

**NOTICE OF THE 45TH ORDINARY
GENERAL MEETING OF SHAREHOLDERS**

Stock Code Number: 9766

June 6, 2017

Dear Shareholder,

You are cordially invited to attend the 45th Ordinary General Meeting of Shareholders of KONAMI HOLDINGS CORPORATION (the “Company”). The meeting will be held as described hereunder.

If you are unable to attend the meeting, you may exercise your voting right in writing or via the Internet, etc. Please review the reference materials for the General Meeting of Shareholders contained herein and exercise your voting right in the manner described hereafter by 6:00 p.m. on Tuesday, June 27, 2017.

Sincerely yours,
Kagemasa Kozuki
Representative Director
KONAMI HOLDINGS CORPORATION
7-2, Akasaka 9-chome, Minato-ku, Tokyo

MEETING AGENDA

1. Date and time: 10:00 a.m., Wednesday, June 28, 2017

2. Venue: “Arena,” Main Office of Konami Sports Club, 10-1, Higashi Shinagawa 4-chome, Shinagawa-ku, Tokyo

3. Agenda:

- Reports**
1. Business Report, Consolidated Financial Statements for the 45th fiscal year (from April 1, 2016 to March 31, 2017); and on the Reports of the accounting auditor and of the Audit & Supervisory Board regarding Consolidated Financial Statements for the 45th fiscal year
 2. Financial Statements for the 45th fiscal year (from April 1, 2016 to March 31, 2017)

Proposals

Proposal 1 Election of nine members to the Board of Directors

Proposal 2 Election of two members to the Audit & Supervisory Board

- In case any amendments or changes are made to the reference materials for the General Meeting of Shareholders, Business Report, consolidated financial statements and financial statements prior to the date of the meeting, the Company shall notify its shareholders via the Company’s website.
- Notification of Business Conducted at the 45th Ordinary General Meeting of Shareholders that provides the results of resolutions will be posted on the Company’s website instead of being distributed in writing.
- Institutional investors may use the electronic voting platform operated by ICJ, Inc., as a method of exercising their voting rights for the General Meeting of Shareholders of the Company.

Company’s website

(<https://www.konami.com/ir/en/stockbond/stockholderinfo/meeting.html>)

[Matters regarding the exercise of voting rights]

There are three ways to exercise your voting rights.

1) Attendance at the meeting in person

Please remember to bring the voting form enclosed and hand it to the receptionist.*1

Date and time of the 45th Ordinary General Meeting of Shareholders: 10:00 a.m., Wednesday, June 28, 2017

2) Voting by mail (in writing)

To vote by mail, please complete the voting form enclosed indicating “for” or “against” for the agenda items, and return the completed form to us. *2

Exercise deadline: No later than 6:00 p.m., Tuesday, June 27, 2017

3) Voting via the Internet

Please access the website for exercise of voting rights designated by the Company (<http://www.web54.net>) and enter “for” or “against” for the agenda items.

Exercise deadline: By 6:00 p.m. on Tuesday, June 27, 2017

*1 Please be informed that any persons other than a shareholder entitled to exercise the voting right such as any proxy or person accompanying a shareholder, who is not a shareholder of the Company is not permitted to attend the meeting.

*2 When there is no indication of “for” or “against” for agenda item on the voting form, the Company shall treat it as an indication of “for.”

[This is an English translation of the Report for the 45th Fiscal Year (the “Report”) of the Company provided for your reference and convenience. This translation includes a translation of the auditor’s report of PricewaterhouseCoopers Aarata LLC, the Company’s accounting auditor, of the financial statements included in the original Japanese language Report.]

Instructions for the Exercise of Voting Rights via the Internet

If you are unable to attend the meeting, you may exercise your voting right by following one of the procedures described below. ADR holders cannot vote in this manner. Please contact the ADR Depository if you wish to vote.

1. Exercise of your voting rights via the Internet

Shareholders may only exercise their voting rights online through the dedicated voting website designated by the Company.

Voting website URL: <http://www.web54.net>

2. Handling of your voting rights

- 1) Shareholders choosing to exercise their voting rights online need to use the voting code and password specified on the enclosed voting form. Once you have entered the site, please vote for or against the resolution by following the instructions on screen.
- 2) If you duplicate your vote, i.e., if you exercise your voting rights both by voting forms and via the Internet, we will consider only the Internet vote to be valid. Also, if you vote a number of times over the Internet, or both by a personal computer and smartphone, etc., we will consider the final vote to be the valid one.
- 3) Any connection fees to the Internet providers or time charges (telephone charges, etc.) incurred by shareholders in exercising votes online are to be borne by such shareholders.

3. Handling of password and voting code

- 1) If you incorrectly enter your password more than a certain number of times, you will be locked out. Please follow the instructions on the screen to have your password reissued.
- 2) The voting code indicated on the voting form is valid for this General Meeting of Shareholders only.

4. System requirements

You may not be able to use the website for exercise of voting rights depending on the system environment and services/models used for your PC and smartphone, etc.

Reference Materials Concerning the Exercise of Voting Rights

Proposal 1: Election of nine members to the Board of Directors

Because the terms of office of all nine Directors expire at the conclusion of this General Meeting of Shareholders, this proposal requests the election of nine Directors.

Candidates for the new Board are as follows:

	Name (Date of birth)	Resume, position and areas of responsibility at the Company, and significant concurrent positions outside the Company	Shares of the Company's stock owned
1	Kagemasa Kozuki (Nov. 12, 1940)	Mar. 1973 Established Konami Industries Co., Ltd. (current KONAMI HOLDINGS CORPORATION) Jun. 1987 Representative Director, Chairman (to present) Significant concurrent position: Chairman of the Board of Directors, Kozuki Foundation	163,905
2	Takuya Kozuki (May 19, 1971)	Nov. 1997 Director, Vice President, Konami Computer Entertainment America, Inc. Jun. 2009 Director of the Company Jun. 2011 Representative Director Jun. 2012 Director, Chairman, Konami Corporation of America (to present) Jun. 2012 Representative Director, President (to present)	23,545
3	Osamu Nakano (Jan. 11, 1959)	May 2015 Joined the Company Jun. 2015 Executive Director Oct. 2015 Director, Executive Vice President (to present) Nov. 2016 Representative Director, Chairman, Konami Digital Entertainment Co., Ltd. (to present)	1,538
4	Satoshi Sakamoto (Aug. 22, 1948)	Nov. 1996 Managing Director, Konami Australia Pty Ltd (to present) Jul. 2002 Chairman, Konami Gaming, Inc. (to present) Jun. 2014 Director of the Company Nov. 2016 Senior Executive Director (to present)	-
5	Kimihiko Higashio (Sep. 24, 1959)	Dec. 1997 Joined the Company Jun. 2005 Director, Division Director, Human Resources Division (to present) Significant concurrent positions: Director, Kanto IT Software Health Insurance Association	28,305

	Name (Date of birth)	Resume, position and areas of responsibility at the Company, and significant concurrent positions outside the Company	Shares of the Company's stock owned
6 Newly- appointed	Yoshihiro Matsuura (Mar. 22, 1983)	Apr. 2005 Joined the Company Jun. 2009 General Manager, Nasu Office Jan. 2013 General Manager, President's Office (to present)	-
7	Akira Gemma (Aug. 1, 1934)	Jun. 1997 Representative Director, President, Shiseido Company, Limited Jun. 2001 Representative Director, Chairman, Shiseido Company, Limited Jun. 2004 Director of the Company (to present) Apr. 2013 Advisor, Shiseido Company, Limited (to present) Significant concurrent position: Outside Director (Audit and Supervisory Committee Member), TV Asahi Holdings Corporation	8,000
8	Kaori Yamaguchi (Dec. 28, 1964)	Apr. 2007 Professor, Faculty of Humanities, Musashi University Apr. 2008 Associate Professor, Graduate School of Comprehensive Human Sciences, University of Tsukuba Oct. 2011 Associate Professor, Faculty of Health and Sport Sciences, University of Tsukuba (to present) Jun. 2014 Director of the Company (to present) Significant concurrent positions: Committee Member, Tokyo Metropolitan Board of Education Executive Board Member, Japanese Olympic Committee Outside Director, Nippon BS Broadcasting Corporation	2,685

	Name (Date of birth)	Resume, position and areas of responsibility at the Company, and significant concurrent positions outside the Company	Shares of the Company's stock owned
9 Newly- appointed	Kimito Kubo (Oct. 17, 1956)	Apr. 1980 Joined Ministry of Education (currently, Ministry of Education, Culture, Sports, Science and Technology) July 2007 Deputy Director General, Higher Education Bureau, Ministry of Education, Culture, Sports, Science and Technology Jan. 2012 Director General, Sports and Youth Bureau, Ministry of Education, Culture, Sports, Science and Technology Apr. 2016 Chairman of the Board of Trustees, Educational Corporation Shobi Gakuen, and University President, Shobi University (to present)	-

Notes: 1. No special conflicts of interest exist between the Company and the proposed candidates for director.

2. Shares of the Company's stock owned by each candidate include the candidate's holdings in the KONAMI officers' stock ownership plan.

3. Mr. Akira Gemma, Ms. Kaori Yamaguchi and Mr. Kimito Kubo are the candidates for Outside Directors.

4. Mr. Kimito Kubo is expected to assume the position of Outside Director upon obtaining the approval of Educational Corporation Shobi Gakuen, where he currently holds positions, prior to the 45th Ordinary General Meeting of Shareholders to be held on June 28, 2017.

