

**KONAMI**

Fiscal 2009

**KONAMI Group** Interim Report

April 1, 2008 – September 30, 2008



New company emblem

**KONAMI CORPORATION**

# About KONAMI Group

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## Konami Group: Our Corporate Goal

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We, Konami Group of Companies, are aiming to be a business group that is always highly expected by all the people around the globe, through creating and providing them with **“Valuable Time”**.

Based on this corporate goal, the Konami Group operates in three business segments:

**Digital Entertainment**

**Health & Fitness**

**Gaming & System**

## About the New Company Emblem of the KONAMI Group (From October 1, 2008)

The design concept behind the new company emblem is the symbolization of Konami's corporate philosophy—“We, KONAMI Group of Companies, are aiming to be a business group that is always highly expected by all the people around the globe, through creating and providing them with “Valuable Time.”

The orb, which symbolizes the world, is crisscrossed by four intersecting lines, which represent the four basic values that all officers and employees share in striving to realize the KONAMI Group's corporate philosophy. The four basic values are “Customer-Oriented,” “Our Challenge,” “Response to Change,” and “Compliance.”



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The Konami Group will continue to create and provide “Valuable Time” to people around the globe.

Thanks to your support, we posted a solid performance in the first two quarters of fiscal 2009, with consolidated net revenues increasing 9.8% year on year to ¥146.9 billion, and a 75.2% rise in operating income, to ¥22.8 billion.

The business environment surrounding the Konami Group is undergoing dizzying changes. Amid these conditions, we are working to continually enhance our corporate value through a portfolio that promises stable growth, and by developing our businesses in the Digital Entertainment, Health & Fitness, and Gaming & System segments.

The Konami Group aims to respond quickly and flexibly to future changes in the business environment and continue to be an essential presence in society. We will therefore continue to take on challenges in the fields of entertainment and health in order to create and provide “Valuable Time” to people around the globe.

We ask our shareholders for their continued guidance and support as we go forward.

November 2008

**Kagemasa Kozuki**

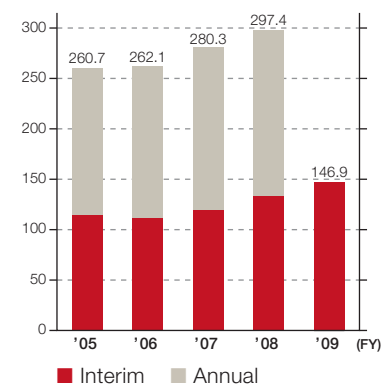
President and Representative Director, KONAMI CORPORATION

# Consolidated Financial Highlights

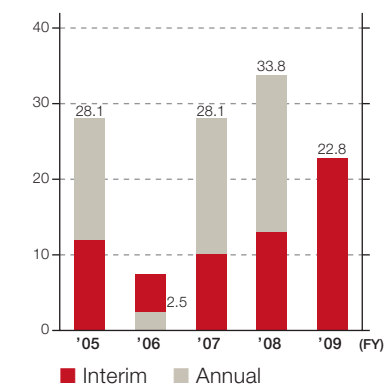
## Financial Highlights (U.S. GAAP)

|  | Six months ended<br>September 30, 2006 | Six months ended<br>September 30, 2007 | Six months ended<br>September 30, 2008 | Year ended<br>March 31, 2008 |
|--|--|--|--|------------------------------|
| Net Revenues (¥ million)                 | 119,599                                | 133,743                                | <b>146,904</b>                         | 297,402                      |
| Operating Income (¥ million)             | 10,115                                 | 13,042                                 | <b>22,844</b>                          | 33,839                       |
| Income before Income Taxes (¥ million)   | 9,884                                  | 13,075                                 | <b>22,408</b>                          | 32,834                       |
| Net Income (¥ million)                   | 5,114                                  | 6,288                                  | <b>11,964</b>                          | 18,345                       |
| Earnings per Share (EPS) (¥)             | 37.28                                  | 45.81                                  | <b>87.07</b>                           | 133.63                       |
| Total Assets (¥ million)                 | 280,535                                | 305,246                                | <b>324,583</b>                         | 319,248                      |
| Total Stockholders' Equity (¥ million)   | 165,947                                | 177,449                                | <b>191,135</b>                         | 182,759                      |
| Total Stockholders' Equity per Share (¥) | 1,209.39                               | 1,292.48                               | <b>1,390.45</b>                        | 1,330.88                     |
| Equity-to-Asset Ratio (%)                | 59.2                                   | 58.1                                   | <b>58.9</b>                            | 57.2                         |
| Return on Equity (ROE) (%)               | 3.1                                    | 3.6                                    | <b>6.4</b>                             | 10.3                         |

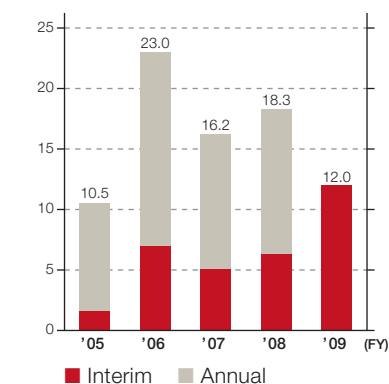
Net Revenues  
(¥ billion)



Operating Income  
(¥ billion)

