

We will continue moving forward as a global entertainment enterprise.

The environment surrounding the entertainment industry, in which KONAMI CORPORATION operates, has recently been experiencing rapid change. With the swift progress in digital technology, many areas that have been traditionally considered independent, such as games, film, music, sports, toys, publishing and communications, are creating an emerging new world through industry integration and consolidation. New possibilities that combine the fields of sports, fitness, health and education with the entertainment industry have been developing. At the same time, consumers have been making careful choices, and there is increasing polarization between products that sell and those that do not.

For KONAMI to respond to these developments while maintaining sustainable corporate growth, we believe that it is necessary to diversify and improve our corporate strategy, as well as strengthen our corporate structure. While striving to achieve such objectives as increased production, selling and financial power, KONAMI will aim to improve the power of its brand strength. Below, Kagemasa Kozuki, Chief Executive Officer, outlines KONAMI's performance in fiscal 2002, the year ended March 31, 2002. Also discussed are business strategies for the future, financial policies and other important matters.

Q 1 What measures were addressed during fiscal 2002, and what were the results for the period?

A Consolidated net sales of KONAMI Group increased 31.5% to ¥225,580 million compared with the previous term. In the Character Products (CP) Business segment, sales of the Yu-Gi-Oh! official card game, which made a significant contribution in the preceding term, decreased significantly. However, in the Consumer Software (CS) Business segment, we launched a number of big titles, including METAL GEAR SOLID 2: SONS OF LIBERTY for PlayStation 2, which sold approximately 5 million copies worldwide, bringing sales of KONAMI titles to a record high 20.3 million copies. With the contribution of sales made by Konami Sports Corporation (formerly PEOPLE CO., LTD.), which joined the KONAMI Group in February 2001, Health & Fitness (HF) Business segment sales have also grown considerably during the fiscal year under review.

Conversely, consolidated operating income dropped 52.3% to ¥18,087 million. Although sales increased significantly in the CS Business segment and the

HF Business segment, this was unable to offset declining sales of the highly profitable Yu-Gi-Oh! official card game, leading to a decline in operating income.

In other income, KONAMI posted ¥3,526 million gain on revaluation of share holdings in Konami Computer Entertainment Japan, Inc. (Konami JPN), a subsidiary engaged in the production of video game software, in connection with its initial public offering. As a result of these factors, consolidated net income dropped 47.1% to ¥11,402 million compared with the previous term.

The environment surrounding the entertainment industry, in which KONAMI operates has recently been experiencing rapid changes.

In response to the rapid changes in its operating environment, KONAMI has focused management on product contents. We worked to develop additional contents and to build a structure in which they can be used in multifaceted ways. In addition to a broad line up of our own original contents, we have gathered a wide range of contents from sports, animation and other genres.

METAL GEAR SOLID 2: SONS OF LIBERTY, SILENT HILL, Castlevania: Circle of the Moon, and Frogger: The Great Quest in the CS Business segment and music simulation games in the Amusement Content (AC) Business segment have proven popular. KONAMI has also created a number of new products, such as MAH-JONG FIGHT CLUB and MARTIAL BEAT in the AC Business segment, and FORTUNE ORB and MONSTER GATE token-operated games in the Gaming Content (GC) Business segment.

In the sports genre, KONAMI acquired a wide range of contents, centering on football and baseball. Of those, the WINNING ELEVEN soccer game series has been a top seller. WORLD SOCCER WINNING ELEVEN 5: Final Evolution and Pro Evolution Soccer for PlayStation 2 made a strong contribution to both revenues and earnings for the fiscal year under review.

In animation-related products, Yu-Gi-Oh!, which has become the standard in its genre, still enjoys high popularity both in the area of video game software and card games, even though the frenzied boom has subsided in Japan. We launched Yu-Gi-Oh! in North America in March 2002, resulting in a brisk start in sales of video game software and card games in that market. KONAMI also plans to launch this product in Europe. In other titles, HIKARU NO GO and TENNIS NO OHJISAMA are showing steady growth.

