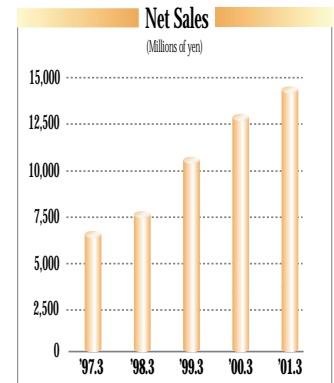
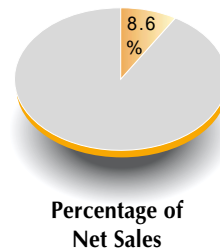


# Pachinko Systems

KONAMI's Pachinko Systems business provides new levels of enjoyment to Japan's huge pachinko market by supplying such products as LCDs, the core components of LCD pachinko machines. In the meantime, the pachinko slot market is expanding, especially among young people. We expect this business to greatly enhance our efforts to further stabilize operations and achieve sustained profit growth in the future.

In fiscal 2001, sales climbed 11.3%, to ¥14,666 million.



Senryo Kabuki

## Market Environment

In Japan's pachinko industry, the strong potential for speculation using pre-paid cards led to the temporary enforcement of regulations by the government. These regulations are now being relaxed, and shipments of new products based on new regulatory standards are growing. In the past several years, however, the overall effects of recession have caused the pachinko machine market to decline slightly. In contrast, the pachinko slot machine market is expanding. In this environment, machines with high game and entertainment value continued to be popular. KONAMI, with superb production and technological capabilities amassed through years of experience in the entertainment industry, is well poised to take advantage of these trends.

In Japan, all pachinko and pachinko slot machines makers have to get approval from the Security Electronics and Communication Technology Association, which is supervised by the



Matsuri-ko



Tamazono Rugby Bu

National Police Agency, before sale. This process significantly influences conditions in the marketplace. Another factor affecting the market is the supply-demand balance of liquid crystal-the main material used to manufacture LCD for pachinko machines. Since this affects our procurement activities, it is extremely important that we closely monitor the market.

**Performance**

Although the pachinko business in general was depressed in fiscal 2001, we released products with distinctive game and entertainment features. These products were well received and generated increased orders.

Accordingly, sales amounted to ¥14,666 million, up 11.3% from fiscal 2000.

**Outlook**

In the future, we will further apply our brand and contents power to actively introduce innovative, appealing products with superior game and

entertainment value that meet customer needs. We will also respond to market changes, including more advanced hardware performance and growing screen sizes. At the same time, we will further reinforce our production and distribution systems. In addition, we will make efforts to achieve continuous expansion of our customer base for more stable revenues.

In fiscal 2001, the Security Electronics and Communication Technology Association authorized formal tests of our pachinko slot machines. In addition, our Zama manufacturing facility was also approved by THE JAPAN CRIME PREVENTION ASSOCIATION, which registers manufacturers of pachinko slot machines. We hope to get our production, manufacturing, and distribution systems in place to prepare for an early entry into pachinko slot machine market.

Group Company within Pachinko Systems Business  
Konami Parlor Entertainment, Inc.



Parodius-da



Metal Shock