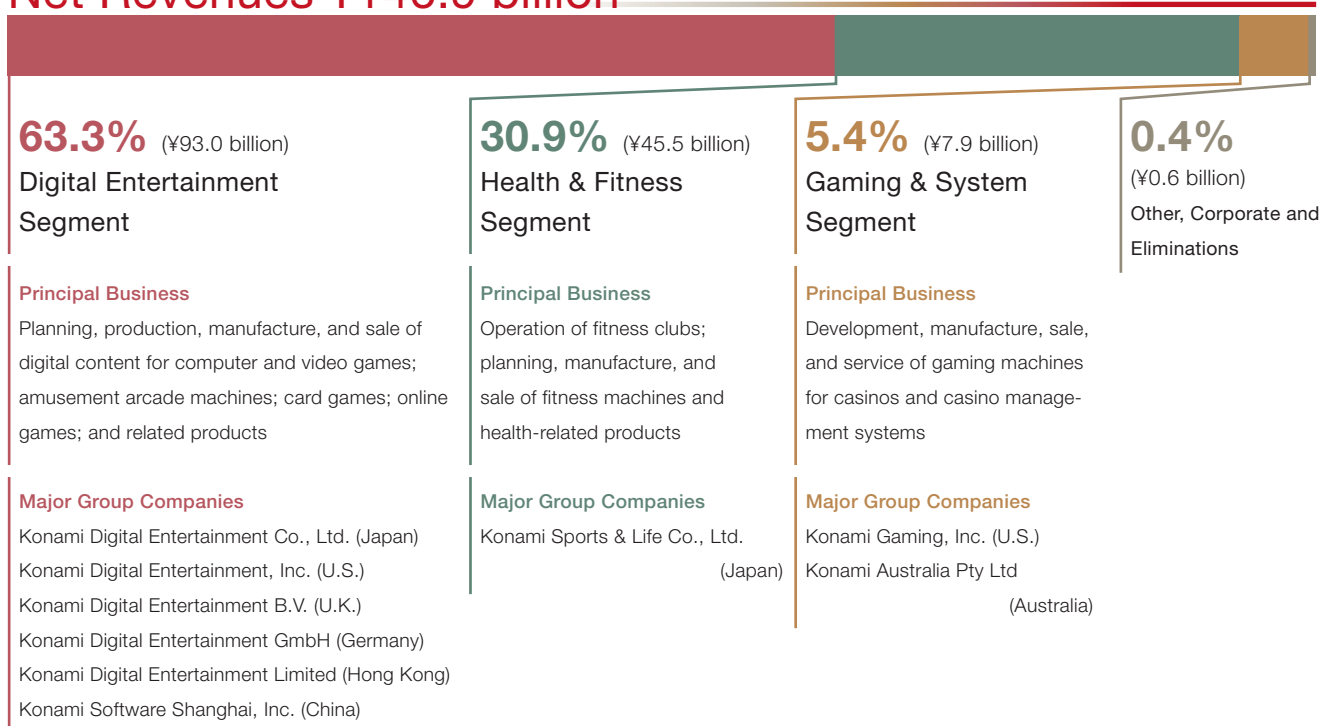


Net Income  
(¥ billion)



Net Revenues by Segment (Six months ended September 30, 2008)

# Net Revenues ¥146.9 billion



**63.3%** (¥93.0 billion)  
Digital Entertainment Segment

**Principal Business**

Planning, production, manufacture, and sale of digital content for computer and video games; amusement arcade machines; card games; online games; and related products

**Major Group Companies**

Konami Digital Entertainment Co., Ltd. (Japan)  
Konami Digital Entertainment, Inc. (U.S.)  
Konami Digital Entertainment B.V. (U.K.)  
Konami Digital Entertainment GmbH (Germany)  
Konami Digital Entertainment Limited (Hong Kong)  
Konami Software Shanghai, Inc. (China)

**30.9%** (¥45.5 billion)  
Health & Fitness Segment

**Principal Business**

Operation of fitness clubs; planning, manufacture, and sale of fitness machines and health-related products

**Major Group Companies**

Konami Sports & Life Co., Ltd. (Japan)

**5.4%** (¥7.9 billion)  
Gaming & System Segment

**Principal Business**

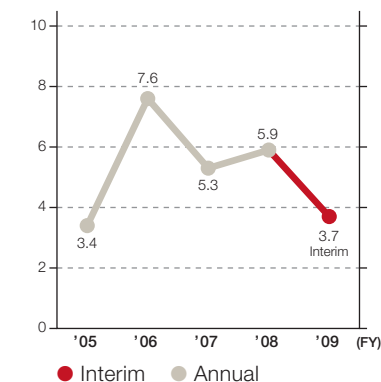
Development, manufacture, sale, and service of gaming machines for casinos and casino management systems

**Major Group Companies**

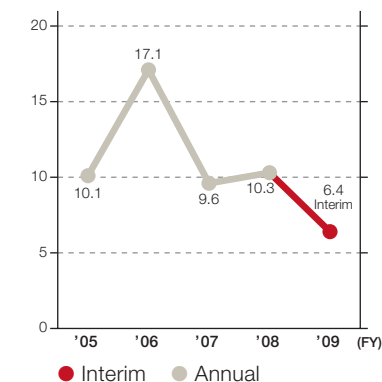
Konami Gaming, Inc. (U.S.)  
Konami Australia Pty Ltd (Australia)

**0.4%** (¥0.6 billion)  
Other, Corporate and Eliminations

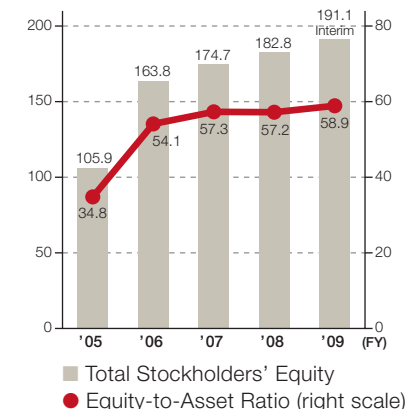
Return on Assets (ROA) (%)



Return on Equity (ROE) (%)



Total Stockholders' Equity (¥ billion) (%)



### Operational Environment

In the entertainment industry as it relates to the Company and its subsidiaries (“Konami”), the video game market has overseen stable expansion in overseas markets, most notably North America and Europe, reflecting the widespread popularity of new hardware for console platforms and handheld machines.

In the health industry, April 2008 marked the beginning of specified health checkups and health guidance as part of initiatives undertaken in Japan at the national level to prevent lifestyle diseases. These measures, in turn, are expected to spark growing demand and interest in the areas of maintaining and promoting good health, including efforts to combat metabolic syndrome.



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## Digital Entertainment Segment

In this segment, we recorded steady growth in sales of *METAL GEAR SOLID 4 GUNS OF THE PATRIOTS*, which saw a simultaneous worldwide release in June 2008. Elsewhere, sales were firm for the latest titles released in series such as *Winning Eleven* (known as *PRO EVOLUTION SOCCER* overseas), *DanceDanceRevolution*, and *JIKKYOU PAWAFURU PUROYAKYU*. September 2008 also saw the release of a newly developed video game version of popular amusement arcade game *QUIZ MAGIC ACADEMY*, which has been well received. Sales of products for amusement arcades and card games were similarly brisk.

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## Health & Fitness Segment

In this segment, in addition to opening several new clubs under our own direct management and expanding the number of facilities outsourced to us, we enlarged our product lineup and strove to offer a broader range of services, which included launching fitness club programs featuring computerized health management and the promotion of new products.

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## Gaming & System Segment

In this segment, we endeavored to expand our share in the North American market and elsewhere, supported by steady growth in sales of K2V series, Advantage 5 and other slot machines. Sales were also steady for the *Konami Casino Management System* and participation agreements (a form of equipment sale in which profits are shared).

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## Financial Performance

As a result of the developments above, for the period ended September 30, 2008, net revenues amounted to ¥146,904 million, an increase of 9.8% compared with the same period a year earlier. Operating income was ¥22,844 million, an increase of 75.2% for the same period, while income before income taxes was ¥22,408 million, a 71.4% increase over the same period in the previous year. Net income for the period, meanwhile, climbed 90.3% year on year, to ¥11,964 million.

