

**Consolidated Financial Results
for the Year Ended March 31, 2017
(Prepared in Accordance with IFRS)**

May 11, 2017

KONAMI HOLDINGS CORPORATION

Address: 7-2, Akasaka 9-chome, Minato-ku, Tokyo, Japan
 Stock code number, TSE: 9766
 Ticker symbol, LSE: KNM
 URL: <https://www.konami.com/>
 Shares listed: Tokyo Stock Exchange and London Stock Exchange
 Representative: Takuya Kozuki, Representative Director, President
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 Date of General Shareholders Meeting: June 28, 2017
 Beginning date of dividend payment: June 7, 2017

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

1. Consolidated Financial Results for the Year Ended March 31, 2017

(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, 2017	229,922	36,359	35,521	25,977	25,951	25,727
% change from previous year	(8.0)%	47.3%	49.5%	146.7%	146.8%	224.6%
Year ended March 31, 2016	249,902	24,679	23,768	10,531	10,516	7,926
% change from previous year	14.6%	61.2%	40.1%	5.6%	6.0%	(40.0)%

	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, 2017	191.89	189.08	11.6%	10.7%	15.8%
Year ended March 31, 2016	76.44	76.13	4.9%	7.4%	9.9%

Reference: Profit from investments accounted for using the equity method

Year ended March 31, 2017: ¥268 million

Year ended March 31, 2016: ¥249 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, 2017	337,144	235,192	234,441	69.5%	1,733.57
March 31, 2016	328,187	213,475	212,750	64.8%	1,573.11

(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, 2017	43,759	(13,615)	(9,420)	134,743
Year ended March 31, 2016	71,336	(18,746)	(1,877)	113,907

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, 2016	-	10.50	-	12.50	23.00	¥3,146 million	30.1%	1.5%
Year ended March 31, 2017	-	17.00	-	41.00	58.00	¥7,844 million	30.2%	3.5%
Year ending March 31, 2018 -Forecast-	-	30.00	-	30.00	60.00		30.1%	

3. Consolidated Earnings Forecast for the Year Ending March 31, 2018

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

	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, 2018	245,000	40,000	39,000	27,000	199.65
% change from previous year	6.6%	10.0%	9.8%	4.0%	

Noted Items

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

(2) Changes in accounting policies and accounting estimate

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

(3) Number of shares issued (Share capital)

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

As of March 31, 2017	143,500,000 shares
As of March 31, 2016	143,500,000 shares
2. Number of treasury shares:

As of March 31, 2017	8,263,356 shares
As of March 31, 2016	8,258,617 shares
3. Average number of shares outstanding:

Year ended March 31, 2017	135,238,663 shares
Year ended March 31, 2016	137,572,041 shares

(Reference) Summary of Non-consolidated Financial Results

Results for the Year Ended March 31, 2017

(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, 2017	17,010	14,700	14,813	9,921
% change from previous year	17.2%	26.2%	24.9%	(14.2)%
Year ended March 31, 2016	14,518	11,643	11,859	11,569
% change from previous year	(0.3)%	18.9%	(0.8)%	2.8%

	Basic net income per share (yen)	Diluted net income per share (yen)
Year ended March 31, 2017	73.36	72.15
Year ended March 31, 2016	84.10	83.68

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

	Total assets	Total net assets	Equity ratio	Net assets per share (yen)
March 31, 2017	239,500	211,362	88.3%	1,562.91
March 31, 2016	238,836	205,409	86.0%	1,518.84

Reference: Total Stockholders' equity
Year ended March 31, 2017: ¥211,362 million
Year ended March 31, 2016: ¥205,409 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 business and Gaming & Systems business; (vi) our ability to successfully expand the scope of our business and broaden our customer base through our Health & Fitness business; (vii) regulatory developments and changes and our ability to respond and adapt to those changes; (viii) our expectations with regard to further acquisitions and the integration of any companies we may acquire; and (ix) the outcome of existing contingencies.

Please refer to pages 11, 12 and 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 11, 2017.

1. Business Performance

(1) Overview of Business Performance

(i) Business Performance

As for the economic environment surrounding the Konami Group, earnings performance of companies experienced negative pressure from a sharply rising yen owing to the impact of issues such as the U.K. leaving the European Union (EU) and an economic slowdown in emerging countries. Although the U.S. presidential election turned economic trends toward a lower yen at first, the direction of the U.S. economic policy and an additional raising of interest rates by the new U.S. government have led greatly fluctuating and severe business conditions, including an appreciation of the yen again.

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 that context, there are high hopes for the game industry in various situations, including in offering new experiences through game contents as points of contact between customers and games.