In August 2001, KONAMI established a strategic tie-up, including capital participation, with HUDSON SOFT CO., LTD. This company has strong software products such as the MOMOTARO DENTETSU series and the Bomberman series. In January 2002, we also entered a tie-up with Genki Co., Ltd., whose strong software products include the Shutoko Battle series and the Kengo series. These partnerships will enable KONAMI to assert itself more in the domestic video game software market.

To use its successful contents in a multifaceted manner and to maximize

earnings, KONAMI is building a structure that can expand into a number of business fields. In addition to the CS business segment and the CP business segment, we aim to build a framework that can promote gaming business overseas, as well as health entertainment business within the AC Business segment.

In the gaming business, KONAMI has developed businesses in Australia and North America, taking advantage of the expertise and contents it has cultivated from its amusement and video game software businesses, and this initiative is showing growth. In the future, KONAMI plans to convert token-operated machines, which have been highly successful in domestic arcades, into gaming machines and launch them in overseas gaming markets. In this way, we aim to expand our share of the world gaming market, which is believed to exceed ¥200 billion.

By combining KONAMI's expertise and contents in entertainment with the expertise of Konami Sports in exercise, we have addressed health entertainment business in the AC Business segment to provide unrivaled fitness machines. In fiscal 2002, we launched fitness machines featuring games with liquid crystal displays, such as EZBIKE and EZRUNNER for use at sports clubs as well as such products as FAMIMAT and MARTIAL BEAT for home-use. This is an emerging market, and we are still working to build sales. However, considering the potential future growth of this business, we will promote it strongly.

While continuing to implement the above measures in the coming years, we aim to be a comprehensive global entertainment company, continually developing new contents.

Q2 What is KONAMI's basic strategy in the global video game software market, and what is KONAMI's strategy regarding its video game software titles?

A KONAMI was the first in the industry to develop what we call a multiplatform strategy. This strategy seeks to ensure stable revenues, unaffected by changes in the market shares of individual game platforms. In addition, through a multi-genre strategy, KONAMI has built a framework that does not depend on specific titles, with the launch of many titles in the market covering diverse genres.

In console-type hardware during fiscal 2002, Sony's PlayStation 2 (PS2) entered a period of full-scale growth in market penetration in the United States, Nintendo GameCube and Microsoft's Xbox were released in November 2001, and business was brisk. In Europe as well, thanks in part to price discounting of PS2, business was also vigorous. In the domestic market, the growing popularity

of PS2 accelerated from around December's year-end holiday sales campaigns, and Nintendo GameCube and Xbox were launched, resulting in gradual recovery of momentum. In the handheld video game field, Game Boy Advance (GBA), the latest model in Nintendo's Game Boy series, was launched in March 2001 and has maintained an overwhelming share of the market.

In this environment, KONAMI launched over 100 titles worldwide, driving sales of KONAMI's own titles to a record high of 20.3 million copies. The titles that made a strong contribution to revenues for the term under review included METAL GEAR SOLID 2: SONS OF LIBERTY for PS2, which recorded sales of approximately 5 million copies worldwide. In addition, KONAMI launched a number of original titles, such as SILENT HILL 2 and Frogger: The Great Quest for PS2, Castlevania: Circle of the Moon and Frogger's Adventures for GBA, and these titles also made a significant contribution to revenues. In the sports genre, which has been the KONAMI's strongest field, sales have moved steadily, centering on football and baseball. In particular, sales of the WINNING ELEVEN series launched in Japan and its European equivalent, Pro Evolution Soccer series have been brisk, reaching 1.3 million copies worldwide in the fiscal year under review. There have also been good sales of recently launched media-mix titles following Yu-Gi-Oh! series, such as HIKARU NO GO for GBA and TENNIS NO OHJISAMA for PS.

KONAMI's video game software can be generally classified into three types: original titles, sports titles and media-mix titles. We aim to develop the No. 1 title in each genre, launching high-quality products that respond positively to consumers' needs. KONAMI also aims to enter new genres and develop a line-up of products specifically for racing games, fighting games and original character games.