# Digital Entertainment Segment



## OVERVIEW

The Digital Entertainment segment saw the simultaneous worldwide release of *METAL GEAR SOLID 4 GUNS OF THE PATRIOTS* for the PLAYSTATION3 console. The game, packed with an astounding amount of gameplay data, became the first PLAYSTATION3 title ever to use the full capacity of a Blu-Ray disc. The title received accolades even before its release, and took top honors in the Entertainment Division of the 11th Japan Media Arts Festival, organized by the Japanese Agency for Cultural Affairs. The brand power of the *METAL GEAR* series is unlike any other, with a total of more than 4 million units sold as sales volume continues to grow steadily.

In Japan, September 2008 saw the release of *QUIZ MAGIC ACADEMY DS*, a version of the hit arcade game *QUIZ MAGIC ACADEMY 5* for the Nintendo DS handheld console. The game, which has achieved great popularity, features an “Amusement Link” that enables coordination with the arcade version of *QUIZ MAGIC ACADEMY 5*, the ability to download the latest quiz data, and an “original mode” that shows players a nationwide ranking of quiz competitors. In video game software, alongside brisk sales of *J. LEAGUE Winning Eleven 2008 CLUB CHAMPIONSHIP* and *beatmania IIDX 14 GOLD*, we also recorded healthy sales of the latest title in the mainstay *JIKKYOU PAWAFURU PUROYAKYU* series.

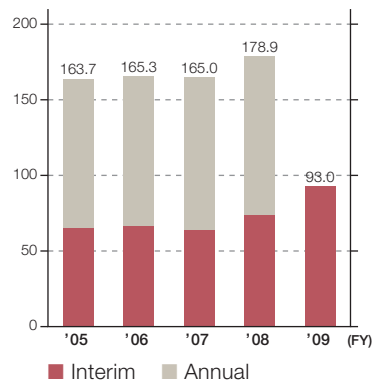
In the amusement arcade business, sales were firm for *jubeat*, an innovative music game utilizing the “e-AMUSEMENT” system (a service networking amusement arcades across Japan), and for *HORSERIDERS*, a horseracing simulation based on racehorse trading cards. Meanwhile, *MAH-JONG FIGHT CLUB7*, the latest title in the series, remained a popular seller thanks to the addition of a new league system. We also recorded healthy sales of *WORLD SOCCER Winning Eleven ARCADE CHAMPIONSHIP 2008*.

Among our token-operated game machines for commercial arcades, sales of *FantasicFever 3 Twinkle Fairytale*, an extra-large token-operated game machine, were brisk, as were sales of *WONDERMARCH* and *METEOR SPARK*. Both titles are from the Tower Pusher series, the first series of single pusher machines to take advantage of the “e-AMUSEMENT” system.

Where card games are concerned, we continued to post favorable sales from the *YU-GI-OH! TRADING CARD GAME* series.

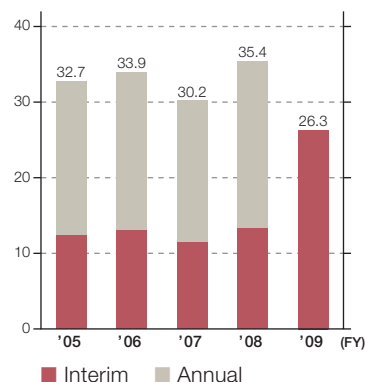
## Net Revenues

(¥ billion)



## Operating Income

(¥ billion)



In North America, we launched the sale of two hit titles in the still strong-selling *DanceDanceRevolution* series—*DanceDanceRevolution X* and *DanceDanceRevolution HOTTEST PARTY 2*. Several titles released in the previous fiscal year—*DanceDanceRevolution SuperNOVA2*, *DanceDanceRevolution HOTTEST PARTY*, and *KARAOKE REVOLUTION American Idol ENCORE* also continued to sell well. In Europe, in addition to brisk sales of *Dancing Stage Hottest Party*, *PRO EVOLUTION SOCCER 2008*, released in the previous fiscal year, retained its strong popularity, with the Nintendo Wii version of the title selling particularly well.

Supported by these factors, net revenues in the Digital Entertainment segment were ¥93,030 million for the interim period.

## TOPICS

### Same-day Worldwide Release of

#### **“METAL GEAR SOLID 4 GUNS OF THE PATRIOTS”**

##### **Latest entry features evolutionary improvement in video, sound and graphical rendering**

On the same day in June 2008, Konami released *METAL GEAR SOLID 4 GUNS OF THE PATRIOTS*, the latest entry in the *METAL GEAR* series, in Japan and elsewhere in Asia, as well as in North America and Europe. The final chapter in the *METAL GEAR SOLID*, this title is currently the biggest selling software\*<sup>1</sup> for the PLAYSTATION3 to date, and we intend to expand sales strategies further for this title as the Christmas selling season approaches. The *METAL GEAR* series has proven a popular one, with a total of more than 26.5 million\*<sup>2</sup> units of titles from the series sold worldwide. Each announcement of a new entry in the series has always delivered surprises and excitement to players in the form of realistic action scenes and astounding graphics, among other features. It is this consistency that has earned the *METAL GEAR* series accolades from those in the video game market as well as players worldwide.



Recognition in Guinness World Records: Gamer's Edition 2008

Released in 1987, *METAL GEAR*, the first title in the series, was the first game of its kind to make the chief object of gameplay to avoid combat and complete missions through the use of stealth. For this achievement, and for the fourth entry in the series, *METAL GEAR SOLID 2 SONS OF LIBERTY* (released in 2001), which achieved record-setting sales as a stealth game, the *METAL GEAR* series was recognized in the book Guinness World Records: Gamer's Edition 2008 in June 2008.

\*<sup>1</sup> In Japan: According to research by Famitsu (as of September 2008)

\*<sup>2</sup> As of September 30, 2008

### Simultaneous Release of “JIKKYOU PAWAFURU MAJOR LEAGUE 3” in Japan and Mainland Asia

##### **Taking Konami's baseball content in a new direction**

In October 2008, we simultaneously released *JIKKYOU PAWAFURU MAJOR LEAGUE 3* (for Wii and PS2), the major league version of the



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\*1 Sale of the PS2 version only in South Korea. In the North American market, sold from the first title in the series, *MLB POWER PROS* (for Wii and PS2).