In the gaming industry, as the casino market worldwide continues to see its spread supported by the development and opening of new casino facilities and integrated resorts (IR) including casinos, the gaming market continues to grow further. Expectations concerning the availability of gaming at casinos in Japan have increased due to the enactment of the “Bill Promoting Implementation of Specified Integrated Resort Areas” (the 'IR Promotion Law') in December 2016 and the establishment of the “Headquarters for the Promotion of Designated Zones for Integrated Resorts” in March 2017. These expectations are also boosted by the beginning of the formulation of a “follow-up IR implementation bill” within one year, including detailed legislative measures for selections of operators for the establishment and operation of facilities and for the exclusion of members of anti-social forces. Furthermore, opportunities in the gaming business are expected to grow, including the legalization of skill factor loading to slot machines. This will enable the machines to reflect players’ skill levels, as a countermeasure against young people's lack of interest in gaming slot machines.

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

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

In the Konami Group's businesses — Digital Entertainment, Health & Fitness, Gaming & Systems, and Pachislot & Pachinko Machines —, we have conducted business operations based on the management strategy of evolving into a flexible and sustainable entity responding appropriately to this rapidly changing market environment which includes diversifying consumer tastes and the revision and abolition of the various regulations surrounding the businesses. To further strengthen our business operating structure, we carried out a business restructuring to combine the arcade games business segment, which formed part of our Digital Entertainment Business, with another BtoB business, the Pachislot & Pachinko Machines Business, and changed the business domains and name of the latter to the "Amusement Business" in the second quarter ended September 30, 2016. We are pursuing the utilization of our business knowhow in the arcade game business cultivated since the Konami Group's foundation, provision of higher value-added products and services through the KONAMI brand and streamlining through business integration.

In terms of the overview of the Digital Entertainment segment for the fiscal year ended March 31, 2017, which reflected the restructuring of the business segment, we released the mobile game, *Yu-Gi-Oh! DUEL LINKS*, globally in approximately 150 countries and regions, which has received favorable reviews from many customers. Other mobile game titles, *JIKKYOU PAWAFURU PUROYAKYU*, *PROFESSIONAL BASEBALL SPIRITS A (Ace)* and *Winning Eleven CLUB MANAGER* (known overseas as *PES CLUB MANAGER*), also continued to enjoy steady sales. In regard to card games, the *Yu-Gi-Oh! TRADING CARD GAME* series, which is distributed worldwide, continued to perform well supported by steady popularity. As for computer and video games, *JIKKYOU PAWAFURU PUROYAKYU 2016* and *Winning Eleven 2017* (known overseas as *PES 2017 - Pro Evolution Soccer -*) continued to enjoy strong performance. *SUPER BOMBERMAN R* (known overseas as *Super Bomberman R*) was also released, which is available on the Nintendo Switch™ console.

In our Health & Fitness segment, we continued to develop our pricing and membership plans. These plans enable customers to select a pricing plan based on the number of times they use our facilities and to use more than one facility. We have intended to promote and spread the Konami Sports Club's services supporting the concept of sustainable fitness. As for products related to health and fitness, we began to develop new products with the aim of enhancing its degree of recognition and increasing its market share in the health and fitness equipment market. This market is expanding centered on household machines.

In our Gaming & Systems segment, we have promoted sales of *Concerto*, a key product of the video slot machine series, the long-selling *Podium* series and the *SYNKROS* casino management system mainly in the U.S., Asian and Oceanian markets.

In our Amusement segment, our *e-AMUSEMENT* Participation system titles of arcade games, centered on *MAH-JONG FIGHT CLUB ZERO* and music genre games, continued to operate steadily. Among them, the music genre new game *NOSTALGIA*, which captures the feel and enjoyment of playing the piano, was launched and is receiving favorable reviews. In addition, the latest titles in the medal game machine *MAGICAL SHOOTER* and *Treasure Shoot* started fully operation.

As for pachislot and pachinko machines, we sold *SEVEN'S BEAT*, *METAL GEAR SOLID SNAKE EATER*, *MAH-JONG FIGHT CLUB 2*, *Boku-Shoujyo Lovekyure* and *G1 Derby Club*.

In terms of the consolidated results for the fiscal year ended March 31, 2017, total revenue amounted to ¥229,922 million (a year-on-year decrease of 8.0%), operating profit was ¥36,359 million (a year-on-year increase of 47.3%), profit before income taxes was ¥35,521 million (a year-on-year increase of 49.5%), and profit attributable to owners of the parent was ¥25,951 million (a year-on-year increase of 146.8%).