By region, while growth in the domestic market has been sluggish, the European and U.S. markets have been making positive growth. In step with the expectation that this trend will continue in the coming years, KONAMI will allocate resources accordingly, building a framework in which KONAMI plans to achieve and maintain global market share 10% or more.

In addition to producing software, KONAMI has begun leveraging its strong distribution network to provide software produced by other companies. In fiscal 2002, KONAMI started handling products for HUDSON SOFT CO., LTD., with which KONAMI joined forces in August 2001, and that company's software title, MOMOTARO DENTETSU X, sold very well. We plan to expand the number of titles distributed while increasing the number of our business partners.

In games for mobile phones, the rapid growth in mobile phone ownership, including the use of NTT DoCoMo's i-mode, has enabled a number of companies to distribute different kinds of contents. For KONAMI, the sales of mobile phone software service launched in December 1999 have been growing quickly.

Although the environment for on-line games has been established through the rapid diffusion of broadband, the business model has not been established yet, and so it appears that on-line games will not make a significant contribution to earnings over the short term. As it is clear that products in this category will account for certain share of profits in the future, we will continue to make strategic investments as we monitor this business.

KONAMI will further reinforce its efforts to strengthen its brand image and maintain its leading position in contents business in Japan. In addition, KONAMI will aim to expand its share of the overseas market.

Q 3 Please describe your overseas business plans.

A In fiscal 2002, overseas sales grew significantly. The major factor for this growth was the sales increase of video game software, centering on METAL GEAR SOLID 2: SONS OF LIBERTY for PS2. However, from a company-wide perspective, we are still attaching too much importance to the domestic market and are still too dependent on our domestic business for revenues and earnings. For us to succeed globally in the future and to achieve stable growth and increased earnings, it will become increasingly important for us to gain larger market share overseas.

In the CS Business segment, the sales of such original titles as METAL GEAR SOLID 2: SONS OF LIBERTY and SILENT HILL 2 for PS2, Frogger's Adventures and Castlevania: Circle of the Moon for GBA, have been growing, as have sales of titles that are popular overseas, such as the soccer titles in Europe. The Yu-Gi-Oh! titles that were launched in the North American market in March 2002 have now started selling in increasing quantities. We will continue to launch competitive products in the future, particularly the strong products that sell overseas, including through such measures as cooperative arrangements with third parties. In this way, we will endeavor to maintain and expand our market share. In addition to our traditional markets in North America and Europe, we will also bring our products to Asia.

In the CP Business segment, KONAMI launched Yu-Gi-Oh! official card game in North America, which has been very successful in Japan. Since the animated Yu-Gi-Oh! TV program first aired in September 2001, the ratings have been very high, bolstering sales of both Yu-Gi-Oh! video game software and card games. Given the scale of the card game and trading card markets in North America, it appears that this business has high potential. We also plan to take it into the European market.

Following the development of gaming business in Australia, we had consid-

ered developing the business in North America—the world’s largest gaming market. In January 2000, we obtained a license to manufacture and market gaming machines in the state of Nevada, and our first shipment arrived in December 2000. Since then, we have also acquired licenses in 15 states as of the end of July 2002 and have already shipped about 2,000 machines by the end of June 2002. In the short term, partly because of the sluggish market caused by the events of September 11 in the United States and a delay in obtaining licenses, sales growth has not matched our initial expectations. However, by asserting the strength of our products, we aim to expand our share in the North American market, the total size of which is estimated to exceed ¥100 billion. In the future, we plan to launch unique products using the know-how cultivated in token-operated games that have proven popular in amusement facilities in Japan. We will also develop our business with an eye on other nations and regions where casinos are legalized, the number of which is believed to exceed 110 worldwide.

Through these initiatives in each of our businesses, our medium-to-long-term goal is to increase the contribution of overseas sales to the same level as that of domestic sales. In addition, we plan to build a framework so our various businesses can independently generate profits.

Q4 What is the positioning of Health & Fitness Business, and what is the reason that KONAMI acquired Daiei Olympic Sports Club?