\*2 As of September 30, 2008

*JIKKYOU PAWAFURU PUROYAKYU* series, in South Korea\*<sup>1</sup>, Chinese Taipei and Japan. This launch saw titles from this baseball series sold for the first time ever in either South Korea or Chinese Taipei. The *JIKKYOU PAWAFURU PUROYAKYU* series has been praised for its easy-to-use controls, realistic feel, and its cast of lovable characters. The fact that titles in the series have sold a total of more than 16 million units\*<sup>2</sup> since its appearance in 1994 attests to its enduring popularity. *JIKKYOU PAWAFURU MAJOR LEAGUE 3* features a “*major life*” mode. This realistic portrayal of the baseball life allows players to follow their in-game character, a member of a major league baseball team, from the first day on the squad through to retirement. This latest title also includes a new “*bullpen system*,” that enables players to strategically swap pitchers during the game. Due to popular demand from fans of the series, there is now a “*success mode*,” which starts out in the minor leagues, that allows gamers to create and develop their own original major league player. As this latest title demonstrates, we will continue to push the envelope in terms of developing Konami’s baseball content.

### **New Amusement Arcade Game “HORSERIDERS” Comes Online** **New type of card-based horseracing simulation**



In *HORSERIDERS*, an arcade game that came online in April 2008, players, who assume the role of jockey, use an intuitive card-based interface to control their racehorse. The object of this horseracing simulation is for players to win a championship through persistent training and races. The key feature of this game is its easy-to-use, card-based controls, which are making it a hit among arcade customers across a wide range of ages. The approximately 400 horse cards printed so far include horses currently competing and famous names from the past, making them fun to collect as well. Using an “*e-AMUSEMENT PASS*,” players can save gameplay data such as their jockey name, ranking, race history, and horse attributes, view data on the “*Center Station*” located in participating amusement arcades, and compete online against other players across Japan. By meticulously recreating racehorses, offering a jockey viewpoint that is authentic and realistic, and providing races filled with excitement, *HORSERIDERS* is gaining a strong reputation among its players.

## Health & Fitness Segment

### OVERVIEW

The fitness club industry is witnessing a rise in membership among middle-aged patrons and seniors in Japan, reflecting a broader increase in health consciousness across Japanese society. This growth notwithstanding, the number of members per club continues to trend lower, both due to decreased patronage from young people, traditionally the main users of fitness clubs, and the pace of new club openings, which is sparking more intense competition. In this climate, Konami strove to deliver better quality in terms of both services at clubs and products offered. Specifically we opened new directly managed facilities, increased the number of clubs outsourced to us, and enhanced our product lineup.

Where the operation of directly managed facilities is concerned, we opened a new club in Shin-Nagata (Hyogo Prefecture) in April 2008, and clubs in Musashi-Kosugi (Kanagawa Prefecture) and Imazato (Osaka Prefecture) in June 2008. The Shin-Nagata club has a wide, 25-meter pool with 7 lanes, while the Imazato club has a specialized pool for walking. In these and other ways, we are offering services that take full advantage of the features unique to each facility. We also moved to enhance the broad menu of high-quality services on offer at clubs operated by the former Sportsplex Japan, absorbed through a merger with Konami Sports & Life Co., Ltd. on June 30, 2008, in a bid to raise the respective value of these facilities.

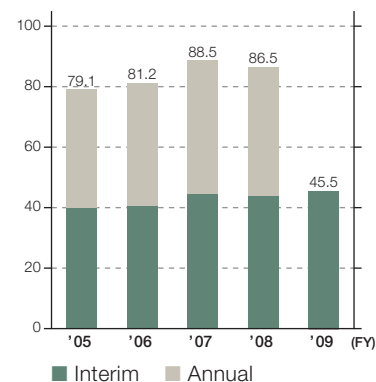
In the outsourced management of sports facilities by Konami, we added Shitsugen no Kaze Arena Kushiro (Hokkaido Prefecture) and four other facilities to our outsourced management portfolio. This enabled us to improve health in local communities by putting our expertise and experience to good use in managing public sports clubs. As a result, Konami managed a combined total of 337 facilities as of September 30, 2008, including both directly managed facilities and those managed on an outsourced basis.

In health products, we introduced a full spectrum of products for helping people live healthier lives through exhibition booths at events such as “Health & Fitness Japan 2008” held in June 2008, and the “International Home Care & Rehabilitation Exhibition 2008” represented by Combi Wellness Corporation in September 2008. The products on display covered every angle in this field, from exercise and social welfare, to avoiding the need for nursing care later in life. Furthermore, in August 2008, we began having instructors offer guidance on exercise and diet through the adoption by directly managed clubs nationwide of programs like the *Targeting Waist Program* to combat metabolic syndrome. In addition, we made strides in enhancing club programs by bringing more IT



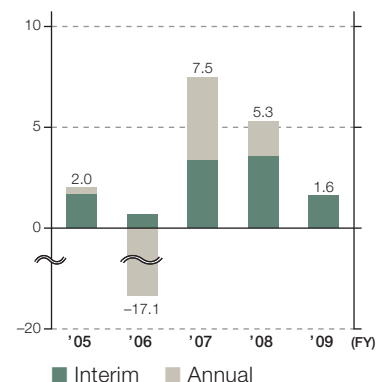
### Net Revenues

(¥ billion)



### Operating Income

(¥ billion)



to health management in conjunction with the promotion of new products, a move that included combining exercise management using the *e-walkeylife2* USB pedometer with a new supplement, *GLAVONOID™*.

These factors resulted in net revenues for the Health & Fitness segment of ¥45,456 million for the interim period.

## TOPICS

### Impressive Olympic Performances by Swimmers

#### Takuro Fujii and Maki Mita, and Gymnast Makoto Okiguchi

##### Reporting session on the Beijing Olympics held



Three Konami athletes were chosen to represent Japan at the Beijing Olympics. Swimmers Takuro Fujii (bronze medalist in the 400-meter medley relay, sixth place in the 100-meter butterfly) and Maki Mita (seventh place in the 800-meter freestyle relay), and gymnast Makoto Okiguchi (silver medalist in the men's team gymnastics) performed admirably, and were given the opportunity to speak about their experiences at Tokyo Midtown in August. The athletes reported to those in attendance on their experiences and impressions during the Beijing Olympics and on competition results. Konami's athletes are now busy improving their skills with an eye to participating in the London Olympics four years from now.

### Expansion of New Products and Introduction of New Programs

#### Successive launch of "GLAVONOID™", "Family Vegetable Garden AojiruMansaijo", and "PROTEIN PRO" Adoption of programs designed to counter metabolic syndrome



Family Vegetable Garden AojiruMansaijo

People in Japan are showing a growing interest in preventing the onset of lifestyle diseases and countering metabolic syndrome. Accordingly, full-on initiatives for maintaining good health, with an emphasis on regular exercise and better diets, are now emerging around the country. At Konami, we are rising to the challenge of exploring the potential of all health services that fall under the themes of "exercise," "healing," and "eating," and are focusing on developing new products and programs to expand this business domain. We successively launched several products with the goal of promoting better health, among them *GLAVONOID™*, *Family Vegetable Garden AojiruMansaijo*, and *PROTEIN PRO*. In parallel, we unveiled the Targeting Waist Program, the first program of its type in Japan to combine *GLAVONOID™*\* with initiatives for countering metabolic syndrome. All Konami Sports Clubs across Japan adopted the program beginning August 2008.