5. The Company registers Mr. Akira Gemma and Ms. Kaori Yamaguchi as Independent Officers with Tokyo Stock Exchange, Inc. If the election of these two persons and Mr. Kimito Kubo is approved, the Company plans to appoint these three persons as Independent Officers with the Tokyo Stock Exchange, Inc.

6. Having held important posts such as General Manager at one of our key operational bases, Mr. Yoshihiro Matsuura, the candidate for appointment as a Director, has, as President's Office General Manager, currently been taking on a central role in the comprehensive adjustment and administrative control of significant matters with respect to the management of the Konami Group. Given his considerable experience and achievements, we have decided to appoint this person as a candidate for the role as a Director, based on our judgment that he would make a significant contribution to the sustained improvement in our corporate value.

7. Matters concerning the candidates for Outside Directors are as follows:

(1) Reasons for appointing them as the candidates for Outside Directors

We have decided to appoint Mr. Akira Gemma as a candidate for Outside Director based on our judgment that he would make a significant contribution to the management of the Company as Outside Director, given his considerable experience, achievements and insight as manager of business enterprise and given that he is in an objective position, independent of the executive management of the Company.

Ms. Kaori Yamaguchi, as a pioneer of women's judo, has accomplished a multitude of achievements in past international competitions. She currently teaches at a national university and acts as an advisor in the field of sports and education. Given her considerable experience and extensive knowledge, the Company decided to appoint Ms. Yamaguchi as a candidate for an Outside Director based on our judgment that she would make a significant contribution to the management of the Company's Board of Directors that requires a variety of perspectives.

Having held important posts in the Ministry of Education, Culture, Sports, Science and Technology, Mr. Kimito Kubo has also been serving as a Chairman of an educational corporation. Given his considerable experience and extensive knowledge in the field of education, culture and sports, we have decided to appoint this person as a candidate for an Outside Director based on our judgment that he would make a significant contribution to the management of the Company's Board of Directors that requires a variety of perspectives.

Although Ms. Kaori Yamaguchi and Mr. Kimito Kubo have not been involved in company management other than as outside officer, the Board of Directors has concluded that they will be able to perform their duties properly as an Outside Director of the Company based on the reasons noted above.

(2) Number of years since assuming the post of Outside Director of the Company (until the conclusion of this General Meeting of Shareholders)

Akira Gemma: 13 years

Kaori Yamaguchi: 3 years

(3) Overview of the Limited Liability Contract

The Company has entered into a limited liability contract with Mr. Akira Gemma and Ms. Kaori Yamaguchi with respect to their liabilities provided for in Article 423, Paragraph 1 of the Corporate Law. Under this contract, the liabilities of the two persons shall be limited to the aggregate total of the amounts stipulated in Article 425, Paragraph 1 of the said law. If these two persons are elected, the Company will renew the contract with each of them. Also, if Mr. Kubo is elected, the Company will enter into the same contract with him.

Proposal 2: Election of two members to the Audit & Supervisory Board

The terms of office of Audit & Supervisory Board Members Mr. Shinichi Furukawa and Mr. Minoru Maruoka expire at the conclusion of this General Meeting of Shareholders. This proposal requests the election of two Audit & Supervisory Board Members.

The consent of the Audit & Supervisory Board has been obtained for this proposal.

Candidates for the new Board are as follows:

	Name (Date of birth)	Resume, position at the Company, and significant concurrent positions outside the Company	Shares of the Company's stock owned
1	Shinichi Furukawa (Feb. 18, 1960)	Apr. 1982 Joined the Company Apr. 2011 Division Director, Sales & Marketing Division, Konami Digital Entertainment Co., Ltd. Oct. 2012 General Manager, Internal Control Office, Konami Sports & Life Co., Ltd. May. 2013 Corporate Auditor, Konami Digital Entertainment Co., Ltd. (to present) Jun. 2013 Audit & Supervisory Board Member (to present) Dec. 2016 Corporate Auditor, Konami Amusement Co., Ltd. (to present)	25,500
2	Minoru Maruoka (Nov. 7, 1956)	Apr. 1979 Joined Matsushita Electric Industrial Co., Ltd (current Panasonic Corporation) Dec. 2004 Director, Accounting General Manager, Panasonic Home Appliances Hangzhou Co., Ltd. Jun. 2010 Director (in charge of Accounting, Legal, and Information Technology Systems), Panasonic Ecology Systems Co., Ltd. Sept. 2012 Standing Corporate Auditor, Akindo Sushiro Co., Ltd. Jun. 2013 Audit & Supervisory Board Member of the Company (to present) Jan. 2016 Corporate Auditor, Konami Sports Club Co., Ltd. (to present)	828

Notes: 1. No special conflicts of interest exist between the Company and the proposed candidates for Audit & Supervisory Board Members.

2. Shares of the Company's stock owned by each candidate include the candidate's holdings in the KONAMI officers' stock ownership plan.

3. Mr. Minoru Maruoka is the candidate for Outside Audit & Supervisory Board Member.

4. The Company registers Mr. Minoru Maruoka as Independent Officer with Tokyo Stock Exchange, Inc. If the election of this person is approved, the Company plans to continue appointing this person as Independent Officer.

5. Matters concerning the candidates for Outside Audit & Supervisory Board Members are as follows:

(1) Reasons for appointing the person as the candidate for Outside Audit & Supervisory Board Member

Mr. Minoru Maruoka has considerable experience, achievements, and insights gained as the person in charge of the finance and accounting division of a global company. We have decided to appoint him as a candidate for Outside

Audit & Supervisory Board Member based on our judgment that he would appropriately execute the duties of Outside Audit & Supervisory Board Member from an objective standpoint.

- (2) Number of years since assuming the post of Outside Audit & Supervisory Board Member of the Company (until the conclusion of this General Meeting of Shareholders)

Minoru Maruoka: 4 years

- (3) Overview of the Limited Liability Contract

The Company has entered into a limited liability contract with Mr. Minoru Maruoka with respect to his liabilities provided for in Article 423, Paragraph 1 of the Corporate Law. Under this contract, the liabilities of this person shall be limited to the aggregate total of the amounts stipulated in Article 425, Paragraph 1 of the said law. If this person is elected, the Company will renew the contract with him.

Business Report

(April 1, 2016 – March 31, 2017)

1. Business Performance

(1) Konami Group Business Conditions and Results

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 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 preference for sports, health-consciousness and an interest in preventing the need for nursing care in old age. In addition, we see 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 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 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 launched *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%).

Performance by business segment

Reportable segment classifications have been changed effective from the fiscal year ended March 31, 2017. 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 is attracting attention after the world cup held in Japan. 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), 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, African 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, 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 title of the *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. The official tournament "the 6th KONAMI Arcade Championship" has held annually since 2011 to decide the ultimate arcade game player, which achieved huge success.

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 *METAL GEAR*, the Group's original content, 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 harsh 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%).

(2) Capital Expenditures and Financing Activities

Capital expenditures in the consolidated fiscal year ended March 31, 2017 totaled ¥14,404 million. This primarily consists of costs for production of game contents, investments for plant facilities and health and fitness club facilities, and purchase of production and manufacturing equipment.

With respect to financing, the Group provided the necessary funds during the fiscal year under review using its own funds and short-term borrowings from banks. The Company will continue to endeavor to secure adequate short-term liquidity and credit lines for fund raising to finance dynamic business development.

(3) Trend of Assets and Business Results

1. Financial and business results of the Konami Group

(Millions of yen, except per share data)

Years ended March 31	U.S. GAAP		IFRS		
	2014	2015	2015	2016	2017
Revenue	217,595	218,157	218,157	249,902	229,922
Operating profit	7,696	14,451	15,305	24,679	36,359
Profit attributable to owners of the parent	3,834	9,479	9,918	10,516	25,951
Basic earnings per share (yen)	27.66	68.38	71.55	76.44	191.89
Total assets	320,251	329,760	311,592	328,187	337,144
Total equity attributable to owners of the parent	225,133	234,310	217,789	212,750	234,441

Notes: 1. Starting from the 44th fiscal year, the Company prepared consolidated financial statements by applying International Financial Reporting Standards (IFRS). For reference, figures for the 43rd fiscal year conforming to IFRS are shown alongside.

2. The trends of assets and business results of the corporate group are presented using terms conforming to IFRS. The term “profit attributable to owners of the parent” under IFRS is equivalent to the term “net income attributable to KONAMI HOLDINGS CORPORATION” under U.S. GAAP, and the term “basic earnings per share” under IFRS is equivalent to the term “basic net income attributable to KONAMI HOLDINGS CORPORATION per share” under U.S. GAAP, and the term “total assets” under IFRS is equivalent to the term “total assets” under U.S. GAAP, and the term “total equity attributable to owners of the parent” under IFRS is equivalent to the term “KONAMI HOLDINGS CORPORATION stockholders’ equity” under U.S. GAAP.