(ii) Performance by Business Segment

Summary of total revenue by business segment:

	Millions of Yen, except percentages		
	Year ended March 31, 2016	Year ended March 31, 2017	% change
Total revenue:			
Digital Entertainment	¥115,037	¥105,573	(8.2)
Health & Fitness	71,286	68,648	(3.7)
Gaming & Systems	34,284	31,251	(8.8)
Amusement	29,779	25,342	(14.9)
Intersegment eliminations	(484)	(892)	-
Total revenue	¥249,902	¥229,922	(8.0)

(Notes)

Reportable segment classifications have been changed effective from the six months ended September 30, 2016. For the purpose of comparison to the fiscal year ended March 31, 2016, figures for the fiscal year ended March 31, 2016 have been reclassified under the new segment classification, and compared with those for the fiscal year ended March 31, 2017.

Digital Entertainment

The mobile games continued to perform strongly, including the global release of *Yu-Gi-Oh! DUEL LINKS* in 150 countries and regions in the fourth quarter ended March 31, 2017. Moreover, in the domestic market, various titles continued to receive favorable reviews, including *JIKKYOU PAWAFURU PUROYAKYU* and *PROFESSIONAL BASEBALL SPIRITS A (Ace)*. Above all, *JIKKYOU PAWAFURU PUROYAKYU*, which marked its second anniversary on December 2016, was promoted to boost popularity among more followers. This promotion included our holding of the “Nekketsu Spring Koshien (Japan's National High School Baseball Tournament)” in-game tournament. In overseas markets, *Winning Eleven CLUB MANAGER* (known overseas as *PES CLUB MANAGER*) and *Star Wars™: Force Collection* continued stable performance.

As for card games, the *Yu-Gi-Oh! TRADING CARD GAME* series continued to develop in the global market. Aiming for the global tournament to be held in August 2017, the qualifying round began. In addition, thanks to the release of the animated cinematic version to the global market starting with the U.S. and the global release of the *Yu-Gi-Oh! DUEL LINKS* mobile game, there is a great deal of excitement among *Yu-Gi-Oh!* fans.

As for computer and video games, we released *JIKKYOU PAWAFURU PUROYAKYU 2016* and *Winning Eleven 2017* (known overseas as *PES 2017 - Pro Evolution Soccer* -). These games continued to remain robust. *SUPER BOMBERMAN R* (known overseas as *Super Bomberman R*) was also released for the Nintendo Switch™ console in March 2017 and has been available to provide enjoyment to many customers.

For the fiscal year ended March 31, 2017, sales from this business decreased and segment profit from this business increased compared with those for the fiscal year ended March 31, 2016. This is because the mobile games enjoyed strong performance and it contributed to higher composition ratio of the mobile games.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2017 in this segment amounted to ¥105,573 million (a year-on-year decrease of 8.2%) and segment profit for the fiscal year ended March 31, 2017 amounted to ¥33,759 million (a year-on-year increase of 13.1%).

Health & Fitness

With respect to the management of facilities that we operate directly, we continued to make efforts to develop the services to meet diversifying individual needs. In addition to pricing plans that customers can select based on their frequency of use, we have promoted a per-use plan for customers who are unable to visit facilities regularly. The service developments included improvements to

facility settings and drastic replacements of studio programs and training machines. During the fiscal year ended March 31, 2017, we commenced a new franchise facility in Amakusa City, Kumamoto prefecture, in July 2016. In addition, we renovated three of our sports clubs — Iidabashi, Ebisu and Jiyugaoka-ekimae — in December 2016, including drastic replacements of training machines and expansions of spaces for personal training. We also reopened Konami Sports Club Yukarigaoka in January 2017, which was relocated into a large-sized shopping center. The renovation allowed the sports club to specialize in fitness machines and studio programs as a new type of fitness club. These renovations were intended to allow for favorable environments that enable customers to focus on their exercises more than before as well as to create facilities that are easier to go. We also renovated the gymnasium at Konami Sports Clubs Futakotamagawa and expanded the *Undo-jyuku* sports lesson program series for children in order to meet the growing demand for gymnastic schools that nurture the development of children's bodies, along with the changing environment surrounding children and so on. Through such efforts, we continued to encourage the fun and appeal of exercise to many children in order to support improving children's health. As a new measurement, we intend to encourage beginners and inexperienced people to try sport climbing. This includes our opening of a "bouldering" facility for sport climbing at Konami Sports Club Ikebukuro in March 2017 as well as our holding of free "beginner clinics" at this club from time to time. Bouldering was added as the official event of the Tokyo Olympics in 2020. Through such measurements, we intend to contribute to popularize and develop sport climbing. Since we agree with the "Premium Friday" campaign, a collaboration between the public and private sectors promoted by the Ministry of Economy, Trade and Industry, we started a special service with no usage fees when trial users visit Konami Sports Clubs with members on applicable days beginning in February 2017.