\* *GLAVONOID™* is a supplement that has Kaneka Glavonoid™, a substance containing high levels of phenols extracted from licorice root, as its main ingredient. *GLAVONOID™* and Kaneka Glavonoid™ are registered trademarks of Kaneka Corporation.

# Gaming & System Segment

## OVERVIEW

This segment oversaw firm growth in sales of *K2V* series gaming machines, now a mainstay in the North American market, and *Advantage 5*, Konami's first five-reel mechanical slot machine. An increase was also seen in sales from participation agreements, a form of equipment sale in which profits are shared, ensuring steady revenues. A further source of higher sales was the *Konami Casino Management System*, where we generate profits through the provision of maintenance and services. This performance enabled the segment to steadily capture greater market share in North America.

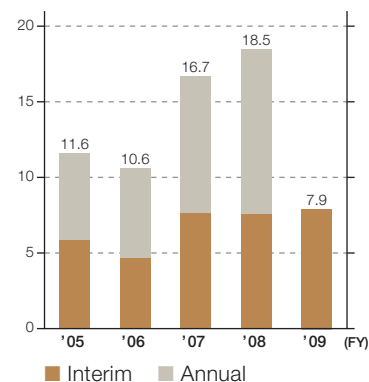
In contrast, the Australian market saw demand decline further due to emerging restrictions in key states on the number of machines installed, the effects of smoking restrictions at pubs and clubs, and tax code revisions. Factors such as these are impacting sales of Konami's slot machines. In this market environment, we launched *Advantage 5*, Australia's first mechanical slot machine, following its release in North America. We also made progress on the adoption of the *Konami Casino Management System* by major casino operators. Together with efforts to enhance services for existing customers, launching a steady stream of new products, and moves to garner new customers in and outside of Australia, we are striving to improve sales in this market.

As a result, net revenues in the Gaming & System segment amounted to ¥7,854 million for the interim period.



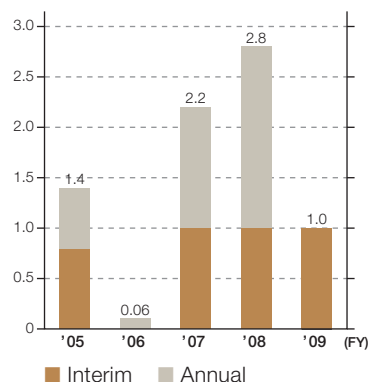
## Net Revenues

(¥ billion)



## Operating Income

(¥ billion)



## TOPICS

### Australasian Gaming Expo 2008

#### Assortment of Konami gaming machines on display

Konami exhibited a total of 60 products, including video slot machines and mechanical reel slot machines, at the "Australasian Gaming Expo 2008." Held in August, the event is the gaming industry's largest trade show in the Oceania region. In addition to products such as *Advantage 5*, a five-reel mechanical slot machine newly launched in the Australian market, many attendees showed a keen interest in the *Konami Casino Management System*, which is scheduled for a full-scale roll out in the Australian market going forward.

## Feature

### Worldwide Launch of “World Soccer Winning Eleven 2009 ” as “PRO EVOLUTION SOCCER 2009”



Worldwide sale of latest title in the series features new play modes, including “UEFA CHAMPIONS LEAGUE”

Konami has released the latest entry in its *Winning Eleven* soccer game series, which to date has shipped more than 48 million\* units worldwide. Marketed in Japan and Asia as *World Soccer Winning Eleven 2009*, the title is known in Europe and the United States as *PRO EVOLUTION SOCCER 2009*.

\*As of September 30, 2008

Konami followed up the October 2008 release in Europe of the latest title in its *Winning Eleven* series with successive launches in North America, Asia and Japan. In the European market, Konami is actively committed to the continued promotion of *PRO EVOLUTION SOCCER*, given both the widespread uptake of soccer games among fans of the sport and the market’s potential for future growth.

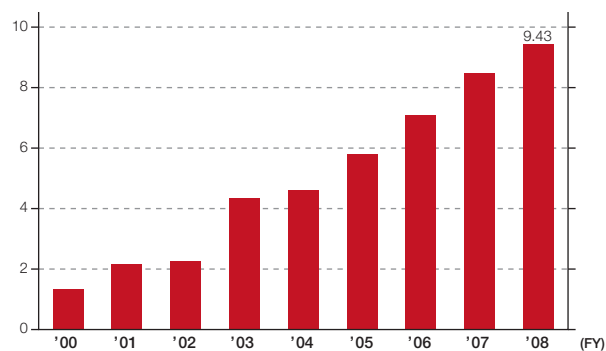
In the domain of digital entertainment, specifically game software, overseas markets such as Europe and North America are massive in scale, making business expansion in them vital to achieving future growth. Going forward, we will continue developing

products tailored to the needs of users in each region following in-depth analysis of the regional characteristics, cultures, tastes and other features of target countries.

Based on numerous requests from users, in the latest title in the *Winning Eleven* series, we have included a new “UEFA CHAMPIONS LEAGUE” mode allowing players to decide the top team among European club teams. Licensed by UEFA (Union of European Football Associations), the new game enables players to experience the excitement of competition in the world’s most exciting matches.

#### Units Sold in the *Winning Eleven* Series

(Million units)





## Lineup and Launch Dates for “World Soccer Winning Eleven 2009”/ “PRO EVOLUTION SOCCER 2009”

| Platform     | Europe     | The Americas | Japan      | South Korea | Other Asian countries |
|--------------|------------|--------------|------------|-------------|-----------------------|
| PLAYSTATION3 | 2008.10.16 | 2008.11.11   | 2008.11.27 | 2008.11.27  | 2008.11.27            |
| Xbox 360     | 2008.10.16 | 2008.11.11   | 2008.11.27 | 2008.11.27  | 2008.11.27            |
| PC           | 2008.10.16 | 2008.11.11   | –          | –           | 2008.11.11            |
| PlayStation2 | 2008.10.30 | 2008.11.11   | 2009       | 2009        | 2009                  |
| PSP          | 2008.11.6  | 2008.11.11   | 2009       | 2009        | 2009                  |
| Wii          | 2009       | 2009         | 2009       | –           | 2009                  |

Beyond this addition, features such as in-game player movement, graphics, and soccer match presentation have all been greatly enhanced, transforming the series into an even more realistic soccer experience. Other new gameplay elements include network play for the PLAYSTATION3, Xbox 360 and PC versions of the game. This functionality not only allows for head-to-head matches, but also enables players to enjoy highly competitive cooperative team play online with other users. This newest title in the *Winning Eleven* series is at the forefront of the global development and multiplatform strategy that Konami is pursuing. As the game platforms owned by users grow more varied, we will pursue effective promotional activities built on the simultaneous release of the same title, while making the most of the specific advantages each platform offers. These activities, in turn, will be linked to greater sales expansion.