2. Financial and business results of the Company (Japanese GAAP)

(Millions of yen, except per share data)

Years ended March 31	2014	2015	2016	2017
Operating income	15,995	14,560	14,518	17,010
Ordinary income	12,534	11,951	11,859	14,813
Net income	12,170	11,259	11,569	9,921
Basic net income per share (yen)	87.80	81.23	84.10	73.36
Total assets	222,893	242,053	238,836	239,500
Total net assets	199,293	207,051	205,409	211,362

(4) Issues for the Konami Group

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

Taking an overview of the global economy, uncertainty about the future is expected to persist due to factors such as the economic slowdown in emerging countries, including China, the viability of economic policies of the U.S., and the outlook for the UK after its departure from the EU. The business environment surrounding our businesses - Digital Entertainment, Health & Fitness, Gaming & Systems, and Amusement - requires companies to respond to changes in consumer confidence and consumer behavior resulting from economic trends in individual countries and revision and abolishment, etc. of various regulations. On the other hand, progress has been made in developing a network environment in the business environment in which we operate. In the process, users have begun sharing a variety of information, and communities are starting to emerge, each with distinct tastes. The Konami Group has a holding company structure so that it may respond appropriately to this rapidly changing market environment and evolve into a flexible and sustainable entity. As such, there is now a clear separation between the management of the Konami Group and the execution of duties for each business segment. This is to enable on-target response to the needs of each market and changes of users as well as to promote the agile development of each business, and we also intend to promote the competitiveness and the sustainable growth of each group company. We believe that this will allow the Konami Group as a whole to make a leap forward.

Enhance profitability and channel managerial resources to growth areas

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

In the Health & Fitness segment, with higher health consciousness and against the backdrop of an increase in people with more leisure time due to the retirement of baby boomers, it is anticipated that people's preferences and lifestyles will diversify. In order to achieve further growth, we will take proactive steps to create value-added Konami Sports Clubs that meet the diversifying consumer needs and offer a new lifestyle. To serve as a Total Health Partner to customers and become the most trusted partner of all customers, from children to seniors, to manage their health and fitness, not just providing places for exercising, Konami will strive to increase revenues as a leading corporate provider of new services.

In the Gaming & Systems segment, while the number of countries and regions that have legalized casinos has been increasing yearly, there is a trend away from slot machines among young people, notably in the U.S., an issue that needs to be overcome for the industry to achieve medium- to long-term

growth. As a result, efforts are underway to improve the situation, such as through the legalization in some US states of skill factor loading to slot machines, which enables machines to reflect a player's skill level. The Konami Group will take proactive measures to increase its market shares in new genres of games by leveraging its extensive technologies and experience in the Group's arcade games.

In the Amusement segment, the Konami Group will flexibly respond to the revision and abolishment, etc. of various regulations related to its business, and strive to increase its market share by providing products leveraging the Group's extensive entertainment expertise accumulated over many years in response to changes in how users play games and user preferences. In addition, the Group will promote streamlining by integrating the arcade games business and the Pachislot & Pachinko Machines Business.

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

(5) Principal Business (as of March 31, 2017)

The principal businesses of the Konami Group are as shown below:

- | | |
|--|--|
| <i>1. Digital Entertainment Business</i> | Production, manufacture and sale of digital content and related products including mobile games, card games and computer & video games, etc. |
| <i>2. Health & Fitness Business</i> | Operation of health and fitness clubs, and production, manufacture and sale of health and fitness-related goods |
| <i>3. Gaming & Systems Business</i> | Production, manufacture, sale and service of gaming machines and casino management systems |
| <i>4. Amusement Business</i> | Production, manufacture and sale of arcade games and amusement machines |

(6) Main Konami Group Offices (as of March 31, 2017)

Holding company

KONAMI CORPORATION Minato-ku, Tokyo

Operating companies in Japan

Konami Digital Entertainment Co., Ltd.	Minato-ku, Tokyo
Konami Sports Club Co., Ltd.	Shinagawa-ku, Tokyo
Konami Amusement Co., Ltd.	Ichinomiya-shi, Aichi
KPE, Inc.	Minato-ku, Tokyo
Konami Sports Life Co., Ltd.	Zama-shi, Kanagawa
Internet Revolution, Inc.	Minato-ku, Tokyo

Operating companies overseas

Konami Digital Entertainment, Inc.	USA
------------------------------------	-----

Konami Gaming, Inc.	USA
Konami Australia Pty Ltd	Australia
Konami Digital Entertainment B.V.	UK
Konami Digital Entertainment Limited	Hong Kong

(7) Employees (as of March 31, 2017)

1. Konami Group

Business segment	Number of employees	Change from end of previous fiscal year
Digital Entertainment Business	1,659	13
Health & Fitness Business	1,113	(23)
Gaming & Systems Business	626	15
Amusement Business	807	(22)
Entire Company (corporate staff)	401	45
Total	4,606	28

Notes: 1. Employees include all persons on the Konami Group payroll.

2. Employees classified as corporate staff for the entire Company are administrative staff not assigned to any particular business segment.

3. Reporting segments were changed from the fiscal year under review. Therefore, comparisons of figures with those as of the end of the previous fiscal year are made by restating the figures for the previous fiscal year under the new reporting segments.

2. The Company

Number of employees	Change from end of previous fiscal year
57	3

Note: Employees include all persons on the Company payroll.

(8) Major Subsidiaries (as of March 31, 2017)

Company	Capital	Equity ratio (%)	Major businesses
Konami Digital Entertainment Co., Ltd.	¥100 million	100.0	Planning, production, manufacture and sale of mobile games, card games, computer & video games, etc.
Konami Sports Club Co., Ltd.	¥100 million	100.0	Operation of sports clubs; services of health and fitness
Konami Amusement Co., Ltd. (Note3)	¥100 million	100.0	Production, manufacture and sale of arcade games and amusement machines
KPE, Inc.	¥100 million	100.0	Production and manufacture of amusement machines
Konami Sports Life Co., Ltd.	¥20 million	100.0	Production, manufacture and sale of health and fitness-related products
Internet Revolution, Inc.	¥100 million	(70.0) 70.0	Building and operation of network infrastructure
Konami Corporation of America	US\$35,500 thousand	100.0	Holding company in U.S.A.
Konami Digital Entertainment, Inc.	US\$23,870 thousand	(100.0) 100.0	The digital entertainment business and amusement business in U.S.A.
Konami Gaming, Inc.	US\$25,000 thousand	(100.0) 100.0	Production, manufacture, sale and service of gaming machines in U.S.A., etc.
Konami Digital Entertainment B.V.	Eur 9,019 thousand	100.0	The digital entertainment business and amusement business in Europe
Konami Digital Entertainment Limited	HK\$19,500 thousand	100.0	The digital entertainment business and amusement business in Asia
Konami Australia Pty Ltd	A\$30,000 thousand	100.0	Production, manufacture, sale and service of gaming machines in Australia, etc.

Notes: 1. Percentage of Equity ratio shown in parentheses is indirect ownership percentages, and is included in the percentage indicated in the second line.

2. The Company consolidates 21 companies, including the major subsidiaries listed above, and applies the equity method to one affiliated company.

3. Effective August 5, 2016, TAKASAGO ELECTRIC INDUSTRY CO., LTD. changed its trade name to Konami Amusement Co., Ltd.

4. Shown below are details of the specified wholly-owned subsidiary at the end of the fiscal year under review.

Name of specified wholly-owned subsidiaries	Konami Sports Club Co., Ltd.
Address of specified wholly-owned subsidiary	4-10-1, Higashi Shinagawa, Shinagawa-ku, Tokyo, Japan
Book value of shares in specified wholly-owned subsidiary that are held by KONAMI HOLDINGS CORPORATION or any of its wholly-owned subsidiaries	¥55,491 million
Total assets of KONAMI HOLDINGS CORPORATION	¥239,500 million

(9) Major Lenders (as of March 31, 2017)

(Millions of yen)

Lender	Amount of loans
Sumitomo Mitsui Banking Corporation	3,366
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,244

2. Status of shares of the Company

Status of Shares (as of March 31, 2017)

1. Number of shares authorized: 450,000,000
2. Number of shares issued: 143,500,000
3. Number of shareholders: 32,251
4. The 10 largest shareholders:

	Number of shares (Thousand)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,531	14.44
Kozuki Foundation	16,750	12.39
Kozuki Holding	15,700	11.61
Japan Trustee Services Bank, Ltd. (Trust Account)	9,767	7.22
Kozuki Capital Corporation	7,048	5.21
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,252	2.40
Sumitomo Mitsui Banking Corporation	2,017	1.49
Goldman Sachs Japan Co. Ltd.	2,000	1.48
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,637	1.21
BNP Paribas Securities (Japan) Ltd.	1,572	1.16

Note: The above shareholding ratios are calculated after the deduction of treasury shares (8,263 thousand shares).

3. Matters concerning subscription rights to shares

Outline of share subscription rights of euro-yen convertible bond-type bonds with subscription rights to shares due 2022 (total face value of ¥10,000 million) issued in accordance with a resolution of a Board of Directors meeting held on December 3, 2015

Date of issue	December 22, 2015
Number of share subscription rights	1,000
Class of stock to which share subscription rights apply	Common stock (board lot of 100 shares)
Number of shares of stock to which share subscription rights apply	A number determined by dividing by conversion price the total face value of bonds pertaining to share subscription rights exercised; provided, however, that any shares less than 1 share shall be truncated and no cash-based adjustment shall be made.
Amount of cash payment for share subscription rights	No cash payment is required in exchange for share subscription rights.
Conversion price	¥4,549.7 (subject to adjustment according to certain terms and conditions)
Exercise period for share subscription rights	From January 5, 2016 to December 8, 2022 (exercise application receipt place and local time)

Note: At the meeting of the Board of Directors held on May 18, 2017, accompanying the decision to set the payment of the annual dividend for the fiscal year under review to ¥58 per share, the conversion price of euro-yen convertible bond-type bonds with subscription rights to shares due 2022 was adjusted to ¥4,513.9 pursuant to the terms and conditions on conversion price of the said bonds.