In regard to the sports club facilities outsourced to us, we commenced management of 30 facilities outsourced to the Konami Group, as we utilize our expertise in operations and guidance that we have developed to enhance health promotion in local communities through management of commissioned facilities.

As for products relating to health and fitness, we featured three gold medalists affiliated with the Konami Sports Club Gymnastics team (Koji Yamamuro, Yusuke Tanaka, and Ryohei Kato) who won at the Rio de Janeiro Olympic as ambassadors for *POWERFULGEAR SPORTS Support Underwear*. The full-fledged functional sports underwear series was newly developed and released by supervising instructors at Konami Sports Clubs.

For the fiscal year ended March 31, 2017, sales from this business decreased mainly due to closing of the facilities operated directly. On the other hand, segment profit from this business increased compared with those for the fiscal year ended March 31, 2016 due to improved quality and operational efficiency of the facilities.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2017 in this segment amounted to ¥68,648 million (a year-on-year decrease of 3.7%) and segment profit for the fiscal year ended March 31, 2017 amounted to 4,224 million (a year-on-year increase of 57.1%).

Gaming & Systems

Sales units of slot machines increased mainly in the North American market due to expansions of the *Concerto* series, which met various needs from players and casino operators. The long-selling *Podium* series, which has a richly diverse product lineup and continues to receive favorable reviews in the Central and South American, Africa and Asian markets, also enjoyed strong sales. In addition, we expanded our lineup of premium products and game contents which are subject to a participation agreement (in which profits are shared with casino operators), including the *Concerto* series. These premium products raised higher expectations and willingness from players. The *SYNKROS* casino management system performed well, which included the steady introduction into casino facilities in the various states of the U.S. and Australia, as well as the introduction into large cruise ships in service overseas. In addition, at the largest gaming expo in the Europe, ICE Totally Gaming Show 2017, held in London, the U.K., we introduced our rich product lineup, including mainly *SeleXion*, which has a multi-game function, and the *Concerto* video slot machine series *Concerto Slant*, *Concerto Stack* and *Concerto Crescent*. These exhibitions received considerable attention by visitors from all over the world.

For the fiscal year ended March 31, 2017, this business was strong mainly in the North American market, and total revenue in local currency basis increased. In Japanese yen of the Company's presentation currency, however, total revenue and segment profit decreased due to an increase in development costs for new products and the effect of exchange rate changes by the sharply rising yen.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2017 in this segment amounted to ¥31,251 million (a year-on-year decrease of 8.8%) and segment profit for the fiscal year ended March 31, 2017 amounted to ¥4,849 million (a year-on-year decrease of 13.0%).

Amusement

In regards to arcade games, our *e-AMUSEMENT* Participation system titles, centered on *MAH-JONG FIGHT CLUB ZERO* and music genre games, continued to operate steadily. Among them, the music genre new game *NOSTALGIA*, which captures the feel and enjoyment of playing the piano, was launched and is receiving favorable reviews. As for medal games, the following titles and more

started full-scale operations: *TwinkleDrop JUKE!*, the latest titles *FEATURE Premium* series; *Frozen Tower*; *MAGICAL SHOOTER*, the latest medal machines featuring a new sensation where players actually throw a ball and aim for a pocket; and *Treasure Shoot*, a game with new characteristics with a ball lottery that fly right and left and fun for everyone, from children to adults. We have also held “the 6th KONAMI Arcade Championship” since December 2016, which is the official tournament to decide the ultimate arcade game player, held annually since 2011. This continued to perform strong at amusement facilities nationwide and selected regions in Asia and North America.

As for pachislot and pachinko machines, business in this industry was conducted in an unusual environment. This included the nationwide self-imposed moratorium on replacement of pachislot and pachinko machines over a period of one month due to the impact of the G7 Ise-Shima Summit in May 2016 and revisions of model test methods and rules of pachislot and pachinko machines. Against this background, additional orders were sold of *MAGICAL HALLOWEEN 5*, which maintained a top-class level of operation among the pachislot machine 5.5 units adapted to new standards. Furthermore, we distributed several pachislot machines, *SEVEN'S BEAT*, in collaboration with a popular music genre arcade game *beatmania*, *METAL GEAR SOLID SNAKE EATER*, a new 32-inch cabinet pachislot machine derived from the ultra large-scale video game series title *METAL GEAR*, and *MAH-JONG FIGHT CLUB 2*, the latest pachislot machine of the *MAH-JONG FIGHT CLUB* series which gained popularity with the previous title. During the fourth quarter ended March 31, 2017, *G1 Derby Club*, the first title for the pachislot machine industry where players groom and train racehorses that really exist, as well as *Boku-Shoujyo Lovekyure*, an original title, were released. These titles continued to maintain a long-term stable operation and have received favorable reviews from the market.