A With the rapid aging of the Japanese population society, people are getting more and more health conscious in Japan. Seizing this opportunity, KONAMI entered the health and fitness industry in February 2001, acquiring a 54.64% share in PEOPLE CO., LTD. (currently Konami Sports Corporation), the largest sports club operator in Japan, through a tender offer. In February 2002, to enhance the Group’s position in this business, we acquired a 82.17% share in Daiei Olympic Sports Club, Inc. (currently Konami Olympic Sports Club Corporation)*, which has the fifth-largest market share of the sports club industry, making it one of our subsidiaries. This move enabled us to expand KONAMI hope to market share to approximately 23.4%. At present, there are approximately 1,700 sports clubs in Japan, and the number of clubs operated by the KONAMI Group was 219 as of the end of March 2002, including franchised clubs. Accordingly, KONAMI has a dominant position in the market.

Sports club operators increasingly approach Konami Sports with requests for advice about sports club management, and seek acquisition by Konami Sports. In the future, by opening our own clubs as well as taking over these facilities, we’s expand the network and market share even more.

* On October 1, 2002, Konami Sports Corporation will merge with Konami Olympic Sports Club Corporation.

Amid the rapidly aging population and declining birthrate, the Japanese public is becoming increasingly health conscious. The percentage of Japanese adults who utilize fitness clubs is significantly lower than that in the United States. The more potential users interest in their health and exercise, the fitness business is expected to grow in the near future. Accordingly, we anticipate that the fitness business will be one of a few industries with the potential for significant development.

Sports club operation is a membership-based business that does not exist in KONAMI's other businesses, and consequently, is a relatively stable business. The presence in our portfolio of this kind of business will considerably enhance the stabilization of KONAMI's performance.

Our objective, however, for entering this business was not only to operate sports clubs, but also to combine our expertise in digital entertainment with the fitness expertise held by Konami Sports to provide unprecedented new fitness machines and fitness programs and create a new market. The installation of these new machines in our sports clubs will enable us to acquire a customer segment that we could not have otherwise acquired. In addition, with the installation of these machines in KONAMI's more than 200 clubs, we aim for the machines to set the new standard and, ultimately, diffuse into home-use market.

Q5 What are your strategies for business alliances in the future?

A To reinforce our business base, we have actively promoted business alliances. As part of our initiative to expand our area of business, we acquired a stake in TAKARA Co., Ltd., a prominent toy manufacturer, in August 2000. Since then, we have entered joint developments in the toy field, such as with our Micro IR series of remote-controlled cars.

As I mentioned previously, KONAMI acquired a majority of the shares of PEOPLE (currently Konami Sports Corporation), the largest sports club operator in Japan, in February 2001. In addition, KONAMI's position in the sports club market was strengthened by bringing Daiei Olympic Sports Club, Inc. (now Konami Olympic Sports Club Corporation), which has the fifth-largest market share of the sports club industry, into the Konami Group in February 2002. This business is now positioned as one of our most important businesses and comprises our HF Business segment.

In August 2001, as part of our initiative to expand our existing businesses, we acquired a stake in HUDSON SOFT CO., LTD, a video game software producer. In January 2002, we acquired a share of Genki Co., Ltd., another video game software producer. These tie-ups bring multiple benefits for all parties. For example, HUDSON and Genki bolster our strength in the video game

software market, while enabling them to focus on production. This cooperation has been achieved owing to KONAMI's strong sales network, range of production support functions and financial resources, together with the fact that both acquired companies had an established reputation in the production of very high-quality products. MOMOTARO DENTETSU X, which HUDSON launched in December 2001 using KONAMI's distribution network, has sold well. The tie-up with HUDSON has already produced tangible results. In the future, we will maximize the effect of these tie-ups with an eye on creating new business together.

In August 2001, we purchased Paradigm Gaming Systems, Inc. of Las Vegas, building a framework that enables us to provide total solutions through gaming machines and gaming systems.