4. Officers of the Company

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2017)

Position	Name	Areas of responsibility and primary duties at the Company, and significant concurrent positions outside the Company
Representative Director, Chairman	Kagemasa Kozuki	Chairman of the Board of Directors, Kozuki Foundation
Representative Director, President	Takuya Kozuki	Director, Chairman, Konami Corporation of America
Director, Executive Vice President	Osamu Nakano	Representative Director, Chairman, Konami Digital Entertainment Co., Ltd.
Senior Executive Director	Satoshi Sakamoto	Chairman, Konami Gaming, Inc. Managing Director, Konami Australia Pty Ltd
Director	Kimihiko Higashio	Division Director, Human Resources Division Director, Kanto IT Software Health Insurance Association
Director	Fumiaki Tanaka	Representative Director, Chairman, Konami Sports Life Co., Ltd.
Director	Tomokazu Godai	Representative Director, Chairman, MAYATEC Co., Ltd.
Director	Akira Gemma	Advisor, Shiseido Company, Limited Outside Director (Audit and Supervisory Committee Member), TV Asahi Holdings Corporation
Director	Kaori Yamaguchi	Associate Professor, Faculty of Health and Sport Sciences, University of Tsukuba Committee Member, Tokyo Metropolitan Board of Education Executive Board Member, Japanese Olympic Committee Outside Director, Nippon BS Broadcasting Corporation
Audit & Supervisory Board Member (Full-time)	Shinichi Furukawa	Corporate Auditor, Konami Digital Entertainment Co., Ltd. Corporate Auditor, Konami Amusement Co., Ltd.
Audit & Supervisory Board Member (Full-time)	Minoru Maruoka	Corporate Auditor, Konami Sports Club Co., Ltd.
Audit & Supervisory Board Member	Nobuaki Usui	Outside Director, ORIX Corporation Outside Auditor, Miroku Jyoho Service Co., Ltd.
Audit & Supervisory Board Member	Setsuo Tanaka	Representative Director, Chairman, Japan Federation of Authorized Drivers School Associations Outside Audit & Supervisory Board Member, NGK INSULATORS, LTD.
Audit & Supervisory Board Member	Hisamitsu Arai	Outside Audit & Supervisory Board Member, Soken Chemical & Engineering Co., Ltd. Director (Outside), MIMAKI ENGINEERING CO., LTD.

- Notes: 1. Mr. Akira Gemma and Ms. Kaori Yamaguchi, Director, are the Outside Directors provided in Item 15 of Article 2 of the Corporate Law.
2. Messrs. Minoru Maruoka, Nobuaki Usui, Setsuo Tanaka and Hisamitsu Arai, Audit & Supervisory Board Member, are the Outside Audit & Supervisory Board Members provided in Item 16 of Article 2 of the Corporate Law.
3. Audit & Supervisory Board Member (Full-time) Mr. Minoru Maruoka has experience of managing finance & accounting division of a global company and possesses a keen insight in the areas of financial and accounting.
4. Audit & Supervisory Board Member Mr. Nobuaki Usui served as Administrative Vice Minister of the Ministry of Finance and Commissioner of the National Tax Agency and possesses a keen insight in the areas of finance and accounting.
5. Assignment changes of Directors in the fiscal year under review were as follows:

Name	Before change	After change	Date of change
Satoshi Sakamoto	Director	Senior Executive Director	November 1, 2016

6. The Company has appointed six individuals, Directors Akira Gemma and Kaori Yamaguchi and Audit & Supervisory Board Members Minoru Maruoka, Nobuaki Usui, Setsuo Tanaka and Hisamitsu Arai as Independent Officers as provided for in the regulations of the Tokyo Stock Exchange, Inc. and notified them to the Exchange.
7. There are no special relationships between the Company and the companies in which the Outside Directors and Outside Audit & Supervisory Board Members of the Company hold significant concurrent positions.

(2) Outline of liability limitation agreement

The Company and Outside Directors and Outside Audit & Supervisory Board Members have entered into an agreement stipulating that liability set forth in Article 423, Paragraph 1 of the Corporate law shall not exceed the total amount set forth in the items of Article 425, Paragraph 1 of the Corporate law.

(3) Total Amount of Remuneration, etc. Paid to Directors and Audit & Supervisory Board Members

Category	Number of paid officers	Amount of payment
Director	8	¥327 million
Audit & Supervisory Board Member	5	¥53 million
Total	13	¥380 million

(4) Outside Officers

1. Major activities in the fiscal year under review

Category	Name	Major activities
Director	Akira Gemma	Attended all the 9 meetings of the Board of Directors held during the fiscal year under review and, based on his abundant experience and achievements as a corporate executive, made necessary statements concerning deliberations on propositions, etc., from an objective and neutral perspective.
	Kaori Yamaguchi	Attended all the 9 meetings of the Board of Directors held during the fiscal year under review and based on her abundant achievements and knowledge in the field of education and sports, made necessary statements concerning deliberations on propositions, etc., from an objective and neutral perspective.

Category	Name	Major activities
Audit & Supervisory Board Member	Minoru Maruoka	Attended all the 9 meetings of the Board of Directors and all the 9 meetings of the Audit & Supervisory Board held during the fiscal year under review and based on his abundant experience and achievements at a global company, made necessary statements concerning deliberations on propositions, etc., from an objective and neutral perspective.
	Nobuaki Usui	Attended all the 9 meetings of the Board of Directors and all the 9 meetings of the Audit & Supervisory Board held during the fiscal year under review and based on his abundant achievements and knowledge in finance and tax affairs, made necessary statements concerning deliberations on propositions, etc., from an objective and neutral perspective.
	Setsuo Tanaka	Attended 7 of the 9 meetings of the Board of Directors and 8 of the 9 meetings of the Audit & Supervisory Board held during the fiscal year under review and based on his abundant achievements and knowledge at government agencies, made necessary statements concerning deliberations on propositions, etc., from an objective and neutral perspective.
	Hisamitsu Arai	Attended all the 9 meetings of the Board of Directors and all the 9 meetings of the Audit & Supervisory Board held during the fiscal year under review and based on his abundant achievements and knowledge in the field of intellectual property and others, made necessary statements concerning deliberations on propositions, etc., from an objective and neutral perspective.

2. Total amount of remuneration, etc. paid to Outside Officers

Category	Number of paid officers	Amount of payment
Total amount of remuneration, etc. paid to Outside Officers	6	¥63 million

Note: The above total amount of remuneration, etc. paid to Outside Officers is included in “4. (3) Total Amount of Remuneration, etc. Paid to Directors and Audit & Supervisory Board Members.”

5. Status of Accounting Auditor

(1) Name of Accounting Auditor: PricewaterhouseCoopers Aarata LLC

Notem: Effective July 1, 2016, the Japanese name of PricewaterhouseCoopers Aarata LLC was changed from “PwC Aarata Kansa Hojin” to “PwC Aarata Yugen Sekinin Kansa Hojin,” as a result of a change in audit corporation classification prescribed in the Certified Public Accountants Act.

(2) Amount of Remuneration, etc.

- | | |
|---|--------------|
| 1. Amount of remuneration, etc. paid to the accounting auditor during the fiscal year under review | ¥102 million |
| 2. Total of money and other financial benefits to be paid by the Company and its subsidiaries to the accounting auditor | ¥129 million |

Notes: 1. The amounts of remuneration, etc. for the audit based on the Corporate Law and the audit based on the Financial Instruments and Exchange Law are not clearly divided, and cannot be divided substantially, based on the auditing agreement between the Company and the accounting auditor. Therefore, the total of these amounts is shown in the amount of remuneration, etc. shown in 1.

2. In consideration of “Practical Guidelines on Collaboration with Accounting Auditors” published by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board verified and considered the audit plan of the accounting auditors, as well as their accounting audit procedures and platform. As a result, the Audit & Supervisory Board consented to the accounting auditors’ remuneration, etc. pursuant to Article 399, Paragraph 1 of the Corporate law.

3. Of the important subsidiaries of the Company, overseas subsidiaries underwent an audit by a certified public accountant or an audit firm other than the accounting auditor of the Company.

(3) Policy on Decision about the Dismissal or Non-reappointment of an Accounting Auditor

When it is acknowledged that an accounting auditor is subject to one of the Items of Paragraph 1 of Article 340 of the Corporate Law, the Audit & Supervisory Board will dismiss the accounting auditor with the approval of all Audit & Supervisory Board Members.

Besides the foregoing, when it is deemed appropriate to dismiss or not reappoint the accounting auditor due to such reasons as difficulties for the accounting auditor to perform its duties, the Audit & Supervisory Board decides details of a proposal on the dismissal or non-reappointment of the accounting auditor to be presented to the General Meeting of Shareholders.