While the market environment surrounding the Amusement business has continued hash conditions for the fiscal year ended March 31, 2017, we promoted business operation efficiency and profit structure improvement.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2017 in this segment amounted to ¥25,342 million (a year-on-year decrease of 14.9%) and segment profit for the fiscal year ended March 31, 2017 amounted to 5,239 million (a year-on-year increase of 11.4%).

(iii) Outlook for the Fiscal Year Ending March 31, 2018

Digital Entertainment

With the rapid 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, the total number of registered users of all contents we developed continues to increase steadily. Those game titles include *JIKKYOU PAWAFURU PUROYAKYU*, which surpassed 30 million downloads in April 2017, and *Yu-Gi-Oh! DUEL LINKS*, which surpassed 40 million downloads and was released in South Korea beginning in April 2017. We will strive to provide content that enables us to deliver pleasure to customers in various regions.

As for card games, we will continue aggressive promotion of the *Yu-Gi-Oh! TRADING CARD GAME* series, which has added new rules that appeared in the new television animation series, to provide enjoyment to players, not only in Japan, but in various regions of the world.

As for computer and video games, we will pursue strong game characteristics that enable customers to continuously have fun, including holding the e-Sports event “*PES LEAGUE*,” in which anyone can participate.

As the preference for full and abundant experiences has strengthened in the entertainment market, we continue to make efforts to create and provide “Valuable Time” to customers through game contents.

Health & Fitness

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

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

In regard to the management of sports club facilities, though we intended to ensure stable earnings to integrate and reorganize the facilities, we continue to promote new measurements to expand our services in order to meet customer's needs and open new facilities that we operate directly.

In addition, we intend to continue taking full advantage of our strengths as one of the largest operators of a large number of sports facilities in Japan 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 health and fitness related products, the home fitness bike *AEROBIKE* products and various new products are to be released. We intend to promote these to members of our sports clubs and the general public through e-commerce site, as well as improve brand value and expand our market share. We also intend to distinguish ourselves through coordinated product development with facilities.

Gaming & Systems

As for slot machines, the skill-based game *Frogger: Get Hoppin'*, which was enabled to reflect players' skill levels, was introduced in casino facilities in Las Vegas, U.S. as a trial and received considerable attention from players. In addition, another skill-based game *Beat Square* and *SYNKROS Dashboards* and *SYNKROS Offers Management* of the *SYNKROS* casino management system were selected for Casino Journal's Annual Top 20 Most Innovative Gaming Technology Awards and received high acclaim. The skill-based game *Beat Square* has different features from typical video slot machines that allow players to compete for scores by tapping synchronized rhythmic patterns across a series of touch buttons based on expertise and technology accumulated through KONAMI arcade games. *SYNKROS Dashboards* and *SYNKROS Offers Management* are casino management systems loaded with the latest features, allowing casino operators to analyze information necessary for their business management and marketing.

We continue to make efforts to enhance our sales centered on *Concerto*, a video slot machine series that has received positive reviews, and develop our rich product lineup of the Podium series. Meanwhile, we intend to actively pursue the distribution of new category products, including skill-based games and casino management systems loaded with the latest features.

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. This will involve promoting the continual development of equipment compatible with the *PASELI* e-money service and *e-AMUSEMENT*

Participation, as well as enhancements to and the expansion of various services. We also continue to promote medal games that are enjoyed by a wide range of users

As for pachislot and pachinko machines, although it is expected that the machine market may continue to face challenging conditions due to a decrease in the number of customers and a countermeasure to legislative changes, we intend to stabilize the business profitability mainly by series that are received favorable reviews in the market to boost our market presence by working integrally with production, manufacture and sales.

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

As for sales of our Amusement business, we integrated sales departments of arcade games and pachislot and pachinko machines to maximize sales and pursue efficiency in management by strengthening our sales network. We also intend to devote ourselves to providing more fun and more exciting products and services that entertain customers on various occasions in towns by combining the knowhow of both business experiences.

Projected consolidated results for the fiscal year ending March 31, 2018 are as follows: total revenue of ¥245,000 million; operating profit of ¥40,000 million; profit before income tax of ¥39,000 million; and profit attributable to owners of the parent of ¥27,000 million.

