus*<sup>™</sup>, which features a large, 65-inch display and a new upright cabinet, *KX 43*<sup>™</sup>. In addition, we continue to develop the products, including introduction of multi-station machines, such as *Fortune Cup*<sup>™</sup>, a horserace betting station with a model track providing new entertainment elements, and *Crystal Cyclone*<sup>™</sup>, a ball-drawing game, and *Beat Square*<sup>™</sup>, a slot machine based on *jubeat* from the *BEMANI* series which is one of our music genre game series for amusement machines. *Beat Square*<sup>™</sup> 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.

As for the *SYNKROS*<sup>®</sup> casino management system, we provide a variety of functions which have received positive reviews, including the business intelligence function *SYNKROS Dashboards*<sup>™</sup> and *SYNKROS Offers Management*, which offers privileges and customer-friendly information to customers. We continue to make efforts to enhance product appeal, including actively expansion of the sales and the development of new functions.

### **Sports**

As for the operation of school programs, we offer various kinds of exercise schools 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 July 2018, we launched the first table tennis and trampoline school programs in general sports clubs in Japan. We will continue to increase the number of facilities that can participate in these programs in the future.

In addition, we reopened the Konami Sports Club Sakae (Naka-ku, Nagoya City) in September 2018 to try to provide more satisfying services. This is one of our continuing efforts to improve the quality of existing facilities and expand services. Furthermore, we intend to continue 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 will continue to develop a variety of products for the Konami Sports Club brand as well as our existing *AEROBIKE* and *POWERFUL GEAR* products. We also intend to enhance their appeal to customers through e-commerce site and sports facilities to expand our market share.

Due to the impact of recent disasters, including the Northern Osaka Earthquake and Typhoon No. 21, some facilities had to suspend business operation and suffered damage to their buildings. However, all facilities have now resumed operation.

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 September 30, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	¥154,485	¥151,646
Trade and other receivables	26,092	30,116
Inventories	6,840	10,454
Income tax receivables	714	641
Other current assets	7,541	7,543
<b>Total current assets</b>	<b>195,672</b>	<b>200,400</b>
<b>Non-current assets</b>		
Property, plant and equipment, net	79,077	78,759
Goodwill and intangible assets	36,870	39,387
Investments accounted for using the equity method	3,034	2,980
Other investments	1,313	1,298
Other financial assets	22,578	22,063
Deferred tax assets	21,951	21,184
Other non-current assets	2,613	2,423
<b>Total non-current assets</b>	<b>167,436</b>	<b>168,094</b>
<b>Total assets</b>	<b>363,108</b>	<b>368,494</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bonds and borrowings	11,903	11,810
Other financial liabilities	3,876	3,764
Trade and other payables	31,252	27,576
Income tax payables	7,599	1,809
Other current liabilities	14,660	21,415
<b>Total current liabilities</b>	<b>69,290</b>	<b>66,374</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	14,744	9,777
Other financial liabilities	13,105	11,907
Provisions	9,109	9,250
Other non-current liabilities	2,321	2,425
<b>Total non-current liabilities</b>	<b>39,279</b>	<b>33,359</b>
<b>Total liabilities</b>	<b>108,569</b>	<b>99,733</b>
<b>Equity</b>		
Share capital	47,399	47,399
Share premium	74,426	74,426
Treasury shares	(21,321)	(21,323)
Other components of equity	610	2,776
Retained earnings	152,668	164,725
<b>Total equity attributable to owners of the parent</b>	<b>253,782</b>	<b>268,003</b>
Non-controlling interests	757	758
<b>Total equity</b>	<b>254,539</b>	<b>268,761</b>
<b>Total liabilities and equity</b>	<b>¥363,108</b>	<b>¥368,494</b>

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

### Quarterly Condensed Consolidated Statement of Profit or Loss

	Millions of Yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Revenue		
Product sales revenue	¥40,606	¥31,071
Service and other revenue	74,750	91,097
Total revenue	115,356	122,168
Cost of revenue		
Cost of product sales revenue	(17,598)	(15,179)
Cost of service and other revenue	(49,095)	(57,249)
Total cost of revenue	(66,693)	(72,428)
Gross profit	48,663	49,740
Selling, general and administrative expenses	(23,288)	(24,667)
Other income and other expenses, net	(424)	(46)
Operating profit	24,951	25,027
Finance income	196	313
Finance costs	(428)	(417)
Profit from investments accounted for using the equity method	117	25
Profit before income taxes	24,836	24,948
Income taxes	(7,650)	(7,751)
Profit for the period	17,186	17,197
Profit attributable to:		
Owners of the parent	17,180	17,196
Non-controlling interests	¥6	¥1

	Yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Earnings per share (attributable to owners of the parent)		
Basic	¥127.04	¥127.16
Diluted	¥125.12	¥125.22

## Quarterly Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit for the period	¥17,186	¥17,197
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets at fair value through other comprehensive income	-	(14)
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	-	(14)
Items that may be reclassified to profit or loss:		
Exchange differences on foreign operations	638	2,180
Net change in fair values of available-for-sale financial assets	(8)	-
Share of other comprehensive income of entity accounted for using the equity method	(0)	-
Total items that may be reclassified to profit or loss	630	2,180
Total other comprehensive income	630	2,166
<b>Total comprehensive income for the period</b>	<b>17,816</b>	<b>19,363</b>
Comprehensive income attributable to:		
Owners of the parent	17,810	19,362
Non-controlling interests	¥6	¥1