6. Outline of system to secure operational adequacy and its operating state

(1) Systems to Ensure Appropriate Operations

An outline of matters resolved at a meeting of the Board of Directors as a system for the Company to ensure appropriate business operations is shown below:

1. A system to ensure that the duties of officers and employees of the corporate group comprising Konami Holdings Corporation and its subsidiaries (the “Konami Group”) are executed in conformance with laws and ordinances, as well as the Articles of Incorporation
 - (i) To ensure that corporate activities are pursued in conformance with high ethical standards, we establish the KONAMI GROUP CORPORATE CONDUCT CHARTER. Moreover, as specific guidelines for the code, we establish the KONAMI GROUP CODE OF BUSINESS CONDUCT AND ETHICS, by developing the “Konami Group Compliance Policy” thereby demonstrating the importance of complying with laws and ordinances. In addition, the management ensures that it rigorously communicates the provisions of the guidelines to officers and employees of the Konami Group.
 - (ii) The Company has in place the Konami Group Compliance Committee as a body to enhance the effectiveness of compliance by officers and employees of the Konami Group.
 - (iii) The Company has in place an internal notification system as a function to curb illegal acts, and strives to prevent improper incidents from occurring.
 - (iv) The Company strives to ensure that officers and employees of the Konami Group do not have any involvement with anti-social forces and organizations, and that any unfair demand by such is handled resolutely in cooperation with the police and/or other authorities.
2. System concerning the retention and control of information on the execution of duties within the Konami Group
 - (i) Information on the execution of duties by the Company’s Directors is retained and controlled appropriately by developing rules and regulations on information management, while specifying significant documents and defining the form of their retention.
 - (ii) Regarding information on the execution of duties by the Company’s subsidiaries, the Company has “Related Companies Control Regulations” in place, which provide that individual subsidiaries shall report significant business management information and other necessary information to the Company.
3. Regulations and other systems for managing risk of losses for the Konami Group
 - (i) The Company develops the “Konami Group Risk Management Rules” to avoid risks and minimize losses for the entire Group.
 - (ii) The Company and its key subsidiaries have a Risk Management Committee in place as a body to centrally identify and appropriately address risks.
4. System to ensure the efficient execution of duties by Directors of the Konami Group

To define the duties and authority of Directors in different divisions, the Company has in place regulations on the segregation of duties and authority, and a system conforming to the regulations is also established at individual subsidiaries.

5. System to secure the appropriateness of the Konami Group's operations

(i) To ensure that individual group companies' business operations are performed in an appropriate and harmonious manner, in its capacity as a holding company, the Company administers the entire Group's business operations by adequately exercising voting rights.

(ii) All Konami Group companies implement internal control system development, risk control, and compliance in a consistent manner, seeking to build a unified group management structure.

(iii) The Company's Audit & Supervisory Board Members seek to build a group audit platform by periodically holding a "Group Audit & Supervisory Board Meeting" with Audit & Supervisory Board Members of individual subsidiaries to appropriately support necessary collaboration.

6. Matters related to an employee who is requested by an Audit & Supervisory Board Member to serve as an employee charged with assisting his/her duties ("Assistant Employee")

If an Audit & Supervisory Board Member requests an employee to be assigned as an assistant, the management assigns an employee equipped with sufficient specialized skills to provide assistance such as a member of the Internal Control Office.

7. Matters related to securing the independence of an employee assigned as an assistant from the Company's Directors and the effectiveness of the Audit & Supervisory Board Member's instructions to an employee assigned as an assistant

(i) An Audit & Supervisory Board Member may express an opinion on the selection and staff evaluation of an employee to be assigned as an assistant.

(ii) An employee assigned as an assistant shall perform assistance duties under the instructions and orders of the Audit & Supervisory Board Members without receiving directions from any Director.

8. System for reporting to Audit & Supervisory Board Members

(i) Officers and employees the Konami Group shall establish standards for determining matters required to be reported to the Company's Audit & Supervisory Board Members, and the internal notification system, among others, shall be used to report to the Audit & Supervisory Board Members any significant matter that may affect the Group's business operations and financial performance.

(ii) Pursuant to laws and ordinances and its internal regulations, the Konami Group preserves the confidentiality of any information provided by any of its officers and employees to Audit & Supervisory Board Members through the internal notification system, and forbids the informer from being subjected to detrimental treatment.

9. Matters concerning the policy on advance payment and reimbursement procedures for expenses arising from the execution of duties by the Audit & Supervisory Board Member, as well as the processing of other expenses or obligations that arise in the execution of duties

(i) A budget is set for Audit & Supervisory Board Members to execute their duties on an annual basis.

(ii) If, in relation to the execution of duties, an Audit & Supervisory Board Member requests advance payment of expenses pursuant to Article 388 of the Corporate law, the expenses or obligation are processed promptly with the exception of cases where it is not deemed necessary for the execution of duties.

10. Other systems to ensure that audits of Audit & Supervisory Board Members are conducted effectively

An Audit & Supervisory Board Member, if deeming it necessary for the execution of duties, may request experts such as lawyer and Certified Public Account to provide opinions and advice.

(2) Outline of operation of the system

1. Compliance initiatives

(i) The Konami Group's internal network pages contain significant codes and guidelines for its officers and employees, such as its corporate philosophy, the KONAMI GROUP CORPORATE CONDUCT CHARTER, and the KONAMI GROUP CODE OF BUSINESS CONDUCT AND ETHICS, thereby allowing them to be viewed by all officers and employees at all times.

(ii) To ensure and increase the effectiveness of compliance with laws and regulations by the Konami Group's officers and employees, Konami Group periodically holds Konami Group Compliance Committee meetings. In addition, the Group established the Konami Group Compliance Policy and started to provide compliance training program through e-learning from the fiscal year under review.

(iii) The Konami Group has in place the internal notification system, including an external notification desk, as a system that is independent from the management and regularly informs officers and employees of the Group of the said system. In the fiscal year under review, we did not experience any instance of an internal notification concerning a significant breach of laws or ordinances.

2. Risk control initiatives

(i) During the fiscal year under review, the Risk Management Committee in place at the Company performed risk control over the entire Konami Group. A crisis management committee has been in place at key Group companies and facilities, and has been kept ready to handle any crisis promptly for every risk incident.

(ii) It is stipulated that, in the event of a major accident or disaster, that the Konami Group may set up an emergency management headquarters at the decision of the Representative Director, President of the Company. No such event occurred during the fiscal year under review.

3. Internal control initiatives at the Konami Group

(i) Significant decision-making at the Konami Group is, pursuant to regulations regarding duties and authority, done through an electronic approval procedure, in principle, and prompt and efficient internal

control is implemented.

(ii) In its capacity as the holding company, the Company exercises voting rights appropriately for determining matters required to be deliberated at the General Meeting of Shareholders for resolution, including structure of directors and significant matters of group companies, thereby ensuring that the entire Group's business operations are performed smoothly.

(iii) The Company's Internal Control Office assesses the effectiveness of the entire Group's internal controls in major operating processes, while exchanging opinions with accounting auditors and Audit & Supervisory Board Members on a regular basis.

4. Matters relating to the execution of duties by Audit & Supervisory Board Members

(i) Each Audit & Supervisory Board Member receives a report from Directors and employees appropriately before questioning as necessary. Each Audit & Supervisory Board Member inquires to accounting auditors about the status of audits as well as the results of audits.

(ii) Full-time Audit & Supervisory Board Members collaborate with Audit & Supervisory Board Members of individual subsidiaries by holding a "Group Audit & Supervisory Board Meeting" on a quarterly basis. During the fiscal year under review, Full-time Audit & Supervisory Board Members conducted onsite audits of subsidiaries inside and outside Japan, including those based in North America and Europe.

7. Policy on decisions about dividends from retained earnings, etc.

The Company believes that the provision of dividends and the enhancement of corporate value are important ways to return profits to our shareholders. As for dividends, we have set a consolidated dividend payout ratio target of over 30 percent and are striving to further increase dividend levels. It is our policy to use retained earnings for investments focused on business fields with good future possibility in order to continually reinforce the Company's growth potential and competitiveness.

We paid an interim dividend of ¥17 per share on November 18, 2016. Combined with a final dividend of ¥41 per share, we shall distribute an annual dividend of ¥58 per share for the fiscal year under review.