(2) Consolidated Financial Position

(i) Total Assets, Total Liabilities and Total equity

Total Assets:

Total assets amounted to ¥337,144 million as of March 31, 2017, increasing by ¥8,957 million compared with March 31, 2016. This mainly resulted from an increase in cash and cash equivalents despite decreases in property, plant and equipment, net and goodwill and intangible assets.

Total Liabilities:

Total liabilities amounted to ¥101,952 million as of March 31, 2017, decreasing by ¥12,760 million compared with March 31, 2016. This primarily resulted from decreases in income tax payables and bonds and borrowings.

Total Equity:

Total equity amounted to ¥235,192 million as of March 31, 2017, increasing by ¥21,717 million compared with March 31, 2016. This mainly resulted from an increase in retained earnings due to recognition of profit for the year.

Total equity attributable to owners of the parent was 69.5%, increasing by 4.7 points compared with March 31, 2016.

(ii) Cash Flows

	Millions of Yen		
	Year ended March 31, 2016	Year ended March 31, 2017	Change
Cash flow summary:			
Net cash provided by operating activities	¥71,336	¥43,759	¥(27,577)
Net cash used in investing activities	(18,746)	(13,615)	5,131
Net cash used in financing activities	(1,877)	(9,420)	(7,543)
Effect of exchange rate changes on cash and cash equivalents	(1,460)	112	1,572
Net increase in cash and cash equivalents	49,253	20,836	(28,417)
Cash and cash equivalents at the end of the year	¥113,907	¥134,743	¥20,836

Cash and cash equivalents (hereafter, referred to as “Net cash”), as of March 31, 2017, amounted to ¥134,743 million, an increase of ¥20,836 million compared to the year ended March 31, 2016.

Cash flow summary for each activity for the year ended March 31, 2017 is as follows:

Cash flows from operating activities:

Net cash provided by operating activities amounted to ¥43,759 million for the year ended March 31, 2017, a year-on-year decrease of 38.7%. This primarily resulted from increases in trade and other receivables and income taxes paid.

Cash flows from investing activities:

Net cash used in investing activities amounted to ¥13,615 million for the year ended March 31, 2017, a year-on-year decrease of 27.4%. This mainly resulted from a decrease in capital expenditures for property, plant and equipment.

Cash flows from financing activities:

Net cash used in financing activities amounted to ¥9,420 million for the year ended March 31, 2017, a year-on-year increase of 401.9%. This primarily resulted from repayments of short-term borrowings in this fiscal year, while there were proceeds from short-term borrowings in the previous fiscal year.

(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.

The term-end dividends for the consolidated year ended March 31, 2017 will be 41 yen per share as we have announced. As a result, the dividends on an annual basis will be 58 yen per share, including a distributed interim dividend of 17 yen per share.

KONAMI HOLDINGS CORPORATION intends to distribute dividends of 60 yen per share for the fiscal year ending March 31, 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. 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, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	¥113,907	¥ 134,743
Trade and other receivables	23,401	25,951
Inventories	9,170	7,430
Income tax receivables	2,139	846
Other current assets	5,618	5,978
Total current assets	154,235	174,948
Non-current assets		
Property, plant and equipment, net	80,264	75,598
Goodwill and intangible assets	39,470	34,774
Investments accounted for using the equity method	2,585	2,798
Other investments	1,268	1,266
Other financial assets	24,123	22,362
Deferred tax assets	22,651	22,335
Other non-current assets	3,591	3,063
Total non-current assets	173,952	162,196
Total assets	328,187	337,144
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	9,014	10,607
Other financial liabilities	4,126	4,007
Trade and other payables	24,757	25,852
Income tax payables	9,261	2,745
Other current liabilities	14,335	13,635
Total current liabilities	61,493	56,846
Non-current liabilities		
Bonds and borrowings	24,606	19,678
Other financial liabilities	16,459	14,633
Provisions	8,679	8,106
Deferred tax liabilities	280	0
Other non-current liabilities	3,195	2,689
Total non-current liabilities	53,219	45,106
Total liabilities	114,712	101,952
Equity		
Share capital	47,399	47,399
Share premium	74,426	74,426
Treasury shares	(21,284)	(21,304)
Other components of equity	2,407	2,157
Retained earnings	109,802	131,763
Total equity attributable to owners of the parent	212,750	234,441
Non-controlling interests	725	751
Total equity	213,475	235,192
Total liabilities and equity	¥328,187	¥337,144