### Features of *Winning Eleven 2009*

- **Alliance with UEFA:** Through a licensing contract with UEFA (Union of European Football Associations), players can now use the much anticipated new “UEFA CHAMPIONS LEAGUE” mode.
- **New network-only game modes:** New gameplay elements for the PLAYSTATION3, Xbox 360 and PC versions of the game include allowing players to enjoy highly competitive cooperative team play online with other users.
- **Enhanced visual presentation:** Exacting precision has been applied to the visual elements of the game, from the detailed reproduction of in-game player faces and uniforms, to stadium lighting and appearance during evening matches. In-game ball movement and dribbling, tackles between opposing players and other complex movements are now more realistic than ever.

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# Interim Consolidated Financial Statements (U.S. GAAP)

## Interim Consolidated Balance Sheets (Unaudited) (Yen in Millions)

|   | September 30,<br>2008 | March 31,<br>2008 |  | September 30,<br>2008 | March 31,<br>2008 |
|---|-----------------------|-------------------|--|-----------------------|-------------------|
| <b>ASSETS</b>   |                       |                   | <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                        |                       |                   |
| <b>CURRENT ASSETS:</b>  | <b>147,271</b>        | <b>140,079</b>    | <b>CURRENT LIABILITIES:</b>  | <b>70,929</b>         | <b>75,113</b>     |
| Cash and cash equivalents   | 61,145                | 52,130            | Current portion of long-term debt and capital lease obligations    | 8,166                 | 8,115             |
| Trade notes and accounts receivable, net of allowance for doubtful accounts | 23,336                | 33,802            | Trade notes and accounts payable                                   | 15,691                | 20,410            |
| Inventories   | 32,909                | 24,374            | Accrued income taxes   | 9,498                 | 9,523             |
| Deferred income taxes, net  | 19,442                | 18,275            | Accrued expenses   | 16,588                | 21,934            |
| Prepaid expenses and other current assets                                   | 10,439                | 11,498            | Deferred revenue   | 12,225                | 7,848             |
| <b>PROPERTY AND EQUIPMENT, net</b>  | <b>65,821</b>         | <b>66,690</b>     | Other current liabilities  | 8,761                 | 7,283             |
| <b>INVESTMENTS AND OTHER ASSETS:</b>  | <b>111,491</b>        | <b>112,479</b>    | <b>LONG-TERM LIABILITIES:</b>                                      | <b>57,736</b>         | <b>57,052</b>     |
| Investments in marketable securities  | 618                   | 659               | Long-term debt and capital lease obligations, less current portion | 35,330                | 35,613            |
| Investments in affiliates   | 6,433                 | 6,414             | Accrued pension and severance costs                                | 2,717                 | 2,699             |
| Identifiable intangible assets  | 37,982                | 38,161            | Deferred income taxes, net   | 11,221                | 11,559            |
| Goodwill  | 21,951                | 21,935            | Other long-term liabilities  | 8,468                 | 7,181             |
| Lease deposits  | 28,218                | 28,205            | <b>TOTAL LIABILITIES</b>   | <b>128,665</b>        | <b>132,165</b>    |
| Deferred income taxes, net  | 2,915                 | 2,687             | <b>MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES</b>              |                       |                   |
| Other assets  | 13,374                | 14,418            | <b>MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES</b>              | <b>4,783</b>          | <b>4,324</b>      |
| <b>TOTAL ASSETS</b>   | <b>324,583</b>        | <b>319,248</b>    | <b>COMMITMENTS AND CONTINGENCIES</b>                               |                       |                   |
|   |                       |                   | <b>COMMITMENTS AND CONTINGENCIES</b>                               |                       |                   |
|   |                       |                   | <b>STOCKHOLDERS' EQUITY:</b>                                       |                       |                   |
|   |                       |                   | Common stock, no par value   | 47,399                | 47,399            |
|   |                       |                   | Additional paid-in capital   | 77,091                | 77,078            |
|   |                       |                   | Legal reserve  | 284                   | 284               |
|   |                       |                   | Retained earnings  | 81,749                | 73,492            |
|   |                       |                   | Accumulated other comprehensive income                             | 2,323                 | 2,579             |
|   |                       |                   | Treasury stock, at cost  | (17,711)              | (18,073)          |
|   |                       |                   | <b>Total stockholders' equity</b>                                  | <b>191,135</b>        | <b>182,759</b>    |
|   |                       |                   | <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                  | <b>324,583</b>        | <b>319,248</b>    |

## Interim Consolidated Statements of Operations (Unaudited) (Yen in Millions)

|  | Six months ended<br>September 30,<br>2008 | Six months ended<br>September 30,<br>2007 |
|--|---|---|
| <b>NET REVENUES:</b>   | <b>146,904</b>                            | <b>133,743</b>                            |
| Product sales revenue  | 105,431                                   | 93,539                                    |
| Service revenue  | 41,473                                    | 40,204                                    |
| <b>COSTS AND EXPENSES:</b>   | <b>124,060</b>                            | <b>120,701</b>                            |
| Costs of products sold   | 55,865                                    | 56,384                                    |
| Costs of services rendered   | 39,865                                    | 38,208                                    |
| Selling, general and administrative expenses   | 28,330                                    | 26,109                                    |
| <b>Operating income</b>  | <b>22,844</b>                             | <b>13,042</b>                             |
| <b>Other income (expenses), net:</b>   | <b>(436)</b>                              | <b>33</b>                                 |
| Interest income  | 381                                       | 505                                       |
| Interest expense   | (863)                                     | (516)                                     |
| Other income (expenses), net   | 46  | 44  |
| <b>INCOME BEFORE INCOME TAXES,<br/>MINORITY INTEREST AND EQUITY IN<br/>NET INCOME AFFILIATED COMPANIES</b> | <b>22,408</b>                             | <b>13,075</b>                             |
| <b>INCOME TAXES</b>  | <b>9,990</b>                              | <b>5,988</b>                              |
| <b>INCOME BEFORE MINORITY INTEREST<br/>AND EQUITY IN NET INCOME OF<br/>AFFILIATED COMPANIES</b>            | <b>12,418</b>                             | <b>7,087</b>                              |
| <b>MINORITY INTEREST IN INCOME OF<br/>CONSOLIDATED SUBSIDIARIES</b>  | <b>514</b>                                | <b>946</b>                                |
| <b>EQUITY IN NET INCOME OF<br/>AFFILIATED COMPANIES</b>  | <b>60</b>                                 | <b>147</b>                                |
| <b>NET INCOME</b>  | <b>11,964</b>                             | <b>6,288</b>                              |