Consolidated Statement of Financial Position

(As of March 31, 2017)

(Millions of yen)

ASSETS:		LIABILITIES AND EQUITY:	
Current assets	¥174,948	Current liabilities	¥56,846
Cash and cash equivalents	134,743	Bonds and borrowings	10,607
Trade and other receivables	25,951	Other financial liabilities	4,007
Inventories	7,430	Trade and other payables	25,852
Income tax receivables	846	Income tax payables	2,745
Other current assets	5,978	Other current liabilities	13,635
Non-current assets	¥162,196	Non-current liabilities	¥45,106
Property, plant and equipment, net	75,598	Bonds and borrowings	19,678
Goodwill and intangible assets	34,774	Other financial liabilities	14,633
Investments accounted for using the equity method	2,798	Provisions	8,106
Other investments	1,266	Deferred tax liabilities	0
Other financial assets	22,362	Other non-current liabilities	2,689
Deferred tax assets	22,335	Total liabilities	¥101,952
Other non-current assets	3,063	EQUITY:	
		Total equity attributable to owners of the parent	234,441
		Share capital	47,399
		Share premium	74,426
		Treasury shares	(21,304)
		Other components of equity	2,157
		Retained earnings	131,763
		Non-controlling interests	¥751
		Total equity	¥235,192
Total assets	¥337,144	Total liabilities and equity	¥337,144

Consolidated Statements of Profit or Loss
(Year ended March 31, 2017)

(Millions of yen)

Revenue	¥229,922
Cost of revenue	(141,191)
Gross profit	88,731
Selling, general and administrative expenses	(45,107)
Other income and other expenses, net	(7,265)
Operating profit	36,359
Finance income	199
Finance costs	(1,305)
Profit from investments accounted for using the equity method	268
Profit before income taxes	35,521
Income taxes	(9,544)
Profit for the year	25,977
Profit attributable to:	
Owners of the parent	25,951
Non-controlling interests	26

Consolidated Statement of Changes in Equity (Year ended March 31, 2017)

(Millions of yen)

	Equity attributable to owners of the parent					Total	Non controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings			
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

Assumptions underlying preparation of consolidated financial statements

Scope of Consolidation

1. Number of consolidated subsidiaries: 21
2. Name of principal consolidated subsidiaries
 - Konami Digital Entertainment Co., Ltd.
 - Konami Sports Club Co., Ltd.
 - Konami Amusement Co., Ltd.
 - KPE, Inc.
 - Konami Sports Life Co., Ltd.
 - Internet Revolution, Inc.
 - Konami Corporation of America
 - Konami Digital Entertainment, Inc.
 - Konami Gaming, Inc.
 - Konami Digital Entertainment B.V.
 - Konami Digital Entertainment Limited
 - Konami Australia Pty Ltd

Application of the Equity Method

1. Number of equity-method affiliate: 1
2. Name of the equity-method affiliate: RESOL HOLDINGS Co., Ltd.

Summary of Significant Accounting Policies

1. Basis of presentation for consolidated financial statements

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with Article 120, Paragraph 1, of the Corporate Accounting Rules of Japan. However, in compliance with the second sentence of the paragraph, certain disclosures required on the basis of IFRS are omitted.

2. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by averaging. Net realizable value is estimated selling price in the ordinary course of business, less estimated cost of completion and estimated selling cost.

3. Property, plant and equipment, net

- (1) Recognition and measurement

Property, plant and equipment, net are stated at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes costs directly related to the acquisition of assets, costs to dismantle and remove assets, initially estimated restoration costs, and borrowing costs to meet the requirements for capitalization. When the useful lives of components of property, plant and equipment, net differ according to each component, assets are recorded as separate property plant and equipment, net items.

(2) Payment after acquisition

Costs generated after the acquisition of property, plant and equipment related to ordinary repairs and maintenance are treated as an expense as incurred. Costs related to major replacements and improvements are capitalized only when they are expected to bring economic benefits to the Group in the future.

(3) Depreciation

Depreciation is calculated primarily using the straight-line method over the estimated useful life of each component of property, plant and equipment, net.

Lease assets are depreciated over the shorter of lease period or estimated useful life except for cases when acquisition by the Group by the end of the lease contract is reasonably certain.

Depreciation method, useful life, and residual value are reviewed at the end of the reporting period and revised as needed.

4. Goodwill and intangible assets

(1) Goodwill

Goodwill is valued as the total of the consideration transferred at the acquisition date, the amount of non-controlling interests in acquired companies, and if the business combination is achieved in stages, the fair value at the acquisition date of equity in acquired companies held prior to the acquisition date, less the net recognized amount (generally fair value) of identifiable assets at the acquisition date and liabilities assumed. Goodwill is stated at cost, less accumulated impairment losses. Goodwill is not depreciated, but is tested for impairment annually at about the same time and every time there is a sign of impairment.

(2) Intangible assets

1. Intangible assets acquired in business combination

Intangible assets such as trademarks, membership, patent, and merchandising contracts acquired through a business combination and recognized separately from goodwill are stated at fair value at the acquisition date. Subsequently, they are valued at cost, less accumulated depreciation and accumulated impairment losses.

2. Development assets

Costs incurred for research activities for the purpose of gaining new scientific or technical knowledge are recognized as expenses as incurred. Costs incurred for development activities are capitalized only if all of the following criteria are demonstrated: the technical feasibility of completing the assets, the ability to generate economic benefits in the future, the ability to measure reliably, and the intention, ability, and resources to use or sell after completion.

Development assets are initially recognized as the total of costs incurred from the date when all criteria for capitalization are met to completion of development. After initial recognition, development assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

3. Other intangible assets

Intangible assets acquired by the Group with fixed useful lives are stated at cost, less accumulated depreciation and accumulated impairment losses.

4. Depreciation

Development assets and intangible assets with fixed useful lives such as patent and merchandising contracts are depreciated using the straight-line method over their estimated useful lives and tested for impairment when there is a sign of impairment. Depreciation method, useful life, and residual value are reviewed at the end of the reporting period and revised as needed.

Intangible assets with indefinite useful lives such as trademarks and memberships, or those not yet available for use, are not depreciated but are tested for impairment annually at about the same time and every time there is a sign of impairment.

5. Financial instruments

The Group classifies non-derivative financial assets into loans and receivables and available-for sale financial assets. In addition, the Group classifies non-derivative financial liabilities into the category of financial liabilities valued at amortized cost.

(1) Non-derivative financial assets and non-derivative financial liabilities — recognition and derecognition

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognized initially on the transaction date.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the contractual rights to receive the cash flows from the financial asset in a transaction in which substantially all risks and rewards of ownership of the asset are transferred.

A financial liability is derecognized when the contractual obligations are discharged, cancelled, or expired.

(2) Non-derivative financial assets — measurement

1. Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, they are valued at amortized cost using the effective interest method, less impairment losses. Amortization is recognized in profit or loss as finance income.

2. Available-for sale financial assets

Non-derivative financial assets that are initially designated as available for sale or not classified in any of the other categories are classified as available-for sale financial assets. Available-for sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, they are valued at fair value at the end of the reporting period. Changes in fair value are recognized as net change in fair values of available-for-sale financial assets under other comprehensive income.

When available-for sale financial assets are derecognized, the accumulated gain or loss in other comprehensive income is transferred to profit or loss.

(3) Non-derivative financial liabilities — measurement

Non-derivative financial liabilities are recognized initially at fair value, less transaction costs directly attributable to the issuance of the financial liabilities. After initial recognition, these

financial liabilities are valued at amortized cost using the effective interest method. Amortization is recognized in profit or loss as finance cost.

(4) Compound financial instrument

The fair value of the liability component of a compound financial instrument, on initial recognition, is measured at the fair value of a similar liability with no option to convert into equity. The fair value of the equity component is determined as the fair value of the compound financial instrument as a whole less the fair value of the liability component. Direct transaction costs are allocated to the liability component and the equity component according to the ratio of their respective initial carrying amount.

After initial recognition, the fair value of the liability component of a compound financial instrument is measured at amortization cost using the effective interest method. The fair value of the equity component of a compound financial instrument is not remeasured after initial recognition.

Interest on the liability component is recognized in net income or loss as financial expenses. In the event of conversion, the liability component is transferred to equity, and the resulting gain or loss is not recognized.

(5) Derivatives and hedging activities

The Group may use forward exchange contracts to periodically control foreign exchange fluctuation risks.

Derivatives are initially recognized at fair value and transaction costs directly attributable to the acquisition of the derivatives are recognized in profit or loss as they are originated. After initial recognition, derivatives are valued at fair value and their changes are recognized in profit or loss.

The Group does not apply hedge accounting.

6. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the time value of money is material, provisions are estimated at present value using a discount rate adjusted for risks specific to the liabilities.

7. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

8. Rounding policy

Amounts of less than one million yen are rounded to the nearest unit.

Notes to Consolidated Statement of Financial Position

- Allowance for credit losses deducted directly from assets
Trade and other receivables ¥183 million
Other financial assets (non-current) ¥161 million
- Accumulated depreciation and accumulated impairment losses of property, plant and equipment, net ¥101,793 million

Notes to Consolidated Statement of Changes in Equity

- Type and number of shares issued at the end of the year under review

Common stock: 143,500,000 shares

- Dividends

(1) Dividend payment

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 10, 2016	Common stock	1,691	12.50	March 31, 2016	June 3, 2016
Board of Directors meeting held on October 28, 2016	Common stock	2,299	17.00	September 30, 2016	November 18, 2016
Total		3,990			

- Of dividends whose record date belongs to the year under review, those dividends whose effective date is in the subsequent fiscal year

Resolution	Type of shares	Fund of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 18, 2017	Common stock	Retained earnings	5,545	41.00	March 31, 2017	June 7, 2017
Total			5,545			

- Matters concerning subscription rights to shares

Class and number of shares to be issued upon exercise of subscription rights to shares (excluding those for which the initial date of exercise period has not arrived) as of March 31, 2017

Common stock: 2,197,947 shares

Notes on Financial Instruments

1. Matters concerning financial instruments

The Group limits their fund management activities to short-term deposits and the like, and funds are procured primarily through bank loans and issuance of corporate bonds. With respect to derivative transactions, although forward exchange contracts are used primarily to mitigate foreign exchange fluctuation risks related in part to operating receivables and payables, derivatives are not executed for speculative purposes.

The Group strives to mitigate customers' credit risk associated with trade notes and accounts receivable, which are operating receivables, and credit risk of issuer of guarantee deposits included in other financial assets through management of due dates and outstanding balances by customer, and periodical monitoring of the conditions of principal customers in an effort to promptly detect any doubtful collectibles caused by deterioration in the financial conditions of customers and other factors.