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

Consolidated Statements of Profit or Loss

	Millions of Yen	
	Year ended March 31, 2016	Year ended March 31, 2017
Revenue		
Product sales revenue	¥118,795	¥90,787
Service and other revenue	131,107	139,135
Total revenue	249,902	229,922
Cost of revenue		
Cost of product sales revenue	(70,974)	(46,813)
Cost of service and other revenue	(91,476)	(94,378)
Total cost of revenue	(162,450)	(141,191)
Gross profit	87,452	88,731
Selling, general and administrative expenses	(49,292)	(45,107)
Other income and other expenses, net	(13,481)	(7,265)
Operating profit	24,679	36,359
Finance income	230	199
Finance costs	(1,390)	(1,305)
Profit from investments accounted for using the equity method	249	268
Profit before income taxes	23,768	35,521
Income taxes	(13,237)	(9,544)
Profit for the year	10,531	25,977
Profit attributable to:		
Owners of the parent	10,516	25,951
Non-controlling interests	¥15	¥26

	Yen	
	Year ended March 31, 2016	Year ended March 31, 2017
Earnings per share (attributable to owners of the parent)		
Basic	¥76.44	¥191.89
Diluted	¥76.13	¥189.08

Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Year ended March 31, 2016	Year ended March 31, 2017
Profit for the year	¥10,531	¥ 25,977
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on foreign operations	(2,576)	(253)
Net change in fair values of available-for-sale financial assets	(29)	3
Total items that may be reclassified to profit or loss	(2,605)	(250)
Total other comprehensive income	(2,605)	(250)
Total comprehensive income for the year	7,926	25,727
Comprehensive income attributable to:		
Owners of the parent	7,911	25,701
Non-controlling interests	¥15	¥26

(3) Consolidated Statement of Changes in Equity

Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2015	¥47,399	¥74,175	¥(11,271)	¥5,012	¥102,474	¥217,789	¥710	¥218,499
Profit for the year					10,516	10,516	15	10,531
Other comprehensive income				(2,605)		(2,605)		(2,605)
Total comprehensive income for the year	-	-	-	(2,605)	10,516	7,911	15	7,926
Issuance of convertible bond-type bonds with subscription rights to shares		251				251		251
Purchase of treasury shares			(10,013)			(10,013)		(10,013)
Disposal of treasury shares		0	0			0		0
Dividends					(3,188)	(3,188)		(3,188)
Total transactions with the owners	-	251	(10,013)	-	(3,188)	(12,950)	-	(12,950)
Balance at March 31, 2016	¥47,399	¥74,426	¥(21,284)	¥2,407	¥109,802	¥212,750	¥725	¥213,475

Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2016	¥47,399	¥74,426	¥(21,284)	¥2,407	¥109,802	¥212,750	¥725	¥213,475
Profit for the year					25,951	25,951	26	25,977
Other comprehensive income				(250)		(250)		(250)
Total comprehensive income for the year	-	-	-	(250)	25,951	25,701	26	25,727
Purchase of treasury shares			(20)			(20)		(20)
Disposal of treasury shares		0	0			0		0
Dividends					(3,990)	(3,990)		(3,990)
Total transactions with the owners	-	0	(20)	-	(3,990)	(4,010)	-	(4,010)
Balance at March 31, 2017	¥47,399	¥74,426	¥(21,304)	¥ 2,157	¥ 131,763	¥234,441	¥751	¥235,192

(4) Consolidated Statement of Cash Flows

	Millions of Yen	
	Year ended March 31, 2016	Year ended March 31, 2017
<i>Operating activities</i>		
Profit for the year	¥10,531	¥25,977
Depreciation and amortization	29,087	16,286
Impairment losses	9,062	6,401
Interest and dividends income	(217)	(195)
Interest expense	946	940
Loss on sale or disposal of property, plant and equipment	4,167	538
Profit from investments accounted for using the equity method	(249)	(268)
Income taxes	13,237	9,544
Decrease (increase) in trade and other receivables	5,999	(2,355)
Decrease in inventories	3,453	1,954
Increase in trade and other payables	93	1,521
(Increase) decrease in prepaid expense	(95)	84
(Decrease) increase in deferred revenue	(1,981)	388
Other, net	3,367	(1,475)
Interest and dividends received	190	166
Interest paid	(995)	(953)
Income taxes paid	(5,259)	(14,794)
<i>Net cash provided by operating activities</i>	71,336	43,759
<i>Investing activities</i>		
Capital expenditures	(19,079)	(14,969)
Decrease in lease deposits, net	262	1,192
(Increase) decrease in term deposits, net	(7)	143
Other, net	78	19
<i>Net cash used in investing activities</i>	(18,746)	(13,615)
<i>Financing activities</i>		
(Decrease) increase in short-term (within 3 months) borrowings, net	(5,904)	1,134
Proceeds from short-term (more than 3 months) borrowings	9,289	12,846
Repayments of short-term (more than 3 months) borrowings	-	(17,386)
Proceeds from issuance of bonds	10,050	-
Principal payments under capital lease and financing obligations	(2,082)	(2,011)
Dividends paid	(3,185)	(3,984)
Purchase of treasury shares	(10,013)	(20)
Other, net	(32)	1
<i>Net cash used in financing activities</i>	(1,877)	(9,420)
Effect of exchange rate changes on cash and cash equivalents	(1,460)	112
Net increase in cash and cash equivalents	49,253	20,836
Cash and cash equivalents at the beginning of the year	64,654	113,907
<i>Cash and cash equivalents at the end of the year</i>	¥113,907	¥134,743