### (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		
<b>Balance at April 1, 2017</b>	¥47,399	¥74,426	¥(21,304)	¥2,157	¥131,763	¥234,441	¥751	¥235,192
Profit for the period					17,180	17,180	6	17,186
Other comprehensive income				630		630		630
Total comprehensive income for the period	-	-	-	630	17,180	17,810	6	17,816
Purchase of treasury shares			(10)			(10)		(10)
Disposal of treasury shares		0	0			0		0
Dividends					(5,545)	(5,545)		(5,545)
Total transactions with the owners	-	0	(10)	-	(5,545)	(5,555)	-	(5,555)
<b>Balance at September 30, 2017</b>	¥47,399	¥74,426	¥(21,314)	¥2,787	¥143,398	¥246,696	¥757	¥247,453

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		
<b>Balance at April 1, 2018</b>	¥47,399	¥74,426	¥(21,321)	¥610	¥152,668	¥253,782	¥757	¥254,539
Profit for the period					17,196	17,196	1	17,197
Other comprehensive income				2,166		2,166	0	2,166
Total comprehensive income for the period	-	-	-	2,166	17,196	19,362	1	19,363
Purchase of treasury shares			(2)			(2)		(2)
Disposal of treasury shares		0	0			0		0
Dividends					(5,139)	(5,139)		(5,139)
Total transactions with the owners	-	0	(2)	-	(5,139)	(5,141)	-	(5,141)
<b>Balance at September 30, 2018</b>	¥47,399	¥74,426	¥(21,323)	¥2,776	¥164,725	¥268,003	¥758	¥268,761

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

	Millions of Yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
<b><i>Operating activities</i></b>		
Profit for the period	¥17,186	¥17,197
Depreciation and amortization	5,341	6,905
Impairment losses	325	-
Interest and dividends income	(90)	(134)
Interest expense	418	407
Loss on sale or disposal of property, plant and equipment	16	22
Profit from investments accounted for using the equity method	(117)	(25)
Income taxes	7,650	7,751
Increase in trade and other receivables	(3,399)	(2,909)
Increase in inventories	(2,245)	(3,215)
Decrease in trade and other payables	(812)	(2,343)
Increase in prepaid expense	(542)	(823)
Increase in deferred revenue	5,325	-
Increase in contract liabilities	-	4,011
Other, net	(190)	2,792
Interest and dividends received	100	136
Interest paid	(418)	(393)
Income taxes paid	(6,377)	(12,662)
<b><i>Net cash provided by operating activities</i></b>	<b>22,171</b>	<b>16,717</b>
<b><i>Investing activities</i></b>		
Capital expenditures	(8,493)	(10,724)
Decrease in lease deposits, net	607	427
(Increase) decrease in term deposits, net	(1,205)	1,280
Other, net	7	(7)
<b><i>Net cash used in investing activities</i></b>	<b>(9,084)</b>	<b>(9,024)</b>
<b><i>Financing activities</i></b>		
Decrease in short-term (within 3 months) borrowings, net	(1,121)	-
Proceeds from short-term (more than 3 months) borrowings	5,623	6,680
Repayments of short-term (more than 3 months) borrowings	(4,502)	(7,239)
Redemption of bonds	(5,000)	(5,000)
Principal payments under capital lease and financing obligations	(901)	(1,264)
Dividends paid	(5,536)	(5,133)
Other, net	(10)	(2)
<b><i>Net cash used in financing activities</i></b>	<b>(11,447)</b>	<b>(11,958)</b>
Effect of exchange rate changes on cash and cash equivalents	564	1,426
Net increase (decrease) in cash and cash equivalents	2,204	(2,839)
Cash and cash equivalents at the beginning of the period	134,743	154,485
<b><i>Cash and cash equivalents at the end of the period</i></b>	<b>¥136,947</b>	<b>¥151,646</b>



## (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	
	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Revenue:</b>		
Digital Entertainment –		
External customers	¥57,373	¥66,458
Intersegment	392	358
Total	¥57,765	¥66,816
Amusement –		
External customers	¥12,333	¥11,042
Intersegment	220	300
Total	¥12,553	¥11,342
Gaming & Systems –		
External customers	¥12,641	¥12,798
Intersegment	-	-
Total	¥12,641	¥12,798
Sports –		
External customers	¥33,009	¥31,870
Intersegment	8	154
Total	¥33,017	¥32,024
Intersegment eliminations	¥(620)	¥(812)
Consolidated	¥115,356	¥122,168

	Millions of Yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Segment profit (loss):</b>		
Digital Entertainment	¥19,252	¥20,423
Amusement	4,613	3,075
Gaming & Systems	1,236	1,587
Sports	1,814	1,865
Total segment profit and loss, net	26,915	26,950
Corporate expenses and eliminations	(1,540)	(1,877)
Other income and other expenses, net	(424)	(46)
Finance income and finance costs, net	(232)	(104)
Profit from investments accounted for using the equity method	117	25
Profit before income taxes	¥24,836	¥24,948

(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 exercise schools, 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	
	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Revenue:</b>		
Japan	¥90,902	¥95,611
United States	16,474	17,670
Europe	4,419	5,911
Asia/Oceania	3,561	2,976
Consolidated	¥115,356	¥122,168

(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.