Investment securities are primarily stocks of corporate customers with which the Company has business alliances and relationships, and the market price and financial conditions of each issuing entity (corporate customer) are periodically monitored in the course of continuously reviewing the holding status in consideration of the relationships with customers.

With respect to trade notes and accounts payable which are operating payables and accrued expenses, the majority of them are due for payment within a year.

Debt obligations are primarily required funds procured for the purpose of operating transactions and capital investment.

Derivative transactions are forward exchange contracts executed for mitigating foreign exchange fluctuation risks associated primarily with foreign currency-based operating receivables and payables. The Group manages derivative transactions in accordance with the transaction authorization rules defined in financial regulations and other rules. Furthermore, in utilizing derivatives, the Group executes transactions only with highly rated financial institutions in order to mitigate credit risk.

Although operating payables and debt obligations are exposed to liquidity risk, that risk is managed by monthly preparing and updating the funding plan of each Group company and implementing other controls.

2. Matters concerning the market value of financial instruments

Amount on the consolidated statement of financial position, market value (projected fair value) and the variance as of March 31, 2017 (the financial closing date of the year under review) are as follows.

	Amount on consolidated statement of financial position (*) (millions of yen)	Market value (projected fair value) (*) (millions of yen)	Variance (millions of yen)
Cash and cash equivalents	134,743	134,743	-
Trade and other receivables	25,951	25,951	-
Other financial assets			
Lease deposits	22,340	22,506	166
Other	1,331	1,369	38
Other investments			
Shares	1,167	1,167	-
Other	99	99	-
Bonds and borrowings	(30,285)	(30,001)	(284)
Other financial liabilities			
Lease obligations	(16,423)	(18,275)	1,852
Other	(2,217)	(2,217)	-
Trade and other payables	(25,852)	(25,852)	-

(*) Items posted under liabilities are presented in a bracket of “().”

(Note) Calculation method for the market value of financial instruments

(Cash and cash equivalents, trade and other receivables, and trade and other payables)

These items are presented at book value, because they are due for payment within a short time and market value is equivalent to book value.

(Other financial assets)

For other financial assets that are due for payment within a short time, market value is equivalent to book value. Other financial assets that are not due for payment within a short time are estimated by discounting total principal using a discount rate that reflects credit risks estimated by the Group.

(Other investments)

The market value is based on the quoted price for identical assets in the stock market. The fair value of unlisted shares is calculated using a valuation technique that uses observable indicators, such as market values of comparable companies and unobservable indicators.

(Bonds, borrowings, and other financial liabilities)

For bonds, borrowings, and other financial liabilities that are due for payment within a short time, market value is equivalent to book value. Bonds, borrowings, and other financial liabilities that are not due for payment within a short time are calculated by discounting the total of principal using the rate for loans with the same residual period under similar conditions.

Notes on Per Share Data

Equity attributable to owners of the parent per share:	¥1,733.57
Basic profit for the year per share:	¥191.89

Notes on Significant Subsequent Events

There is no applicable item.

Balance Sheet
(As of March 31, 2017)

(Millions of yen)

ASSETS:		LIABILITIES:	
Current assets	¥72,979	Current liabilities	¥6,831
Cash and deposits	60,548	Short-term borrowings	216
Trade accounts receivable	984	Current portion of bonds	5,000
Prepaid expenses	33	Other accounts payable	517
Deferred income taxes, net	92	Accrued expenses	115
Short-term loans	11,894	Income taxes payable	893
Other	425	Deposits received	15
Allowance for doubtful accounts	(1,000)	Provision for bonuses	54
		Other	18
		Long-term liabilities	¥21,306
		Straight bonds	10,000
		Bonds with subscription rights to shares	10,040
		Deferred income taxes, net	72
Fixed assets	¥166,521	Asset retirement obligations	137
Property and equipment, net	13	Other	1,055
Buildings improvement	5	Total liabilities	¥28,137
Tools and fixtures	7		
Intangible fixed assets	27	NET ASSETS:	
In-house software	11	Stockholders' equity	¥211,229
Trademark	1	Common stock	47,398
Other	14	Capital surplus	40,118
Investments and other assets	166,480	Additional paid-in capital	36,893
Investment securities	602	Other capital surplus	3,224
Investments in subsidiaries and affiliates	144,304	Retained earnings	144,615
Long-term loans	21,505	Legal reserve	283
Other	67	Other retained earnings	144,331
		Special reserves	80,000
		Retained earnings brought forward	64,331
		Treasury Stock	(20,903)
		Difference of appreciation and conversion	133
		Net unrealized gains on available-for-sale securities	133
		Total net assets	¥211,362
Total assets	¥239,500	Total liabilities and net assets	¥239,500

Statement of Income
(Year ended March 31, 2017)

(Millions of yen)

I	Operating revenues	¥17,010
	Management fee revenue	2,843
	Dividend income	14,167
II	Costs and expenses	2,310
	Selling, general and administrative expenses	2,310
	Operating income	14,700
III	Non-operating income	294
	Interest income	173
	Commission received	97
	Other	22
IV	Non-operating expense	180
	Interest expenses	2
	Bond interest expenses	82
	Commitment fee	18
	Foreign exchange losses	58
	Other	18
	Ordinary income	14,813
V	Extraordinary losses	6,000
	Loss on forgiveness of debt	5,000
	Provision of allowance for doubtful accounts	1,000
	Net income before income taxes	8,813
	Income taxes	(1,107)
	Current	(1,005)
	Deferred	(102)
	Net income	9,921

Statement of Changes in Stockholders' Equity
(Year ended March 31, 2017)

(Millions of yen)

	Stockholders' equity									
	Common stock	Capital surplus			Legal reserve	Retained earnings			Treasury stock	Total stockholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus		Special reserves	Retained earnings brought forward	Total retained earnings		
Balance at April 1, 2016	¥47,398	¥36,893	¥3,224	¥40,118	¥283	¥80,000	¥58,399	¥138,683	¥(20,883)	¥205,316
Changes during the year										
Cash dividends							(3,989)	(3,989)		(3,989)
Net income							9,921	9,921		9,921
Purchase of treasury stock									(19)	(19)
Reissuance of treasury stock			0	0					0	0
Net change of items other than Stockholders' equity										
Total changes during the year	-	-	0	0	-	-	5,931	5,931	(19)	5,912
Balance at March 31, 2017	¥47,398	¥36,893	¥3,224	¥40,118	¥283	¥80,000	¥64,331	¥144,615	¥(20,903)	¥211,229

	Difference of appreciation and conversion		Total net assets
	Net unrealized gains on available-for-sale securities	Total difference of appreciation and conversion	
Balance at April 1, 2016	¥93	¥93	¥205,409
Changes during the year			
Cash dividends			(3,989)
Net income			9,921
Purchase of treasury stock			(19)
Reissuance of treasury stock			0
Net change of items other than Stockholders' equity	40	40	40
Total changes during the year	40	40	5,953
Balance at March 31, 2017	¥133	¥133	¥211,362

Summary of Significant Accounting Policies

1. Methods and standards for the valuation of assets

Securities

Shares in subsidiaries and affiliates: Stated at cost based on the moving average method.

Other investment securities:

Quoted securities: The market value method is applied, based on the market value as of the fiscal year-end. The entire positive or negative valuation difference with the acquisition price is booked directly as net assets, and the cost of securities sold is calculated using the moving average method.

Unquoted securities: Valued at cost using the moving average method.

2. Depreciation and amortization methods of fixed assets

Tangible fixed assets: Depreciated mainly using the straight-line method.

Intangible fixed assets: Amortized mainly using the straight-line method. For in-house software, amortization is computed using the straight-line method based on the estimated useful life of within 5 years.

3. Accounting standards for reserves

(1) Allowance for doubtful accounts

Generally, allowance for doubtful accounts is calculated based on the actual ratio of bad debt losses incurred. For specific accounts with higher possibility of bad debt loss, the allowance is determined by respective judgment.

(2) Provision for bonuses

To provide for payments of bonuses to employees, the Company sets aside an estimate of bonuses payable in the next fiscal year that is applicable to the current fiscal year.

4. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

5. Adoption of the consolidated tax payment system

The Company adopts the consolidated tax payment system.

6. Rounding policy

Amounts of less than one million yen are rounded to the nearest unit.

(Additional Information)

Application of implementation guidance on the recoverability of deferred assets

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) was applied from the beginning of the fiscal year under review.

Notes to Balance Sheet

1. Monetary assets and liabilities in relation to subsidiaries and affiliates

	(Millions of yen)
Short-term assets	13,304
Short-term liabilities	641
Long-term assets	21,505
2. Accumulated depreciation of property and equipment	363
3. Guarantee obligation	

The Company extends guarantees to the following consolidated subsidiaries for bank loans.

	(Millions of yen)
Konami Gaming, Inc.	5,609

Notes to Statement of Income

Transactions with subsidiaries and affiliates

	(Millions of yen)
Operating revenues	16,993
Selling, general and administrative expenses	740
Non-operating transactions	269

Notes to Statement of Changes in Stockholders' Equity

Type and number of treasury shares

(Thousand shares)

	Number of shares as of April 1, 2016	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2017
Common stock	8,258	4	0	8,263
Total	8,258	4	0	8,263

Notes: 1. The increase of 4 thousand shares of treasury shares of common stock is due to the purchases of shares constituting less than one unit.