(5) Going Concern Assumption

None

(6) Segment Information

(i) Operating segment information

	Millions of Yen	
	Year ended March 31, 2016	Year ended March 31, 2017
Revenue:		
Digital Entertainment –		
External customers	¥114,970	¥105,151
Intersegment	67	422
Total	¥115,037	¥105,573
Health & Fitness –		
External customers	¥70,966	¥68,327
Intersegment	320	321
Total	¥71,286	¥68,648
Gaming & Systems –		
External customers	¥34,284	¥31,251
Intersegment	-	-
Total	¥34,284	¥31,251
Amusement –		
External customers	¥29,682	¥25,193
Intersegment	97	149
Total	¥29,779	¥25,342
Intersegment eliminations	¥(484)	¥(892)
Consolidated	¥249,902	¥229,922

	Millions of Yen	
	Year ended March 31, 2016	Year ended March 31, 2017
Segment profit (loss):		
Digital Entertainment	¥29,843	¥33,759
Health & Fitness	2,689	4,224
Gaming & Systems	5,572	4,849
Amusement	4,705	5,239
Total segment profit and loss, net	42,809	48,071
Corporate expenses and eliminations	(4,649)	(4,447)
Other income and other expenses, net	(13,481)	(7,265)
Finance income and finance costs, net	(1,160)	(1,106)
Profit from investments accounted for using the equity method	249	268
Profit before income taxes	¥23,768	¥35,521

(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) Health & Fitness:	Operation of health and fitness clubs, and production, manufacture and sale of health and fitness related goods.
c) Gaming & Systems:	Production, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
d) Amusement:	Production, manufacture and sale of arcade games and pachislot machines and pachinko machines.

2. Segment profit (loss) is determined by deducting “cost of revenue” and “selling, general and administrative expenses” from “revenue.” This does not include corporate expenses, finance income and finance costs, and certain non-regular expenses associated with each segment such as impairment losses on property, plant and equipment, goodwill and intangible assets.
3. Corporate expenses primarily consist of administrative expenses not directly associated with specific segments.
4. Intersegment eliminations primarily consist of eliminations of intercompany sales.
5. Other income and other expenses, net include impairment losses on property, plant and equipment and goodwill and intangible assets and profit or loss of sales and disposal on property, plant and equipment.
6. Effective from the six months ended September 30, 2016, we carried out a business restructuring to combine the arcade games business segment, which formed part of our Digital Entertainment Business, with another BtoB business, the Pachislot & Pachinko Machines Business, and the segment classification was changed to the “Amusement Business” in order to further strengthen our business operating structure. As a results, segment information for the fiscal year ended March 31, 2016 is disclosed with based on the new segment classification for the fiscal year ended March 31, 2017.

(ii) Geographic Information

Revenue from external customers

	Millions of Yen	
	Year ended March 31, 2016	Year ended March 31, 2017
Revenue:		
Japan	¥167,858	¥172,448
United States	53,284	40,445
Europe	20,447	10,257
Asia/Oceania	8,313	6,772
Consolidated	¥249,902	¥229,922

(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.

(7) Earnings per Share

	Year ended March 31, 2016	Year ended March 31, 2017
Profit attributable to owners of the parent	10,516 million yen	25,951 million yen
Adjustments for profit used in the calculation of diluted earnings per share	9 million yen	36 million yen
Profit used in the calculation of diluted earnings per share	10,525 million yen	25,987 million yen
Basic weighted average ordinary shares outstanding	137,572,041 shares	135,238,663 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	675,801 shares	2,197,947 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	138,247,842 shares	137,436,610 shares
Earnings per share attributable to owners of the parent for the year		
Basic	76.44 yen	191.89 yen
Diluted	76.13 yen	189.08 yen

(8) Subsequent Events

None