### ● NET REVENUES

|                                   | Six months ended<br>September 30,<br>2008 | Six months ended<br>September 30,<br>2007 |
|-----------------------------------|---|---|
| Digital Entertainment Segment     | 93,030                                    | 74,141                                    |
| Health & Fitness Segment          | 45,456                                    | 43,899                                    |
| Gaming & System Segment           | 7,854                                     | 7,600                                     |
| Other, Corporate and Eliminations | 564                                       | 8,103                                     |
| <b>Consolidated</b>               | <b>146,904</b>                            | <b>133,743</b>                            |

### ● OPERATING INCOME

|                                   | Six months ended<br>September 30,<br>2008 | Six months ended<br>September 30,<br>2007 |
|-----------------------------------|---|---|
| Digital Entertainment Segment     | 26,305                                    | 12,915                                    |
| Health & Fitness Segment          | 1,564                                     | 3,613                                     |
| Gaming & System Segment           | 1,040                                     | 950                                       |
| Other, Corporate and Eliminations | (6,065)                                   | (4,436)                                   |
| <b>Consolidated</b>               | <b>22,844</b>                             | <b>13,042</b>                             |

## Interim Consolidated Statements of Cash Flows (Unaudited) (Yen in Millions)

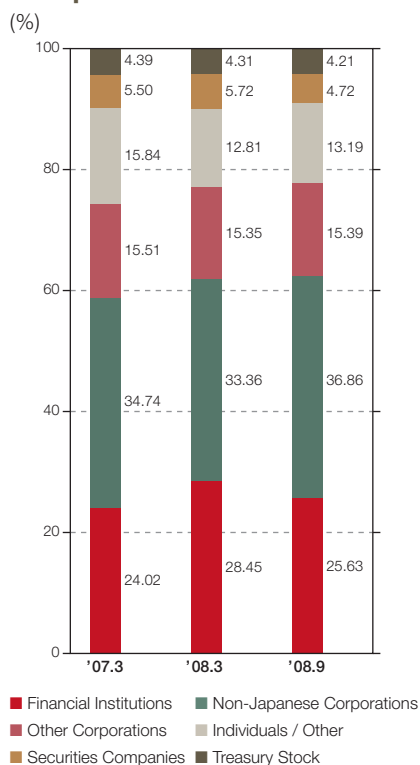
|  | Six months ended<br>September 30,<br>2008 | Six months ended<br>September 30,<br>2007 |   | Six months ended<br>September 30,<br>2008 | Six months ended<br>September 30,<br>2007 |
|--|---|---|---|---|---|
| <b>Cash flows from operating activities:</b>   |   |   | <b>Cash flows from investing activities:</b>                            |   |   |
| Net income   | 11,964                                    | 6,288                                     | Capital expenditures  | (4,658)                                   | (7,983)                                   |
| Adjustments to reconcile net income to<br>net cash provided by operating activities: |   |   | Proceeds from sales of property<br>and equipment                        | 1,331                                     | 3   |
| Depreciation and amortization  | 6,204                                     | 5,875                                     | Increase in lease deposits, net   | 1,784                                     | (2,369)                                   |
| Provision for doubtful receivables   | 13  | (22)                                      | Other, net  | (50)                                      | (231)                                     |
| Equity in net income of an affiliated company  | (60)                                      | (147)                                     | <b>Net cash used in investing activities</b>                            | <b>(1,593)</b>                            | <b>(10,580)</b>                           |
| Minority interest  | 514                                       | 946                                       | <b>Cash flows from financing activities:</b>                            |   |   |
| Deferred income taxes  | (1,856)                                   | 381                                       | Repayments of long-term debt  | (296)                                     | (296)                                     |
| Change in assets and liabilities,<br>net of business acquired:                       |   |   | Proceeds from issuance of bonds   | —   | 15,000                                    |
| Decrease (increase) in trade notes and<br>accounts receivable                        | 10,164                                    | (1,508)                                   | Redemption of bonds   | —   | (15,000)                                  |
| Increase in inventories  | (9,007)                                   | (2,974)                                   | Principal payments under capital<br>lease obligations                   | (1,437)                                   | (1,327)                                   |
| Decrease in other receivables  | 1,233                                     | 1,349                                     | Dividends paid  | (3,713)                                   | (3,712)                                   |
| Increase in prepaid expense  | (1,984)                                   | (937)                                     | Purchases of treasury stock by<br>parent company                        | (100)                                     | (13)                                      |
| Decrease in trade notes and<br>accounts payable                                      | (4,426)                                   | (2,169)                                   | Other, net  | 464                                       | (1)                                       |
| Increase in accrued income taxes,<br>net of tax refunds                              | 478                                       | 1,951                                     | <b>Net cash used in financing activities</b>                            | <b>(5,082)</b>                            | <b>(5,349)</b>                            |
| Decrease in accrued expenses   | (3,725)                                   | (3,162)                                   | <b>Effect of exchange rate changes on cash<br/>and cash equivalents</b> | <b>(354)</b>                              | <b>525</b>                                |
| Increase in deferred revenue   | 4,377                                     | 343                                       | <b>Net increase (decrease) in cash and<br/>cash equivalents</b>         | <b>9,015</b>                              | <b>(8,245)</b>                            |
| Increase in advances received  | 753                                       | 739                                       | <b>Cash and cash equivalents,<br/>beginning of the period</b>           | <b>52,130</b>                             | <b>57,333</b>                             |
| Decrease in deposits   | (530)                                     | (1,261)                                   | <b>Cash and cash equivalents, end of the period</b>                     | <b>61,145</b>                             | <b>49,088</b>                             |
| Other, net   | 1,932                                     | 1,467                                     |   |   |   |
| <b>Net cash provided by operating activities</b>                                     | <b>16,044</b>                             | <b>7,159</b>                              |   |   |   |

# Stock Information (As of September 30, 2008)

## Common Stock

Authorized: 450,000,000 shares  
 Outstanding: 143,500,000 shares  
 (including 6,037,956 treasury shares)  
 Number of shareholders: 46,004