2. The decrease of 0 thousand shares of treasury shares of common stock is due to the sale of shares constituting less than one unit.

Notes on Tax Effect Accounting

Breakdown by major cause for the occurrence of deferred tax assets and deferred tax liabilities

(Millions of yen)

Deferred tax assets	
Investments and other	1,614
Long-term other accounts payable	323
Accrued expenses, etc.	34
Others	<u>935</u>
Deferred tax assets subtotal	2,907
Valuation allowance	<u>(2,724)</u>
Total deferred tax assets	183
Deferred tax liabilities	
Investments and other	<u>(162)</u>
Total deferred tax liabilities	<u>(162)</u>
Net deferred tax assets	<u>20</u>

Notes on Transactions with Related Parties

Subsidiaries and affiliates, etc.

Attributes	Company name	Percentage of voting rights	Relationship with the related party	Transactions	Amount of transactions (Millions of yen)	Account title	Ending balance (Millions of yen)	
Subsidiary	Konami Digital Entertainment Co., Ltd.	Direct 100%	Interlocking of directors	Receipt of business management fees	1,886	-	-	
	Konami Sports Club Co., Ltd.	Direct 100%	Interlocking of directors	Payment of advertising expenses	306	Other accounts payable	81	
	Konami Amusement Co., Ltd.	Direct 100%	Lending and borrowing of funds, etc. Interlocking of directors	Recovery of funds	2,518	-	-	
				Forgiveness of debt	5,000			
	KPE, Inc.	Direct 100%	Lending and borrowing of funds, etc.	Lending of funds	820	Short-term loans	4,894	
				Recovery of funds	1,220			
	Konami Real Estate, Inc.	Direct 100%	Real estate leasing, etc. Interlocking of directors	Interest income	20	Long-term loans	21,505	
Payment of office rent				281	Prepaid expenses			24
Recovery of funds				810	Short-term loans			6,759
Konami Gaming, Inc.	Indirect 100%	Interlocking of directors	Guarantee of obligation	5,609	-	-		

Notes: Transaction terms and the policy, etc. of deciding transaction terms

1. The receipt of business management fees is determined through negotiations, considering the running costs, etc. of the Company as a pure holding company.
2. The rate for lending and borrowing of funds are determined based on the market interest rates and others.
3. Advertising expenses are for advertising generated by all sports club activities.
4. Forgiveness of debt was provided to a portion of loans given to subsidiaries.
5. Office rent, etc. are based on actual prices in neighboring areas.
6. Guarantee of obligation applies to loans by its subsidiary.
7. During the fiscal year under review, Konami recognized an allowance for doubtful accounts of 1,000 million yen for loans to KPE, Inc.
8. Consumption taxes are not included in the amount of transactions but are included in the ending balance.

Notes on Per Share Data

Net assets per share: ¥1,562.91

Basic net income per share: ¥73.36

Notes on Significant Subsequent Events

There is no applicable item.

Independent Auditors' Report

May 18, 2017

The Board of Directors
KONAMI HOLDINGS CORPORATION:

PricewaterhouseCoopers Aarata LLC

Yasuhiro Nakajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takeshi Tadokoro
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshihisa Chiyoda
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the Consolidated Statement of Financial Position, Consolidated Statements of Profit or Loss, Consolidated Statement of Changes in Equity, and Notes to Consolidated Financial Statements of KONAMI HOLDINGS CORPORATION and its consolidated subsidiaries for the fiscal year from April 1, 2016 to March 31, 2017, in accordance with Article 444, Paragraph 4 of the Corporate Law.

Management's responsibility for the consolidated financial statements, etc.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Corporate Accounting Regulations of Japan, which permits the omission of some disclosure items required under the designated International Financial Reporting Standards (hereinafter "IFRS"); this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates

made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the consolidated financial statements referred to above, which omit some disclosure items required under IFRS in accordance with the provision of second sentence of Article 120, Paragraph 1 of the Corporate Accounting Regulations of Japan, presents fairly, in all material respects, the financial position and the results of operations of KONAMI HOLDINGS CORPORATION and its consolidated subsidiaries for the period for which the consolidated financial statements were prepared.

Interest Relationships

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

Independent Auditors' Report

May 18, 2017

The Board of Directors
KONAMI HOLDINGS CORPORATION:

PricewaterhouseCoopers Aarata LLC

Yasuhiro Nakajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takeshi Tadokoro
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshihisa Chiyoda
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the non-consolidated Balance Sheet, Statement of Income, Statement of Changes in Stockholders' Equity, Notes to Non-consolidated Financial Statements, and detailed statements of KONAMI HOLDINGS CORPORATION for the 45th business year from April 1, 2016 to March 31, 2017, in accordance with Article 436, Paragraph 2, Item 1 of the Corporate Law.

Management's responsibility for the non-consolidated financial statements, etc.

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and detailed statements in accordance with business accounting standards generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of non-consolidated financial statements and detailed statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and detailed statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and detailed statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and detailed statements. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and detailed statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and detailed statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management,

as well as evaluating the overall presentation of the non-consolidated financial statements and detailed statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the non-consolidated financial statements and detailed statements referred to above present fairly, in all material respects, the financial position and the results of operations of KONAMI HOLDINGS CORPORATION for the period for which the non-consolidated financial statements and detailed statements were prepared in accordance with business accounting standards generally accepted in Japan.

Interest Relationships

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

AUDIT REPORT

Regarding the performance of duties by the Directors for the 45th fiscal year from April 1, 2016 to March 31, 2017, the Audit & Supervisory Board hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Audit & Supervisory Board Member.

1. Auditing Methods and Details of Such Methods

- (1) The Audit & Supervisory Board established auditing policies, allocation of duties and other relevant matters and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel, and the accounting auditors regarding performance of their duties, and sought explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members, followed auditing policies, allocation of duties, and other relevant matters established by the Audit & Supervisory Board, communicated with the Directors, the internal audit department, other employees, and any other relevant personnel, and made efforts to optimize the environment for information collection and audit, and conducted an audit by following the methods described below.
 - (a) We participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, employees, and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal place of business. With respect to subsidiaries, we communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.
 - (b) As for the details of the resolution of the Board of Directors related to the establishment of the systems as indicated in the Business Report to ensure that the execution of the duties of Directors conform to laws and regulations and the Articles of Incorporation and the systems necessary to ensure appropriate operations of corporations and their subsidiaries as stipulated in Paragraphs 1 and 3 of Article 100 of the Ordinance of Enforcement of the Corporate Law, and the condition of the systems put in place in accordance with the aforesaid resolution (internal control system), we received periodical reporting from Directors and employees, sought explanations as necessary, and provided our recommendations.

- (c) We received audit reports from accounting auditors, monitored and verified whether the accounting auditors maintained their independence and implemented appropriate audits, and we received reports from the accounting auditors regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the accounting auditors that “the system for ensuring that duties are performed properly” (matters set forth in each Item of Article 131 of the Corporate Accounting Rules) is organized in accordance with the “product quality management standards regarding audits” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and its supporting schedules, non-consolidated financial statements (Balance Sheet, Statement of Income, Statement of Changes in Stockholders' Equity and Summary of Significant Accounting Policies and the related notes) and their supporting schedules, as well as consolidated financial statements (Consolidated Statement of Financial Position, Consolidated Statements of Profit or Loss, Consolidated Statement of Changes in Equity, and Notes to Consolidated Statement of Financial Position, all prepared with the omission of certain disclosures required by the IFRS pursuant to the second sentence of Article 120, Paragraph 1 of the Corporate Accounting Regulations of Japan) related to the fiscal year under review.

2. Results of Audit

(1) Results of audit of Business Report

- (a) In our opinion, the Business Report and its supporting schedules are in accordance with the related laws and regulations and the Articles of Incorporation, and fairly represent the Company's condition.
- (b) With regard to the performance of duties by the Directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation.
- (c) In our opinion, the contents of the resolutions of the Board of Directors regarding the internal control system are fair and reasonable. In addition, we have found no matters on which to remark in regard to the content of the Business Report and the performance of duties of the Directors regarding the internal control system.

(2) Results of audit of non-consolidated financial statements and their supporting schedules

In our opinion, the methods and results of audit employed and rendered by PricewaterhouseCoopers Aarata LLC, accounting auditors, are fair and reasonable.

(3) Results of audit of consolidated financial statements

In our opinion, the methods and results of audit employed and rendered by PricewaterhouseCoopers Aarata LLC, accounting auditors, are fair and reasonable.

May 18, 2017

Audit & Supervisory Board
KONAMI HOLDINGS CORPORATION

Audit & Supervisory Board Member (Full-time)	Shinichi Furukawa
Audit & Supervisory Board Member (Full-time)	Minoru Maruoka
Audit & Supervisory Board Member	Nobuaki Usui
Audit & Supervisory Board Member	Setsuo Tanaka
Audit & Supervisory Board Member	Hisamitsu Arai

Note: Audit & Supervisory Board Members (Full-time) Mr. Minoru Maruoka; Audit & Supervisory Board Members Messrs. Nobuaki Usui, Setsuo Tanaka and Hisamitsu Arai are Outside Audit & Supervisory Board Members as provided for in Article 2, Item 16 and Article 335, Paragraph 3 of the Corporate Law.