After carefully reviewing individual proposals in the coming years, we will continue to seize excellent opportunities as they arise.

Q6 What medium- to long-term issues does KONAMI face?

A KONAMI is still attaching too much importance to the domestic market and is heavily dependent on its domestic business for revenues and earnings. In the future, to become more competitive in the global market and to ensure stable growth and increased earnings, it will become increasingly important for us to gain larger market share overseas. In Japan, with the rapid aging of the population and declining birthrate, it is expected that KONAMI's main target on customers in their teens and 20s will start to decline. For KONAMI to grow further, it will become increasingly important to target new market segments across gender and generation.

We still have numerous challenges to address if we are to penetrate into new markets and gain overseas market share. In pursuit of these targets, we consider production capability, marketing strength, financial capability and brand image as key factors for success. To further reinforce these key factors, we will more effectively utilize the KONAMI Group's management resources and actively pursue business alliances and other initiatives.

In the meantime, we will aggressively strengthen management of the Group itself. In September 1999, the shares of KCEO Inc. (currently Konami Computer Entertainment Osaka, Inc.) were listed, followed in August 2000 by the listing of KCE Tokyo, Inc. (currently Konami Computer Entertainment Tokyo, Inc.). Then, in February 2002, Konami Computer Entertainment Japan, Inc. went public. With further enhanced disclosure by these companies, we will continue to solidify our management structure and financial foundation. We will also give consideration to a shift toward a holding-company structure as we monitor developments following

the introduction of the consolidated taxation system in Japan.

Further, we listed our shares on the New York Stock Exchange (NYSE) in September 2002, to foster our globalization and reinforce our business foundations. Through the listing, we hope to take advantage of share swaps for M&A opportunities, as well as financing from all over the world. We also hope to gain the further confidence of investors in Japan and overseas by upgrading our disclosure level to meet NYSE accounting and corporate governance standards, which are among the strictest in the world. To this end, from the third quarter of fiscal 2001, we voluntarily started disclosure on a quarterly basis.

Q7 What are KONAMI's policies concerning return of profits to shareholders and contribution to society?

A KONAMI believes that stable dividends and increasing corporate value are the most important elements of returning profits to shareholders. Our target is to pay total dividends in an amount equal to or exceeding 30% of consolidated net income, and we strive to continuously raise per-share dividends each year. In addition, we aim to attain a consolidated return on equity (ROE) of 15% or higher.

In fiscal 2002, ROE declined to 8.1%, which is below KONAMI's target of 15%. This result reflected the fact that sales of our other products and services could not offset the impact of the decline in sales of the Yu-Gi-Oh! official card game. Consequently, KONAMI was unable to achieve its target for the short term. However, by strengthening our content and developing businesses in a multifaceted manner, we plan to regain 15% or more level as quickly as possible. Following a revision of the Japanese Commercial Code in October 2001, we commenced the buyback of our outstanding shares.

KONAMI has an important management philosophy, which is to contribute to society as a good corporate citizen in the entertainment industry. Specifically, we are promoting sports in our role as an official sponsor of Nippon Professional Baseball Organization (NPB), Japan Professional Football League (J. League), Japanese Olympic Committee (JOC), Nihon Sumo Kyokai (Japan Sumo Association), and Japan Golf Tour Organization (JGTO). We also foster culture as an official partner of the New National Theatre Tokyo Foundation. The KOZUKI FOUNDATION FOR HIGHER EDUCATION, a nonprofit organization established in 1982, is expanding its various scholarship programs for students of all ages, and provides venture capital support for business startups by students and scholarships for the development of athletes.

In addition, various programs offered by KOZUKI FOUNDATION FOR

ADVANCED INFORMATION TECHNOLOGY and support to Osaka Electro-Communication University, where I serve as visiting professor, make contribution to the advancement of information technology and related education.