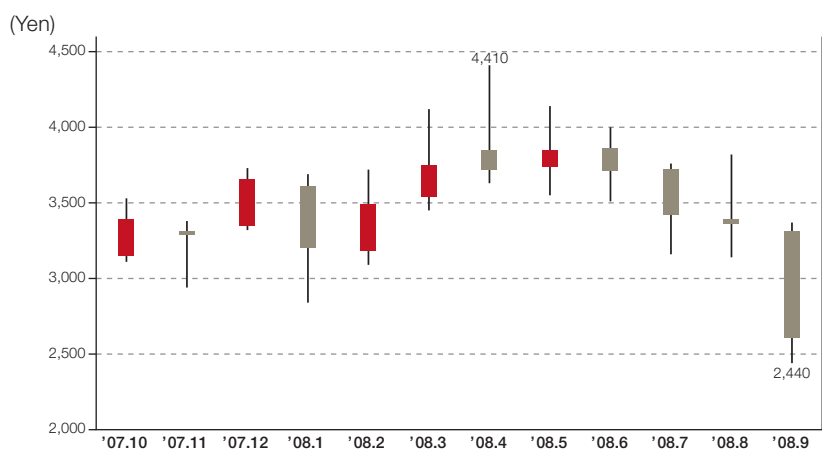
## Composition of Shareholders



## Principal Shareholders

| Shareholder's Name  | Shares (Thousands) | % of Total |
|---|--------------------|------------|
| Kozuki Foundation For Sports and Education                                | 14,330             | 9.99       |
| Kozuki Holding B.V.   | 13,530             | 9.43       |
| The Master Trust Bank of Japan, Ltd. (Trust Account)                      | 10,193             | 7.10       |
| Japan Trustee Services Bank, Ltd. (Trust Account)                         | 10,047             | 7.00       |
| Kozuki Capital Corporation  | 7,036              | 4.90       |
| KONAMI CORPORATION  | 6,037              | 4.21       |
| MORGAN WHITEFRIARS EQUITY DERIVATIVES                                     | 4,538              | 3.16       |
| Sumitomo Mitsui Banking Corporation                                       | 4,135              | 2.88       |
| BNP PARIBAS Securities (Japan) Ltd.                                       | 3,171              | 2.21       |
| Japan Trustee Services Bank, Ltd. (Trust Account 4G)                      | 2,953              | 2.06       |
| Dresdner Kleinwort (Japan) Limited Tokyo Branch                           | 2,786              | 1.94       |
| Deutsche Securities Inc.  | 2,542              | 1.77       |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | 1,951              | 1.36       |
| Societe Generale Securities (North Pacific) Limited, Tokyo Branch         | 1,661              | 1.16       |
| KONAMI SHAIN MOCHIKABUKAI   | 1,310              | 0.91       |
| CALYON DMA OTC  | 1,189              | 0.83       |
| NikkoCiti Trust and Banking Corporation (Investment Trust Account)        | 1,085              | 0.76       |
| Mizuho Securities Co., Ltd.   | 1,041              | 0.73       |
| Mitsubishi UFJ Securities Co., Ltd.                                       | 972                | 0.68       |
| THE CHASE MANHATTAN BANK N.A. LONDON SL OMNIBUS ACCOUNT                   | 833                | 0.58       |

## Share Price



# Shareholder Information / Corporate Data

## Shareholder Information

|   |  |
|---|--|
| <b>Fiscal Year-End</b>                            | March 31   |
| <b>Ordinary General Meeting of Shareholders</b>   | June   |
| <b>Record Date for Shareholders</b>               | Annual shareholders' meeting: March 31<br>Year-end dividend: March 31<br>Interim dividend: September 30<br>Other (when necessary): As announced in advance |
| <b>Transfer Agent</b>                             | The Sumitomo Trust and Banking Co., Ltd.<br>4-5-33, Kitahama, Chuo-ku, Osaka, Japan  |
| <b>Location of Transfer Agent Handling Office</b> | The Sumitomo Trust and Banking Co., Ltd.<br>Stock Transfer Agency Department<br>2-3-1, Yaesu, Chuo-ku, Tokyo, Japan  |
| ■ <b>Mailing Address</b>                          | The Sumitomo Trust and Banking Co., Ltd.<br>Stock Transfer Agency Department<br>1-10, Nikko-cho, Fuchu, Tokyo 183-8701, Japan                              |
| ■ <b>Telephone Inquiries</b>                      | (Change in address): 0120-175-417<br>(Other inquiries): 0120-176-417   |
| ■ <b>Internet URL</b>                             | <a href="http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html">http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html</a>        |
| <b>Intermediary Offices</b>                       | The Sumitomo Trust and Banking Co., Ltd.<br>Head Office and all branches in Japan  |
| <b>Public Notices</b>                             | Shown on the Company website.<br><a href="http://www.konami.co.jp">http://www.konami.co.jp</a>   |
| <b>Stock Exchange Listings</b>                    | Tokyo, New York, London, and Singapore   |

The Sumitomo Trust and Banking Co., Ltd., carries out various procedures related to the handling of KONAMI shares.

For more details on share-handling procedures, please visit The Sumitomo Trust and Banking Co., Ltd.'s website.

## For ADR Holders

**Depository and Transfer Agent for American Depositary Receipts:**  
JPMorgan Chase Bank, N.A.  
4 New York Plaza, 13th Floor, New York, NY 10004, U.S.A.

**ADR Holder Contact:** JPMorgan Service Center

JPMorgan ADR Holder Transfer Services:

### Telephone

Toll-free U.S. & Canada 1-800-990-1135  
Outside U.S. 1-651-453-2128  
Hearing impaired 1-866-700-1652  
Automated IVR system is available 24 hours / 7 days a week.  
Representatives are available 9:00 am to 7:00 pm EST weekdays.

### Internet

Visit <http://www.adr.com> and go to Shareholder Services page.

### Mail for regular correspondence

JPMorgan Chase Bank, N.A.  
P.O. Box 64504 St. Paul, MN 55164-0504, U.S.A.

## Corporate Data (As of September 30, 2008)

|                        |   |
|------------------------|---|
| <b>Company Name</b>    | KONAMI CORPORATION  |
| <b>Representative</b>  | Kagemasa Kozuki, President and Representative Director                                      |
| <b>Headquarters</b>    | 9-7-2, Akasaka, Minato-ku, Tokyo 107-8323, Japan<br>TEL: 81-3-5770-0573 FAX: 81-3-5412-3300 |
| <b>Founded</b>         | March 21, 1969  |
| <b>Incorporated</b>    | March 19, 1973  |
| <b>Paid-in Capital</b> | ¥47,399 million   |
| <b>Home Page URL</b>   | <a href="http://www.konami.co.jp/en">www.konami.co.jp/en</a>                                |

## Guide to Investor Relations Site

Our website includes an investor relations section that provides easy access to our latest financial information, news releases, and other relevant IR information.

**URL:** [www.konami.co.jp/en/ir](http://www.konami.co.jp/en/ir)