The new century marks a new era for the KONAMI Group. In addition to conventional management objectives related to international standards, competitiveness and high profits, we will become increasingly conscious of our stakeholders, including shareholders, investors, users, business partners, employees and society. In these ways, we intend to foster progress in the industry as a good corporate citizen while contributing to social and economic prosperity as a whole. To be a company that contributes to the dreams, pleasure and personal enrichment of both children and adults, we will continue to develop products that offer an enhanced entertainment experience.

Q 8 What are your comments about KONAMI's need for leadership?

A With the aim of expanding into the entertainment area, the KONAMI Group has been striving to reach the pinnacle in each of its business areas. To drive KONAMI's strategic success, leaders with the ability to take KONAMI in the right direction will play critical roles.

As of March 31, 2002, the Group had 4,422 employees. Naturally, it is necessary to improve the ability of each employee. But if the goals and directions for each employee were not clearly identified, the strength as an organization would be reduced by half. That is why leaders are very important for us to preserve our corporate strength.

In view of these requirements, KONAMI launched its Leadership Development Program in April 2002 to promote the full-scale training of its leaders. We selected individuals who currently head the Group, as well as key support staff and managers who may become leaders in the future, and created program objectives. These objectives are: (1) further improvement of the expertise of the current management team, (2) development of the current management team's key support staff, and (3) development of future leaders. We plan to maintain KONAMI's competitive advantage by improving the skills of its current leaders, and its future growth advantage by cultivating future leaders.

It is impossible for only a limited number of people to lead this large organization. I consider that cultivating the leaders at each echelon of KONAMI and reinforcing the organizational base will drive KONAMI's competitive edge.

Q 9 Any comments on strengthening the KONAMI brand?

A A number of new companies have been brought into the KONAMI Group, most notably Konami Sports in February 2001, but also TAKARA, HUDSON and Genki. In this way, we are climbing the ladder toward more sophisticated Group management. To ensure our growth and development on this new stage, it is necessary to firmly establish the KONAMI brand, to promote clear and consistent messages, and to ensure that all of our stakeholders understand and support the management philosophy and the direction of the KONAMI Group.

In accordance with these ideas, we have established a new division that will manage the overall brand strategy of the KONAMI Group in a consistent manner. The objectives of the division will be to propose and implement brand strategy and to further strengthen the KONAMI brand, thereby expanding corporate value.

Q 10 Please describe your corporate governance initiatives.

A At KONAMI, we have set the pursuit of long-term shareholder profit as our most important management goal, and in June 1999, we instituted an executive officer system and created a clear distinction between the responsibilities of directors and executive officers. In this way, we continue to invigorate and upgrade the functions of the Board of Directors. In the past, we have maintained an active policy of employing external directors. At the 28th General Meeting of Shareholders held on June 23, 2000, we adopted our current structure of four external directors, thereby strengthening corporate governance.

In December 2000 to enhance the objectivity of management, we set up the Management Advisory Committee consisting of experts and management specialists from outside KONAMI.

In the future, we will further raise management efficiency while pursuing shareholders' return by assuring better management transparency and objectivity.

Q 11 What is KONAMI's financial strategy?

A In the entertainment field, KONAMI has promoted the diversification of its businesses, but is also putting new business initiatives on track as part of new business development, and is building an even stronger framework for its existing businesses that already have a firmly established position.

To implement these measures and achieve further growth in earnings, we still have a number of issues to tackle, including strengthening our overseas presence. For KONAMI to take the next steps in a timely manner, including alliances, I consider it important to maintain a framework that enables us to respond with agility, while securing high liquidity in hand and strengthening our financial foundation.

Following financing through the issue of new shares in March 2001, KONAMI issued ¥45.0 billion in corporate bonds in September 2001. While securing appropriate liquidity in hand, we will always be concerned with the adequate allocation of funds.

We have commenced the buyback of our outstanding shares since October 2001, to offer stock options to employees and to be well prepared for timely implementation of business alliance strategy.

To promote further globalization of KONAMI's business and achieve one of its management objectives, we listed on the NYSE in September 2002. This follows our listing on the Singapore Exchange (SGX) in November 1997 and on the London Stock Exchange in September 1999. By doing so, we hope to further bolster our presence overseas in the future.